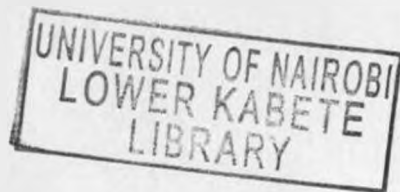


RESPONSES TO SUPPLY CHAIN MANAGEMENT MALPRACTICES IN THE KENYAN PUBLIC SECTOR

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**A Management Research Project Submitted in Partial Fulfillment of the Requirement for
the award of Masters of Business Administration Degree, School of Business, University of
Nairobi.**

2011

DECLARATION

This project is my original work and has not been submitted to any other institution of higher learning for the award of any academic certificate.

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REG NO: D61/71306/2008

This project has been submitted for examination with my approval as university supervisor.

Signature: *Onserio Nyamwange* Date: *05/11/2011*

SUPERVISOR

ONSERIO NYAMWANGE

DEDICATION

I wish to dedicate this research project to my wife Esther, my daughter Janelle, my dad Samson, my mum Mary, sister Sharon, brothers Charles and Kenrick, my classmates and friends for the support they have given me throughout the course.

ACKNOWLEDGEMENT

This research project would not have been a success without the support received from various sources. I am sincerely grateful to God for the gift of serenity throughout my studies from the beginning of the course to its completion. I must admit humbly that the success of this research has been largely due to the collaborative efforts and devotion of many people to whom I owe a lot of gratitude. Special thanks go to my Supervisor Onserio Nyamwange, moderator Ombati Thomas, the department of management science and the University Of Nairobi for the guidance, opportunity and support to pursue this course.

God bless you all.

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LIST OF ACRONYMS

GDP: Gross Domestic Product

GPA: Government Procurement

OECD: Organization for Economic Co-operation and Development

PPCRAB: Public Procurement Complaints, Review and Appeals Board

PPD: Public Procurement Directorate

PPDA: Public Procurement and Disposal Act

PPOA: Public procurement oversight authority

SC: Supply Chain

SCM: Supply Chain Management

WTO: World Trade Organization

UNCTDA: United Nations Conference on Trade and Development

ABSTRACT

The general objective of this study was to determine the responses to supply chain management malpractices in the Kenyan public Sector. The study adopted a descriptive design. The researcher carried out a census of all ministries. This study collected quantitative data using a questionnaire. The findings are presented using tables and charts. The study reveals that there was non compliance SCM policies and guidelines, lack of professional skills among the SCM staff, lack of ethics, competitive tendering, accountability, inadequate use of technology, it also reveals government has put in place comprehensive anti-corruption programme in public procurement, there is application of PPDA as a guide in the procurement process in Ministries and there are ongoing training programmes on the procurement principles, operations and law. Therefore the study concludes that the Government has put in place various measures to respond to supply chain management malpractices within the ministries. The study recommended stringent application of the public procurement and supply act 2005 and regulation 2006 and benchmarking as some of responses to SCM malpractices.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Public Sector Supply Chain Management (SCM) is a concept that offers a reference framework for the composition of Public sector Supply Chains and multilevel networks. Actors in public sector supply chain comprise; private firms which receive orders from public sector agents, accounting officers and policy-makers. The SCM in the public sector not only concentrates on the question, which institutions cooperate in goods and services, but also how these enterprises are involved with enterprises operating at other levels. Thus, analyses of intra-network-relationships as well as analyses of inter-network-relationship are essentially necessary elements of the concept (Ireland and Webb, 2007).

Many studies recognize that an effective SCM is a powerful tool to achieve cost advantage and a more profitable outcome for all parties within and beyond any organization (Davis, 2008). It is for this reason that the concept has gained interest in the public sector in recent years (Ambe, 2009). For example, countries such as the UK, US and Canada have for long employed SCM in the management of their procurement and logistics (OCG, 2005) as well as South Africa (Ambe, 2009) among others.

Public sector SCM differs from sector-to-sector in government. For example, in the health sector, the focus may be more on logistics and the effective movement of goods and services in and out of hospitals, whereas SCM in the education sector may focus on streamlining the supply chain through which teaching materials are delivered to students. The shape of the supply chain and the supply chain management processes employed will therefore vary considerably depending on a range of different considerations (OGC, 2005). Public supply chain may be inbound into the public sector that is an operational requirement for internal customers and may be outbound from the public sector to deliver wider organizational objectives to provide services for delivery to citizens, or a combination of both. Supply chain is inbound to the public sector where suppliers deliver goods and services into the public sector departments to support their operational objectives e.g. office furniture provision, stationery etc. While it is outbound from

the public sector – directly supporting the needs of the public e.g. Government delivering services for public sector funded projects, relief food, medication etc.

The strategic role of supply chain management (SCM) in the public sector as the medium for creating and sustaining a competitive advantage can not be underscored (Ireland and Webb, 2007). Effective public sector SCM has potential benefits such as inventory reduction, improved service delivery and cost reduction across the supply chain (Daugherty et al., 2005; Attaran, 2004). However, despite these benefits, public sectors in developing countries continue to encounter difficulties in the supply chain (Hendricks and Singhal, 2003). Some of the difficulties of supply chain management include poor implementation of SCM practices; lack of skills and capacity in the implementation and execution of SCM; quality of services and products in the supply chain, and poor collaborative planning. Other barriers are conflict of interest in the composition of tender committees, complexity of the procurement policy framework and their associated regulations (OGC, 2005).

Other difficulties to SCM fall under managerial complexity or misalignments in allying firms' processes, structures, and culture (Park and Ungson, 2001). Under the umbrella of managerial complexity barriers include information system and technological incompatibility, inadequate measurement systems, and conflicting organizational structures and culture (Sheridan, 1999; Tyndall *et al.*, 1998; Quinn, 1997). Because many firms are comfortable using their systems for only their own tasks, it is not surprising to see inconsistent information and technology systems as a barrier. People are change averse and unwilling to share information for fear of exposing their weakness and secrets to others. If SCM is to be implemented across company borders, a revamp in attitude and thinking is necessary. Cooper *et al.* commented: Successful supply chain management requires a change from managing both individual functions to integrating activities into key supply chain processes (Cooper *et al.*, 1997)

These costly burdens result in government failure to meet customer demand (Hendricks and Singhal, 2005). These potentially costly burdens from failure to meet customer demand are a strong motivator for supply chain (SC) managers and management scholars to develop bridges or solutions and strategies to either avoid or remedy the barriers to strategic SC success.

