

**EFFECTS OF PUBLIC PROCUREMENT PROCEDURES ON FINANCIAL
PERFORMANCE OF FARMERS' COOPERATIVE SOCIETIES IN KIAMBU
COUNTY**

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DECLARATION

This research project is my original work and has not been presented to any other examination body or any research institution or University.

Signature.....Date.....

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This research project has been submitted for examination with our approvals as University supervisor

Signature.....Date.....

Joseph Barasa

DEDICATION

This study is dedicated to my beloved wife

Jennifer Wanjiku

and my dear son

Paul Njoroge.

That you may excel beyond this!

ACKNOWLEDGEMENT

I acknowledge the power of God, the maker, and the provider of knowledge for enabling me to complete my two years in the right spirit.

Most important, I sincerely wish to acknowledge the support from my supervisor Mr. Joseph Barasa and moderator Mr. Mwangi Mirie without whom I could not have gone this far with my project work.

I owe a great deal of gratitude to my parents Paul Wamaitho Njoroge and Lucy Wambui Njoroge for their unfailing moral support through prayers throughout my period of study and for understanding and appreciating the demand of the course in terms of time and resources.

ABSTRACT

Procurement is the acquisition of goods and/or services at the best possible total cost of ownership, in the right quality and quantity, at the right time, in the right place and from the right source for the direct benefit or use of corporations, individuals, or even governments. Simple procurement may involve nothing more than repeat purchasing. The study sought to establish the effects of public procurement procedures on the financial performance of farmers' cooperative societies in Kiambu County. In specific, it sought to determine the effect of professionalism, financial management, records management and response time in the implementation of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County. The target population was stratified into farmers' Cooperative Societies, which formed 10 strata. In each stratum, the study used simple random sampling technique in coming up with a sample of 3 employees from procurement department from each firm. This study utilized a questionnaire to collect primary data and analyzed through descriptive statistics.

From the findings, professionalism in implementation of public procurement procedures ensures assessment of the procurement procedures in profit making farmers' cooperative societies in Kiambu County. On financial management, majority of the profit making farmers' cooperative societies faces difficulties in decision-making process leading to lost opportunities for financial growth. From the findings most of the cooperative societies experiences challenges in securing record and data. The study recommends that profit making farmers' cooperative societies in Kiambu County should ensure proper competitive recruitment of the procurement personnel. This will enhance professionalism in public procurement procedures. The study recommends proper adoption of response rate strategies, which incorporates technology. Response time in procurement in consideration to competitive environment includes lower procurement costs, faster cycle times, reduced maverick or unauthorized buying, more highly organized information, and tighter integration of the procurement function with key back-office systems.

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LIST OF ABBREVIATION

MTEF Medium Term Expenditure Framework

ORM Operating Resource Management

PPDA Public Procurement and Disposal Act

PPOA Public Procurement Oversight Authority

POEA Public Officer Ethics Act

PPAB Public Procurement Advisory Board

PPARB Public Procurement Administrative Review Board

PE Private Enterprise

SRM Supplies Resource Management

RM Records management

VFM Value for money

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Procurement is the acquisition of goods and/or services at the best possible total cost of ownership, in the right quality and quantity, at the right time, in the right place and from the right source for the direct benefit or use of corporations, individuals, or even governments. Simple procurement may involve nothing more than repeat purchasing. Complex procurement could involve finding long term partners – or even 'co-destiny' suppliers that might fundamentally commit one organization to another. Lengthy procedures have sometimes undermined efficiency in the public procurement system (Arminas, 2002).

According to public procurement and disposal Act 2005, procurement means the acquisition by purchase, lease, rental, hire purchase, tenancy, franchise, or by any other contractual means of any type of works assets services, goods including livestock or combination. Public procurement is traditionally one of the government sectors most vulnerable to corruption, due to its size, complexity and the sums of money at stake that provide both incentives and opportunities for corrupt behaviors (Tandoor and Koehn, 2004). Within this context, procurement reform is essentially about addressing corruption risks, with view to reducing opportunities for public officials to solicit or accept bribes at the various stages of procurement processes as well as strengthening internal and external controls to ensure enforcement.