Once the difficulties to successful SCM are identified, strategies can be designed and implemented to attain desired benefits. However, for such strategies to work research suggests the need for management to redesign its approach to problem resolution – SC collaboration entails “significantly different business models and thinking styles of management” (Moberg *et al.*, 2003). The top three strategies found in the literature focus on collaboration among chain partners. These three strategies are transparent information systems, cross-functional collaboration, and collaborative planning across the supply chain (Kulp *et al.*, 2004). If SC managers are expected to make difficult decisions in dynamic environments, valuable information must be available at the right place, at the right time, and in the right hands of people who approach the problem from different perspectives and with different styles.

The remaining bridges include adopting a strategic SC vision, paying attention to human factors, and supply-base reduction and certification (Barratt, 2004a). Managers must be able to “think outside of the box” using different combinations of approaches with different people to remedy SCM malpractices.

1.2 Statement of the Problem

Despite the high interest and employment of SCM in public institutions, Humphries and Wilding (2004) assert that much has not been done compared to the private sector. According to Korosec (2003), majority of SCM literature that does exist focuses primarily on private sector transactions or on international governments owing to the fact that SCM has been used in both of these arenas for almost two decades. Notwithstanding this, many professional government organizations have shown that SCM could hold great promise in enhancing public procurement systems. However, Essig & Dorobek (2006) argue that the management of public supply chain raises various research questions that need to be answered.

Supply Chain Management (SCM) is an integral part of procurement reform in Kenya. As an international commercial best practice, it has been adopted as a methodology toward effective, efficient and economic use of public resources in Kenya. Furthermore, the construct of supply chain management (SCM) is directly linked to preferential procurement for broad-based economic empowerment of historically disadvantaged people in Kenya. The concepts of both

SCM and empowerment are interlinked in the policy expressions by the Kenyan Government toward ensuring a better life for all.

Locally, several studies for instance, Ng'ang'a (2004) studied the strategic responses of Glaxo Smithkline Ltd following liberalization of the pharmaceutical industry in Kenya; The result of the study showed that there have been various changes in the industry including increase in demand and entry of other players. Kombo (1997) did a study on strategic responses by firms facing changed environmental conditions focusing on motor vehicle franchise holders in Kenya. From the study it was apparent that the sector was operating in a dynamic business environment which posed many challenges.

These studies on response strategies were based on private sector organizations which are different with public institutions in the way SCM is managed. Therefore the findings of these studies cannot be used to generalize for the response strategies adopted by public sector in SCM. This study determines what response strategies the Public Sector have adopted to cope with SCM malpractices. The study was guided by the following research questions; is benchmarking used as a response to supply chain management malpractices in the Kenyan public Sector? Is balance scorecard used as a response to supply chain management malpractices in the Kenyan public Sector? And is performance contracting used as a response to supply chain management malpractices in the Kenyan public Sector? Is the public procurement and disposal act 2005 and public procurement and disposal regulation 2006 a response to supply chain management malpractices?

1.3 Objective of the Study

The general objective of this study was to determine the responses to supply chain management malpractices in the Kenyan Public Sector.

1.3.1 Specific Objectives

1. To determine whether benchmarking is used as a response to supply chain management malpractices in the Kenyan Public Sector.

2. To establish whether balance scorecard is used as a response to supply chain management malpractices in the Kenyan Public Sector.
3. To examine whether performance contracting is used as a response to supply chain management malpractices in the Kenyan Public Sector.
4. Determine whether the public procurement and disposal act 2005 and public procurement and disposal regulation 2006 is used a response to supply chain management malpractices in the Kenyan Public Sector.

1.4 Significance of the Study

The Central government being the largest shareholder of the organization is the biggest beneficiary; this is so because the knowledge can be applied in parastatals and Ministries in order to increase the competitiveness, efficiency and effectiveness in service delivery considering this is a country full of private investments. It also contributes to existing academic literature in the field of supply chain management. It was a guide to further research in the field of public sector supply chain management. The study acts a basis of benchmarking with other public institutions in other countries and what kind of research they have undertaken in responding to supply chain management malpractices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the existing studies on public sector supply chain management. In addition, this section reviewed some of the public sector supply chain management malpractices as well as some of the responses to these malpractices. Finally the section reviewed the conceptual framework used in this study.

2.2 Public Sector Supply Chain Management

Countries such as the UK, US and Canada have long used SCM in the management of their procurement and logistics. Gansler et al. (2004) acknowledge that the Department of Defense (DOD) in the US has reduced cost through lead time in the management of its logistics by using SCM best practices. Also, the Office of Government of Commerce (OGC) in the UK releases year to year updates about best practices of SCM in the public sector. Luby [Consultant for Department of Defense Supply Centers and Defense Supply Chain Leader with IBM Consulting Services (2004)] noted that“ the key to modernizing SCM in the private sector has been internal and external digital integration, including new linkages, procurement and finance operations. He however, proposed that governments can and must do more to adopt available and proven tools for implementing a modern supply chain.

These include: instant worldwide communications; interoperable, flexible and secure information technology; remote diagnostics and automated decision-making aids and use modern, high-speed transportation (Essig and Dorobek, 2006). Streamlining and modernizing government supply chain can result in substantial cost savings as well deliver-time improvement (Gansler et al., 2004). According to Essig and Dorobek (2006), the integration of SCM in the public sector is playing a critical role in optimizing logistics support and improving the management of secondary inventory. Government SCM is a concept that offers a reference framework for the composition of government supply chains and multilevel networks.

In the public sector, SCM is concerned with the “co-ordination of all parties involved in delivering the combination of inputs, outputs or outcomes that will meet a specified public sector

requirement.” These parties include external suppliers, partner organizations, and internal corporate service units both inside and outside the organization. The supply chain may be inbound into the public sector. That is an operational requirement for internal customers for example, or it may be outbound from the public sector. That is in place to deliver wider organizational objectives and to provide services for delivery to citizens, or a combination of both. Supply chains in the public sector addresses different focus areas (Migiros & Ambe, 2008).

2.3 Public Sector Supply Chain Management Malpractices

There are enormous malpractices in the application of SCM both in the private and the public sector management. Some of the malpractices that need to be addressed for successful management of the public sector supply chains include:

2.3.1 Lack of Transparency

The function of transparency is also important in procurement and it refers to openness. Transparency therefore is an essential aspect of ensuring accountability and minimizing corruption, and has gained prominence in Organizations for Economic Cooperation and Development (OECD) countries, and is particularly associated with the rise of the governance agenda as transparency is a core governance value (Smith-Deighton, 2004).

Government procurement is one area where corruption is rampant in both developing and developed countries. The recipients of clandestine payments may not only be the officials who are responsible for decision making but also ministers and political parties. Transparency requires governments to adhere to higher standards of conduct by ensuring that conduct will be open to scrutiny (Smith-Deighton, 2004):

A study by Harvard's Shang-Jin Wei, for example has found a link between the level of perceived level of corruption in a country as measured by Transparency International's Corruption Perceptions Index-and the level of foreign direct investment. His main findings are that an increase in corruption from the level of that in Singapore (like New Zealand in the top decile of countries) to that of Mexico (in the seventh decile) was equivalent to raising the tax rate by 20 percentage points (Petrie, 2001).

2.3.2 Poor Accountability

The concept of accountability does not only apply to the public sector (Barrett, 2000) The Boards of private sector organisations are also accountable to their stakeholders (Hughes, 2003). Public servants have to take the influence of politics into consideration in the implementation of their duties while the private sector gives more attention to the market mechanism (Stewart, 1999). Accountability, an important principle of government procurement, comes into play at both the national and international levels. At the international level, governments are often involved in trading activities and procure goods and services such as defense equipment, provide or receive aid, and operate diplomatic posts in other nations (Department of Foreign Affairs and Trade, 2006) and the conduct of these activities results in financial risk exposures, and accountability problems.

2.3.3 Use of E-Procurement

Greater use of electronic procurement in developing countries has not advanced to the stage reached by more developed countries. In Kenya for instance, the main achievement to date has been the improved PPDA website, though the Authority has still to persuade most entities to place on the website their bid opportunities, notices of best evaluated bidder and contract award and other statutory information. More advanced applications of electronic commerce, including its use in tendering, may not be suitable until substantial improvements in basic infrastructure have come about. In Kenya, as in many other African countries, supply of electricity is spasmodic and Internet services are slower and subject to more frequent breakdowns than would occur in developed countries. However, a study will be undertaken into possible applications of electronic procurement (Abeillé, 2003).

2.4 Response to Public Sector Supply Chain Management Malpractices

There are different types of performance measurement systems that can be applicable to public sector supply chains. Some of the common performance measurements methods include the balanced scorecard, performance contracting and benchmarking (Handfield et al., 2009). The Balanced Scorecard (BSC) approach to performance measurement was developed by Kaplan and Norton (1992-1996) as a way to align organizational performance measures with its strategic

plans and goals (Wisner et al., 2008). Benchmarking is a popular tool which is used universally to improve organizational performance and competitiveness (Wong & Wong, 2008).

2.4.1 Balanced Scorecard

The balanced scorecard (BSC) was originally developed for the private sector as a means of clarifying and updating strategy, communicating strategy in the company, aligning unit and individual goals to strategy, linking objectives to long term targets and budgets, and conducting performance reviews to improve strategy (Kaplan & Norton 2001a); and it is now also being used as 'a powerful tool for rapid and effective strategy implementation' (Kaplan & Norton 2005). However, in the last decade, the balanced scorecard's multidimensional focus has also been viewed as a way of addressing the need for a strategic performance measurement system within public sector organisations (Umashev & Willett 2008). Performance measurement in the public sector has traditionally focused on financial measures such as revenues and cash flows. However, the accounting or financial indicators which are readily available in most public sector organisations reflect what has happened in the organisation but do not indicate the underlying drivers of either satisfactory or unsatisfactory performance (Niven 2005).

Unlike the private sector, where financial measures are used such as return on assets (profitability), return on shareholder's equity, and growth, in the public sector, it is more relevant to focus on efficiency of launching the programs and making best use of resources. However, the task of determining the measures, targets and collecting the relevant information for non-financial measures is not easy. Balanced scorecard research in the public sector has been conducted within the context of the healthcare industry (Coop 2006, Yang et al. 2005), public service organisations (including local government institutions and 'municipalities') (Umashev & Willett 2008; Farneti & Guthrie 2008), and not-for profit SMEs (Manville 2007). Gumbus et al. (2003) reported a successful story of BSC application in a hospital. Likewise, the study of Askim (2004) reported how local government institutions can become active learners by adopting a performance management reform system like the BSC.

2.4.2 Performance Contracting

Performance Contracting is a major part in achieving set objectives of the company. A performance contract is a formal and legally enforceable agreement between an employer and employees defining the performance expectations to be delivered by the employees as well as the time in which they are to be delivered. The use of Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Essentially, in government institutions a Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets. They include a variety of incentive-based mechanisms for controlling public agencies controlling the outcome rather than the process.

The success of Performance Contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and Kenya has sparked a great deal of interest in this policy around the world. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries. Performance Contracts represent a state-of-the-art tool for improving public sector performance. They are now considered an essential tool for enhancing good governance and accountability for results in the public sector.