Public procurement regulation and processes constantly change, not only to adapt to economic and social circumstances but ultimately to increase transparency, fairness and interoperability and modernize the award of contract process (Nwabuzor, 2005). Yet, as procurement reform usually affect the interests of well connected and organized groups in society, reform processes are likely to meet major challenges such as opposition and resistance to change among the ruling elites. Against this background, emerging efforts to look at the political economy aspects of procurement constitute a promising trend to help understand the politics of change and address challenges and political barriers as they come up along the reform process (Rothery, 2003).

Public procurement reform in Uganda was perceived as part of a policy package focusing on strategies to eradicate poverty in the country, through creating an appropriate policy framework and the re-orientating of government spending in crucial sectors. The reforms were based in part on the findings of a study carried out to assess public procurement and to develop an action plan to improve the country's system for procuring goods, works and services. The main finding of this study suggests that the legal framework for public procurement in Uganda is not supportive, as the existing laws are inadequate and fragmented. It also reveals that public procurement in the country is characterized by malpractices, such as under-invoicing and inadequate official documentation. The study, in addition, identifies the lack of a procurement professional body to regulate the actions of procurement officers.

In Tanzania, the Public Procurement Act 2001 was enacted by parliament and subsequently assented by the president on 6 April 2001 (GoT 2001). It is the reference for

all public procurement and related matters. The Act established the Central Tender Board which, unlike in the past, is an autonomous organization independent of the Ministry of Finance. The Act also established Ministerial, Regional, District, Parastatal and Local Authority Tender Boards. The Public Finance Act, 2001 also enacted in April 2001 is complimentary to the Public Procurement Act and provides clear legislative guidelines for use of public finances in Tanzania. The two Acts spell out clear deterrent measures for non-compliance. That Tanzania has enacted these two important bills well in advance of Kenya and Uganda was a pointer to the country's commitment to put in place an efficient and effective public procurement system (PPOA 2007).

The Rwanda Public Procurement Authority (RPPA) is a Public body established on February 20, 2008 by the law N° 63/2007 of 30/12/2007 (Republic of Rwanda 2008). It was created to replace the National Tender Board during a reform process in Public financial management launched by the Government of Rwanda (GoR), in which Public procurement reform was one of the most important components.

The responsibilities of RPPA include organization, analysis, supervision and monitoring of public procurement; capacity building and professional development in procurement; administering sanctions against violations of the law, creating public awareness of procurement issues and cooperation with regional and international agencies with the same responsibilities (Petrie 2001).

1.1.1 Procurement Systems in Kenya

In Kenya, the public procurement system has undergone significant developments. The following is its historical highlights

1963-1969: local purchases were determined by individual entities, while international procurement were done by crown agents.

1969-1978: Procurement was conducted by treasury circulars.

1978-2001: Procurement was determined through supplies, manual and treasury circulars.

2001-2006: Introduction of exchequer and audit (Public procurement Regulations).

2007 to 2012: the introduction of the Public Procurement and Disposal Act (PPDA).

In 2003, the Government of Kenya (GoK) began to implement reforms to address inefficiency in the use of public resources and weak institutions of governance. Reforms included the development of anti-corruption strategies to facilitate the fight against corruption and the enactment of the Public Officer Ethics Act 2003, the Anti-Corruption and Economic Crimes Act 2003, the Financial Management Act 2004 and the PPDA 2005. The latter was meant to make public procurement process more transparent, ensure accountability and reduce wastage of public resources. In addition the reforms were aimed at promoting fairness, increase public confidence, and promote local industry and economies development.

A 2005 Independent Procurement Review, conducted jointly by the GoK and the European Union, identified several critical problems with Kenya's procurement system. The review found weak oversight institutions, a lack of transparency, poor linkages between procurements and expenditures, delays and inefficiencies, and poor records management. The GoK sought to improve its public procurement systems by enacting the

PPDA and creating the Public Procurement Oversight Authority (PPOA) and regulations implementing the Act gazetted by the GoK on January 1, 2007.