Performance contracting gives an organization a competitive edge over other organizations since it's a binding commitment. The parties involved are committed to certain courses that yield positive results in the organization. It involves negotiating the targets based on the strategic plan of the organization. Signing the contract indicates commitment by the parties to implement the strategic plan.

Determining the performance of a supply chain in goal achievement requires the establishment of a performance measure. The performance measure is used to determine the effectiveness of the current supply chain of the business or to compare alternative systems to find one that is appropriate to the needs of the business. Performance measures may also be used as basis for the design of a system, which means that a system of checks is incorporated into the system to ensure regular evaluation of the implementation of the system. Generally, there are two forms of

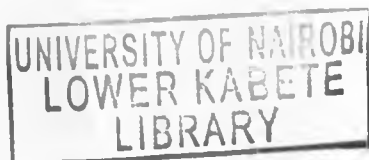
performance measures, which are the qualitative and the quantitative measures (Arend and Wisner, 2005).

Performance contracting strategy could be applied to cope with the political environment which would include trade decisions, antitrust laws, tax programs, minimum wage legislation, pollution and pricing policies all aimed at protecting the employees, customers, the general public and the environment.

2.4.3 Benchmarking

Benchmarking is a systematic process of determining and implementing best practices in strategic planning and operational improvement. Benchmarking is a technique for comparing a firm's business processes against the best practices of other firms (Camp, 1989). Benchmarking is important for the firms to compare similar performance metrics. As suggested by Splendolini (1992), benchmarking process consists of five fundamental purposes: Strategy: short and long term planning execution; Forecasting: predict trends; new ideas: suggest new insight; Compare processes and objectives and goal-setting against best practices

Previous benchmarking studies in supply chain management covered types of performance or practice including its achievable performance levels for comparison, how to set performance targets, and possible methods to implement improvement solutions (Boyson *et al.*, 1999). However, most of this previous research relates mainly to benchmarking schemes for a specific single company as a part of the supply chain. Hanman (1997) employed the leaders-laggers analysis to compare a firm's performance to best practice. Gilmour (1999) proposed a set of benchmark measures based on a set of capabilities, which consists of process, information technology, and organisation. Bowersox *et al.* (2000) found that best practice in supply chain management resulted in better performance compared to companies with less integrated supply chain practices. Van Landeghem and Persoons (2001) developed a causal model as a means for identifying possible initiatives to bridge the performance gap between a company and best-in-class performers. Recently, Basnet *et al.* (2003) empirically provided a benchmarking study on supply chain practices in New Zealand companies.



2.4.4 Public Procurement and Disposal Act 2005 and Regulation 2006

Public procurement is broadly defined as the purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector. Public procurement is alternatively defined as the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid as well as revenue received from the economic activity of state. Public procurement thus means procurement by a procuring entity using public funds (World Bank, 1995a). The items involved in public procurement range from simple goods or services such as clips or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports. The Public Procurement System in Kenya has evolved from a crude system with no regulations to an orderly legally regulated procurement system. In view of the above shortcoming it was found necessary to have a law to govern the procurement system in the public sector and to establish the necessary institutions to ensure that all procurement entities observe the provisions of the law for the purpose of attaining the objectives of an open tender system in the sector. Consequently the establishment of the Exchequer and Audit (Public Procurement) Regulations 2001 which created the Public Procurement Directorate (PPD) and the Public Procurement Complaints, Review and Appeals Board (PPCRAB).

The PPD and PPCRAB, though largely independent in carrying out their activities, had been operating as departments in the Ministry of Finance on which they relied for staff, facilities and funding. Since these institutional arrangements have a potential for undermining the impartiality of these bodies in the long run it was found necessary to create an oversight body whose existence was based on a law. The Public Procurement and Disposal Act, 2005 was thus enacted and it became operational on 1st January, 2007 with the gazettelement of the Public Procurement and Disposal Regulations, 2006.

The Public Procurement and Disposal Act, 2005 created the Public Procurement Oversight Authority (PPOA), the Public Procurement Advisory Board (PPAB) and the continuance of the

Public Procurement Complaints, Review and Appeals Board as the Public Procurement Administrative Review Board (PPARB). The PPAB and PPARB are autonomous bodies.

The PPOA is mandated with the responsibility of: Ensuring that procurement procedures established under the Act are complied with, monitoring the procurement system and reporting on its overall functioning, initiating public procurement policy, assisting in the implementation and operation of the public procurement system by: Preparing and distributing manuals and standard tender documents; providing advice and assistance to procuring entities and develop, promote and support training and professional development of staff involved in procurement.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter set out various stages and phases that were followed in completing the study. It involved a blueprint for the collection, measurement and analysis of data. This section identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections included; research design, population, data collection and finally data analysis.

3.2 Research Design

The study adopted a descriptive design. A descriptive survey study is concerned with finding out what, where and how of a phenomena (Cooper and Schindler, 2006). A descriptive survey study was chosen because of the need to collect data from a broad category of organizations for comparison purposes.

3.3 Population

Target population in statistics is the specific population about which information is desired. The researcher carried out a census of all the Ministries. Ministries were sufficient to produce the intended results.

3.4 Data Collection

This study utilized a questionnaire. The questionnaire designed in this study comprised of two sections. The first section contained background information of the respondents. The second section comprised of questions on responses to the malpractices. The questionnaire contained questions in likert scale. According to Chandran (2003), the Likert Scale is an ordered, one-dimensional scale from which respondents choose one option that best aligns with their view.

This study collected quantitative data. Data was collected from chief procurement officers from each Ministry. Data was collected using a self-administered questionnaire. Semi-structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they would be in immediate usable form; while the unstructured questions were used

so as to encourage the respondent to give an in-depth and honest response without feeling held back in revealing of any information (Chandran, 2003).

3.5 Data Analysis

Data processing involved data coding and entry using a prepared code sheet. Quality of data was checked thoroughly and validated at every stage of data coding and entry. The data entry process was undertaken using census and survey processing system (CSPRO). Data collected was purely quantitative and was analyzed by descriptive statistics. According to Cooper & Schindler, (2003) descriptive statistics are used to describe the basic features of the data in a study. Quantitative data was analysed through the use of frequency distribution, percentages, mean scores and standard deviations. Finally data assembled was subjected to a variety of analytical procedures with the assistance of the Statistical Package for Social Sciences (SPSS) Version 19. The findings were presented using tables and charts.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The data was gathered exclusively from a questionnaire as the research instrument that was designed in line with the objectives of the study. To enhance the quality of data obtained, Likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point scale. The data has been presented in quantitative form followed by discussions of the data results.

The study targeted 42 respondents and results show that 36 out of 42 target respondents filled and returned the questionnaire contributing to 86% response rate. This response rate was good and a representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This survey can therefore be said to be successful.

4.2 Respondents' Characteristics.

This section sought to establish the demographic characteristics, that is, the general description of the respondents. Characteristics such as respondents' gender, highest qualification attained, years worked in the Ministry and profession and position held in the procurement office were determined.

The study aimed at establishing the gender of the respondents. Results revealed that most of the respondents were male comprising 81 percent while 19 percent were females. This shows that the government is yet to observe the 70%-30% rule in the civil service.

The study showed that 64% of the respondents had degrees as their highest level of education. In addition, 21% had diplomas, 12% had masters level while only 3% had a certificate as their highest level of education.

In addition, 62% of the respondents had worked in the Ministry for between 11 and 20 years. In addition, 26% of respondents had worked for between 6 to 10 years, 10% for between 21 and 30 years while only 2% had worked for more than 30 years. This shows that all respondents had experience with the operations of the Ministry which would help in understanding the questionnaire.

Further, 56% of respondents were in the category of middle level procurement officers, 28% were senior procurement officers, 10% were in the junior level category while only 6% were in the category of chief procurement officer and above.

4.3 Public Sector Supply Chain Management Malpractices

This section sought to determine from the respondents the malpractices and their effects in supply chain management in their Ministries.

Respondents were asked to indicate the various supply chain malpractices that were there in their ministries. From the study, respondents revealed that officials in SCM departments lacked professional skills in SCM which led to high levels of malpractices in their various departments. In addition, they said that the formation of cross functional committees within the departments for tender specification, evaluation, and adjudication was a problem. Respondents partly attributed this to lack of SCM professional skills in their departments. The responses also revealed lack of basic accounting and financial Management Skills amongst SCM officials as a constraint in the SCM process in the ministries. According to Smith-Deighton, (2004), technical skills are critical for good supply chain management. According to him, effective supply chain managers must have advanced technical skills and qualifications, and should be recognized as instrumental to institutional decision-making and success.

Respondents further revealed that non-compliance to SCM guidelines and policies dominated SCM practices within the ministries. Further, it was revealed that orders were often split to avoid compliance to SCM guidelines and regulations. Majority of respondents also said that lack of clarity on SCM guidelines was a reason for non-compliance with the procurement procedures. Furthermore, respondents confirmed that lack of suppliers' knowledge about SCM regulations and policies prevented them from complaining about irregularities of SCM officials.

This finding was similar to that of a study in the European Union on compliance to public sector procurement and tendering directives that showed that over the years, non-compliance has been considered as a major hindrance to the effectiveness of the tendering directives. That extant study concluded that the major problem had been the inadequate implementation of the tendering directives (De Boer and Telgen, 1998). In another study on compliance by municipalities in The Netherlands, it was found that non-compliance ranged from 77 to 83 percent in the tendering activities of the municipalities (The Netherlands Ministry of Economic Affairs, 2004).

It was further noted that lack of officials with technical know-how was another factor which enhanced non-compliances with SCM procedures and guidelines. This result was also similar to that of non-compliance of public procurement directives in the European Union (De Boer and Telgen, 1998). It also emerged from the study that SCM officials and suppliers collaborated to defraud the Ministries. In addition, renewal of existing contracts was often not considered an option to issuing of new contracts. According to Gansler et al, (2004), ensuring the proper conduct of buyers and suppliers is a fundamental element of efforts to curb corruption in public procurement. They said that the evaluation criteria in the request for proposals or tender documents could be drafted to favor a particular supplier.

4.3.1 Effects of Malpractices in Supply Chain Management in the Ministries

The following section sought to determine the extent to which the following malpractices affected Supply Chain management in the Ministries. A scale of 1-5 was used where 1 is to a very great extent, 2 is to a great extent, 3 is to a moderate extent, 4 is to a low extent and 5 is to no extent. The scores “very great extent” and “great extent” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{great extent} \leq 2.5$). The scores of ‘moderate extent’ represented in decision by the respondents. This was equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq \text{moderate extent} \leq 3.5$). The score of “low extent” and “no extent” was equivalent to 3.6 to 5.0 on the Likert Scale ($3.6 \leq \text{low extent} \leq 5.0$). Data was presented in means and standard deviation

From the table below, respondents rated all the statement to a great extent. This meant that Lack of ethics (1.6538); Lack of competitive tendering (1.1538); Lack of transparency (1.8077); Poor

accountability (2.1346); Inadequate Capacity building (2.0962); Inadequate use of technology (2.1538); Corruption (1.9615) and Lack of proper planning (2.1923) affected supply chain management at the Ministries to a great extent. This shows that Government supply chain management in the Ministries is riddled with major malpractices which have a great/ major effect in the whole process.

This finding is in line with the study by Harvard's Shang-Jin Wei, for example has a found a link between the level of perceived level of corruption in a country as measured by Transparency International's Corruption Perceptions Index-and the level of foreign direct investment. His main findings are that an increase in corruption from the level of that in Singapore (like New Zealand in the top decile of countries) to that of Mexico (in the seventh decile) was equivalent to raising the tax rate by 20 percentage points (Petrie, 2001).