1.1.2 Public Procurement Oversight Authority (PPOA)

The PPOA mandate was to ensure that procurement procedures are complied with and to generally monitor and assist with the implementation and operation of the public procurement system. The organization also provides advice and assistance to procuring entities. The overall procurement procedure depends on circumstances and the nature of procurement being made. 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).

Procurement should be done through open tendering or through other alternatives including; restricted tendering, direct procurement, request for proposals, request for quotations, low value procurement or specifically permitted procurement procedures.

According to the PPDA, invitation to tender must be advertised at least twice in a newspaper of nationwide circulation. For international tendering, all tender documents must be in English. Advertising must include one or more English language newspaper or other publications that together, have sufficient circulation outside Kenya to allow effective competition.

1.1.3 Public entity

It refers to a political subdivision of the state, including a municipality and its subdivisions, a school district, a regional educational attendance area, or an organization composed of political subdivisions of the state. The PPDA has given the guidelines of which organization falls within the meaning of public entity. According to central bank of Kenya's Act 1996, "public entity" means the Government, a local authority, or any public body specified by the Minister, on the recommendation of the Bank, as a public entity for the purposes of the Act. Farmer's cooperative societies operate in a rapid changing and competitive environment and since they are public entities they are required to follow the PPDA.

1.1.4 Procurement Planning and Financial Performance

Any procurement begins with the planning decision to make the purchase. This will involve deciding whether there is a need for the particular goods or services and will equally involve ensuring that the purchaser has the legal powers to undertake the transaction, obtaining any relevant approvals within the government hierarchy and arranging the necessary funding (Arrowsmith, Linarelli & Wallace, 2000). Procurement is one of the primary functions of procurement with a potential to contribute to the

success of local government operations and improved service delivery. A function sets in motion the entire acquisition/procurement. Despite this importance, very limited scientific research has been done to examine the extent to which efforts in procurement planning can contribute to effective local governance (Benon Basheka 2008) He also noted that, Procurement planning is the primary function that sets the stage for subsequent procurement activities. It ‘fuels and then ignites’ the engine of the procurement process. A mistake in procurement planning therefore has wide implications for local governance, measured from the two indicators of accountability and participation. A mistake in procurement planning will not only have a direct impact on operating costs but also, its profitability, return on investment, balance sheet size, and capital adequacy, among others.

Mullins (2003) argued that procurement planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. Byokusheka (2008) noted that, the procurement objective is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified; and has to be delivered at the time and place where needed. Therefore, to secure such goods and services at competitive prices requires accurate planning and involvement of a number of stakeholders. It has been argued that planning is not concerned with future decisions but rather with the future impact of decisions made today and thorough planning is critical as agencies are always facing budget constraints that cannot satisfy all capital acquisition needs (Drabkin & Thai, 2003).

Procurement Planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. The answers to the above questions touch three major areas. First is the entity involved in procurement. Second are the providers of the various goods, services and works needed by an entity and third are the legal provisions on the conduct of procurement. Cooperative societies may not necessarily have legal provisions but have policies and procedures that govern the conduct of procurement for the institution.

Procurement must take a thoroughly professional view of its role in business as a whole and that must include planning (Bailey, Farmer, Jessop & Jones,1998). Any such procurement begins with the planning decision to make the purchase and this will involve in the first place, deciding whether there is a need for the particular goods or services, ensuring that the purchaser has the legal powers to undertake the transaction, obtaining any relevant approvals within the government hierarchy and arranging the necessary funding (Arrowsmith, Linarelli& Wallace, 2000). This process is identical to the private sector and additionally, checking for whether such requirements are provided for in the budget is key in the private sector. Where the required goods and services are not in the approved budget, then special approval ought to be sought before going through the ordinary procurement process.

1.1.5 Government and the development of cooperatives

A fundamental characteristic of the Kenyan cooperative movement is its close association with the state to the point of developing a dependent relationship. It will be recalled that

the first cooperatives in the country founded in the colonial era were moulded by the colonial government to suit the interests of the white settlers through strict legislation that restricted the participation of Africans in these enterprises (Cooperative Bank of Kenya, 1993). At independence, the government sought to use cooperatives as instruments for promoting economic development especially in the rural areas. It had, therefore, to ensure the emergence of strong, viable and efficient cooperatives by directing the formation and management of these institutions from major institutions. This state-controlled promotion of cooperative development was formalized by the introduction of a single legal framework for all types of cooperatives in 1966 via The Cooperative Societies Act, Cap. 490.