According to Migiro & Ambe (2008), corruption scourge not only undermines good governance but also retards the economic development of a given country. They said that corruption and malpractices in supply chain management are facilitated by the general expectation among all participants and among the public at large that this kind of behaviour is the norm and consequently that bribery is a necessary means to obtain government contracts.

Table 4.1 Effect of Malpractices in Supply Chain Management in the Ministries

	Mean	Std. Deviation
Lack of competitive tendering	1.1538	.36432
Lack of transparency	1.8077	.71506
Lack of ethics	1.6538	.76401
Lack of proper planning	2.1923	.90832
Poor accountability	2.1346	.99072
Inadequate Capacity building	2.0962	1.08934
Corruption	1.9615	1.10190
Inadequate use of technology	2.1538	1.21081

4.4 Response to Public Sector Supply Chain Management Malpractices

This section sought to determine from the respondents, the responses that they use to solve malpractices within their Ministries' supply chain management systems.

In this section respondents were asked to rank various statements pertaining to responses to public supply chain management as applicable in their Ministries. A scale of 1 to 5 where 1 was

strongly agree, 2 was Agree, 3 was Neutral, 4 was Disagree and 5 was Strongly disagree. The scores “strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{agree} \leq 2.5$). The scores of ‘neutral’ represented in decision by the respondents. This was equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq \text{neutral} \leq 3.5$). The score of “disagree” and “strongly disagree” represented as ‘disagree’ with the statements provided. This was equivalent to 3.6 to 5.0 on the Likert Scale ($3.6 \leq \text{disagree} \leq 5.0$). Data was presented in means and standard deviation.

From table 4.2 below, respondents agreed that the government had in place a comprehensive anti-corruption programme to detect corruption in public procurement (1.375). However the respondents were undecided unto whether the government had put in place a system of benchmarking to compare its performance with other organization in supply chain management performing excellently (3.1232). In addition, respondents agreed that the government had in place a comprehensive anti-corruption programme to penalize corruption in public procurement (2.096); that there was a Code of Conduct or Ethics for government officials with particular provisions for those involved in public financial management, including procurement (2.134); that there were strong and credible civil society organizations that exercise social audit and control (2.153); that bid documents included adequate provisions on fraud and corruption (2.192); that information on procurement was easily accessible to the public (2.384); that information was helpful to interested parties to understand the procurement processes and requirements and to monitor outcomes, results and performance (2.432); that there was an established programme to train internal and external auditors to ensure that they are well versed in procurement principles, operations, laws, and regulations (1.543); that internal or external audits were carried out at least annually and recommendations are responded to or implemented within six months of the submission of the auditors’ report (1.945); that all actions were documented, and the documents are stored appropriately (2.211) and that the public procurement and supply act 2005 and regulation 2006 had helped improve efficiency (1.961). However, respondents were undecided unto whether all decisions were publicly posted in a government website or another easily accessible place (2.895).

Table 4.2 Rating on Responses to Public Sector Supply Chain Management Malpractices

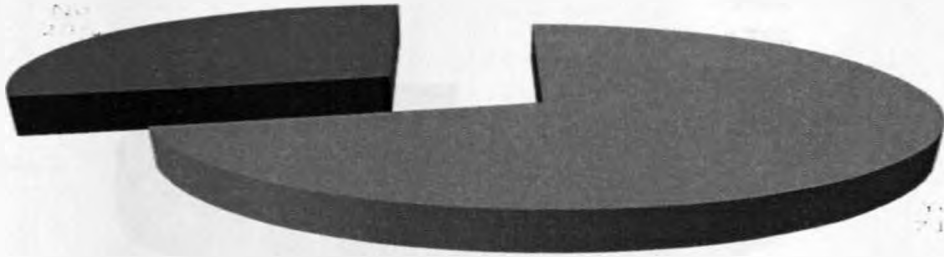
	Mean	Standard Deviation
There is an established programme to train internal and external auditors to ensure that they are well versed in procurement principles, operations, laws, and regulations	1.543	0.3634
The government has in place a comprehensive anti-corruption programme to detect corruption in public procurement.	1.375	0.7043
All decisions are publicly posted in a government website or another easily accessible place	2.895	0.737
Information is helpful to interested parties to understand the procurement processes and requirements and to monitor outcomes, results and performance.	2.432	0.8126
Information on procurement is easily accessible to the public	2.384	0.8201
Bid documents include adequate provisions on fraud and corruption.	2.192	0.9083
There is a Code of Conduct or Ethics for government officials with particular provisions for those involved in public financial management, including procurement.	2.134	0.9907
The government has in place a comprehensive anti-corruption programme to penalize corruption in public procurement	2.096	1.0893
The public procurement and supply act 2005 and regulation 2006 has helped improve efficiency	1.961	1.1019
There are strong and credible civil society organizations that exercise social audit and control.	2.153	1.2108
The government has put in place a system of benchmarking to compare its performance with other organization in supply chain management performing excellently.	3.1232	1.22297
All actions are documented, and the documents are stored appropriately	2.211	1.2420
Internal or external audits are carried out at least annually and recommendations are responded to or implemented within six months of the submission of the auditors' report.	1.945	1.6980

Literature has supported these findings. For instance, Petrie, (2001) recognized transparency and accountability as key conditions for promoting integrity and preventing corruption in public procurement. However, the challenge for decision makers is to define an appropriate degree of transparency and accountability to reduce risks to integrity in public procurement while pursuing other aims of public procurement. In addition, OECD (2000) found out that governments have put increasing efforts into rationalising and increasing efficiency of procurement through being equipped with adequate tools for improving, planning and management.

According to Wisner et al, (2008), enhancing professionalism in procurement has become all the more important. Efforts have been put into providing procurement officials with adequate skills, experience and qualification for preventing risks to integrity in public procurement. In addition, they said that procurement officials also need ethical guidance clarifying restrictions and prohibitions to prevent conflict-of-interest situations and, more generally, corruption. Procurement officials also need to develop a model code of conduct.

Respondents were asked whether the Public Procurement and Disposal act 2005 and Regulation 2006 was being used as a guide in the procuring of goods and services in the Ministries. From figure 4.5 below, 71% of respondents said that their Ministries applied the public procurement and disposal act 2005 and regulation 2006 as a guide in the procuring of goods, while 29% said the Act was not applied. This shows that most Ministries applied the PPDA Act as a procurement guideline. According to Migiro & Ambe (2008), lack of focus in the existing procurement regulations and guidelines give rise to decisions, which are devoid of objectivity, accountability and transparency and results in a high incidence of corruption and high expenditure.

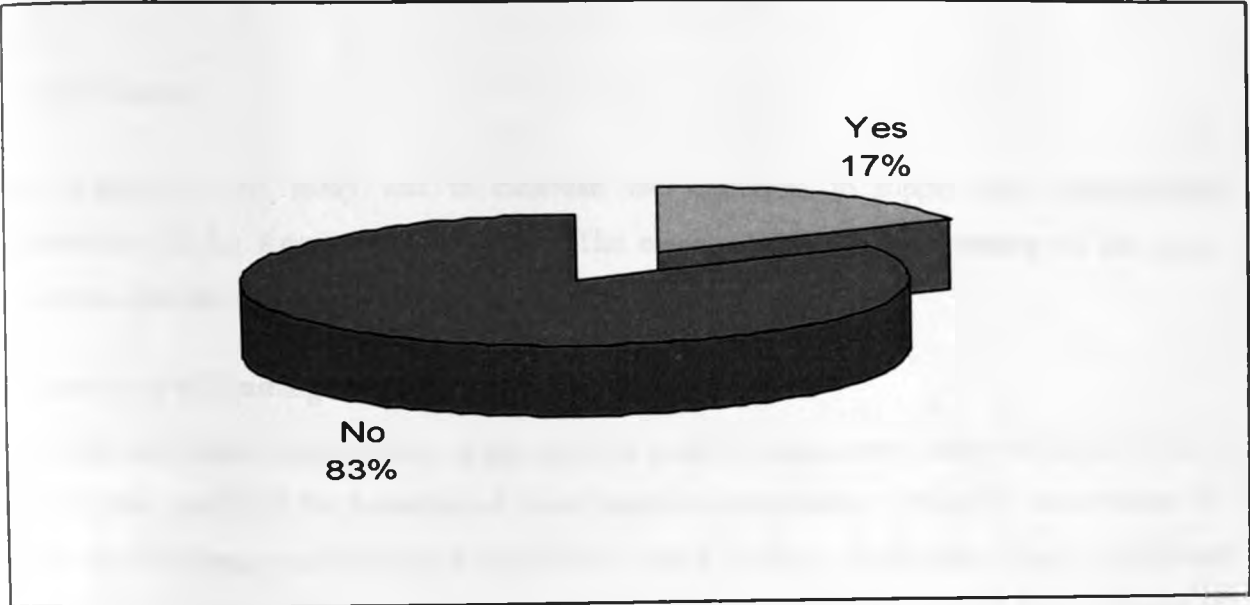
Figure 4.5 Whether the Public Procurement and Disposal Act 2005 and Regulation 2006 was being used as a Guide in the Procuring of Goods and Services in the Ministries



Respondents were also asked whether the Public Procurement and Disposal Act 2005 and Regulation 2006 helped in preventing malpractices in the Ministries. From figure 4.6 below, 83% of the respondents said that PPDA did not help in curbing supply chain malpractices in government ministries while 17% said the Act helped in preventing malpractices. Respondents who agreed that PPDA had prevented malpractices, said that regulations contained in the Act ensured transparency and accountability in the ministries. However, respondents who disagreed that PPDA had prevented malpractices in supply chain management said that the application of the Act was shadowed by the numerous cases of corruption, political interference and bribery.

According to Schiele & McCue, (2006), regardless of the effort by the PPDA and the acknowledgement that the procurement department is capable of adding value to the organization still a large number of the internal customers act on their own and more frequently bypass the procuring department.

Figure 4.6 Whether the Public Procurement and Disposal Act 2005 and Regulation 2006 helped in Preventing Malpractices in the Ministries



CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to establish the responses to supply chain management malpractices in the Kenyan public Sector. The chapter presents the summary of the study, conclusion and recommendations

5.2 Summary of Findings

The study established that majority of the officials in SCM departments lacked skills in SCM. In addition, they said that the formation of cross functional committees within the departments for tender specification, evaluation, and adjudication was a problem. Respondents partly attributed this to lack of SCM skills in the departments. The study also revealed lack of basic accounting and financial Management Skills amongst SCM officials as a constraint in the SCM process in the ministries.

The study further reveals that non- compliance to SCM guidelines and policies dominated SCM practices within the ministries. Further, it was revealed that orders were often split to avoid compliance to SCM guidelines and regulations. In addition, lack of clarity on SCM guidelines was a reason for non-compliance with the procurement procedures. Furthermore, it was confirmed that lack of suppliers' knowledge about SCM regulations and policies prevented them from complaining about irregularities of SCM officials. It is further noted that lack of officials with technical know-how was another factor which enhanced non-compliances with SCM procedures and guidelines. It also emerged from the study that SCM officials and suppliers collaborated to defraud the ministries. In addition, renewal of existing contracts was often not considered an option to issuing of new contracts.

From the study, lack of ethics; Lack of competitive tendering; Lack of transparency; Poor accountability; Inadequate Capacity building; Inadequate use of technology; Corruption and Lack of proper planning affect supply chain management at the ministries to a great extent.

The study also established that the government had in place a comprehensive anti-corruption programme to detect corruption in public procurement. However, the government did not have a system of benchmarking to compare its performance with other organization in supply chain management performing excellently. In addition, the study established that the government had in place a comprehensive anti-corruption programme to penalize corruption in public procurement; that there was a Code of Conduct or Ethics for government officials with particular provisions for those involved in public financial management, including procurement; that there were strong and credible civil society organizations that exercise social audit and control; that bid documents included adequate provisions on fraud and corruption; that information on procurement was easily accessible to the public; that information was helpful to interested parties to understand the procurement processes and requirements and to monitor outcomes, results and performance; that there was an established programme to train internal and external auditors to ensure that they are well versed in procurement principles, operations, laws, and regulations; that internal or external audits were carried out at least annually and recommendations are responded to or implemented within six months of the submission of the auditors' report; that all actions were documented, and the documents are stored appropriately and that the public procurement and supply act 2005 and regulation 2006 had helped improve efficiency. However, respondents were undecided unto whether all decisions were publicly posted in a government website or another easily accessible place.

From the study, ministries applied the public procurement and disposal act 2005 and regulation 2006 as a guide in the procuring of goods, while at the same time the PPOA did not help in curbing supply chain malpractices in government ministries. In addition, the study established that PPDA ensured transparency and accountability in the ministries and at the same time the application of the Act was shadowed by the numerous cases of corruption, political interference and bribery.

5.3 Conclusion

The study concludes that the Government has put in place various measures to respond to supply chain management malpractices within the ministries. Among them include; comprehensive anti-corruption programme to detect corruption in public procurement; A comprehensive anti-

corruption programme to penalize corruption in public procurement; a Code of Conduct or Ethics for with particular provisions for those involved in public financial management, including procurement; adequate provisions on fraud and corruption in bid documents; making information on procurement easily accessible to the public; programmes to train internal and external auditors to ensure that they are well versed in procurement principles, operations, laws, and regulations; carrying out of internal or external audits; documentation of all actions and the operationalization of public procurement and supply act 2005 and regulation 2006.

5.4 Recommendations

Based on the findings, the study makes the following recommendations;

- (i) There should be greater sharing of information among those tasked with the implementation of the SCM through the use of technology
- (ii) There should be establishment of a structure for the implementation of SCM, and in particular structures for public-private partnerships in service delivery
- (iii) There should be continuous training of ministry staff tasked with the implementation of SCM
- (iv) There should be stringent application of the public procurement and supply act 2005 and regulation 2006.
- (v) The Government should have a system of benchmarking to compare its SCM performance with other organization performing excellently

5.5 Limitations

Rigidity to information disclosure by the respondents posed a great limitation. This challenge was handled through public relation and the use of letters of identification from the university to support the research that was done.

Time was also a limitation since respondents were busy and could not easily spare time for answering questions. They were however convinced to spare time during lunchtime or their tea break and through booking of appointments during their specified time were done at their convenience.

It was difficult to access data because some respondents failed to give adequate information for fear of victimization by management and also some respondents misunderstood the questions. However the researcher assured them that the information was confidential and would be used only for research purposes.

5.6 Suggestions for further research

For further research, the study recommends replication of the study to government parastatals and agencies in Kenya to obtain the situation regarding the implementation of supply chain management practices.

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APPENDICES:

Appendix I: Letter of Introduction to the Respondents

To the Respondent/ Management

Dear respondent,

TO WHOM IT MAY CONCERN

The bearer of this letter, Eddy Stanley Kimani Gitau, Registration No. D61/71306/2008 is a bonafide continuing student at University of Nairobi currently undertaking a Masters of Business Administration (MBA) Degree programme.

He is required to submit as part of his coursework assessment a research project report on a management problem. We would like the student to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank You

Appendix II: Questionnaire

Section I: Background Information

1. What is your gender?

Male Female

2. What is your highest academic qualification?

Diploma Degree Masters Certificate

(3) How many years have you worked in this ministry?

Less than five	6 to 10	11 to 20	21 to 30	More than 30

4. What is your position in the procurement office?

Chief Procurement Officer and above senior procurement officer

Middle level procurement officer junior level

Section II: Public Sector Supply Chain management malpractices

5. Kindly indicate the malpractices that have been identified in your ministry's supply chain management system.

.....

.....

6. To what extent do the following malpractices affect Supply Chain management in your Ministry? Rate using a scale of 1 to 5, Where 1 is to a very great extent, 2 is to a great extent, 3 is to a moderate extent, 4 is to a low extent and 5 is to no extent

	1	2	3	4	5
Lack of ethics					
Lack of competitive tendering					
Lack of transparency					
Poor accountability					
Inadequate Capacity building					
Inadequate use of technology					
Corruption					
Lack of proper planning					

Section III: Response to public sector supply chain management malpractices

7. To what extent do you agree with the following statements on response to public sector supply chain management? Rate using a scale of 1 to 5 where 1 is strongly agree, 2 is Agree, 3 is Neutral, 4 is Disagree and 5 is Strongly disagree.

	1	2	3	4	5
The government has in place a comprehensive anti-corruption programme to detect corruption in public procurement.					
The government has put in place a system of benchmarking to compare its performance with other organization in supply chain management performing excellently.					
The government has in place a comprehensive anti-corruption programme to penalize corruption in public procurement					
There is a Code of Conduct or Ethics for government officials with particular provisions for those involved in public financial management, including procurement.					
There are strong and credible civil society organizations that exercise social audit and control.					
Bid documents include adequate provisions on fraud and corruption.					
Information on procurement is easily accessible to the public					
Information is helpful to interested parties to understand the procurement processes and requirements and to monitor outcomes, results and performance.					
All decisions are publicly posted in a government website or another easily accessible place					
There is an established programme to train internal and external auditors to ensure that they are well versed in procurement principles, operations, laws, and regulations					
Internal or external audits are carried out at least annually and recommendations are responded to or implemented within six months of the submission of the auditors' report.					
All actions are documented, and the documents are stored appropriately					
The public procurement and supply act 2005 and regulation 2006 has helped improve efficiency					

8. Is the public procurement and disposal act 2005 and regulation 2006 used as a guide in the procuring of goods and services in your ministry?

Yes [] No []

9. Does the public procurement and disposal act 2005 and regulation 2006 help to cab malpractices in your Ministry? If Yes how..... If NO why.....