Agricultural cooperatives are engaged in food production, storage, marketing and processing. A core function of cooperatives in food production is the purchasing/supply of input services to members of primary societies. On average, agricultural cooperatives perform no fewer than two of the three functions. Some of the service activities they undertake include land preparation; seed procurement and distribution; harvesting of crops; processing and marketing of produce; sourcing of funds and agricultural machinery; and training of farmers.

1.2 Statement of the Problem

It is known that despite government concentrated efforts in reforming procurement systems, there is still a problem attributable to huge losses in improper procurement to the tune of 30 billion shillings (Central Bank of Kenya). Public procurement requires a tight/waterproof system to be followed and adopted. This however is not true in most

instances e.g. the Goldenberg and Anglo leasing. Since public resources are scarce, the efficiency of the procurement process is a primary consideration of every procurement regime. Therefore, open, transparent and non-discriminatory procurement is the best tool to achieve value for money as it optimizes competition among suppliers (Petrie, 2001).

In Kenya, transparency in public procurement has faced many hurdles necessitating the enactment of PPDA of 2005. A 2005 Independent Procurement Review, conducted jointly by the GoK and the European Union, identified several critical problems with Kenya's procurement system; weak oversight institutions, poor linkages between procurements and expenditures, delays and inefficiencies and poor records management. The GoK sought to improve its public procurement systems by enacting the Public Procurement and Disposal Act and creating the Public Procurement Oversight Authority (PPOA). Although the regulations implementing the Act were gazetted on January 1, 2007, it has been ineffective due to prominent personalities bending the rules to their advantage (Anonymous, 2007). Adoption of the Act, places many public entities in challenging environment, record management, supervision and setting up committees, complexities in linkages between procurements and expenditures, as well as time management.

The Exchequer and Audit (Public Procurement) Regulations of 2001 created the Public Procurement Directorate (PPD) and the Public Procurement Regulations of 2001 in Kenya. The scope of public entities was broadened to include schools, colleges, universities, cooperatives and local authority Organizations that have been the hardest hit with irregularities in procurement (Kipchilat, 2006). Kenya Anti-Corruption Commission

investigations into the procurement procedures, operations and management of the public firms have identified tendering loopholes costing taxpayers billions of shillings. The report by the Public Procurement Authority, alleged to corrupt practices in the projects involving public officers during the procurement process. These include under/over specification to facilitate contract variations or to discourage potential contractors respectively, leakage of information to 'preferred' bidders so as to facilitate bid rigging and conflict of interest as a result of the officers not declaring their interest and participating in the award of contracts to related institutions. There are also cases of collusion between contractors and the public officers to disregard adherence to procurement procedures among others (Simani, 2006).

Variations of contracted prices appear to be a routine activity in public sector. Despite this, user departments do not forward details of any required variations to the procurement unit for consideration and action. This has come at a time when farmer's cooperatives are grappling with inefficient suppliers who have in the recent past been accused of not honoring contractual obligations. Although in the international front, many publications have been done on challenges to public procurement acts and regulations, in Kenya, only 2 studies have been carried out on the challenges in the implementation of procurement (Obiero, 2008 and Kiburi, 2008). Given the little research on procurement and the procurement irregularities affecting the public sector, this study sought to establish the effects of public procurement procedures on the financial performance of profit making farmers' cooperative societies in Kiambu County with a view of providing insights to enable improvement of the act, finding ways of dealing with

challenges in the procurement system as well as enhancing setting up competitive strategies in operating in the challenging business environment.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study was to examine effects of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County.

1.3.2 Specific Objectives

- i. To analyze the effect of professionalism and the implementation of public procurement procedures on the financial performance of profit making farmers' cooperative societies in Kiambu County.
- ii. To determine the effect of financial management and the implementation of public procurement procedures on the financial performance of profit making farmers' cooperative societies in Kiambu County.
- iii. To investigate the effect of records management and the implementation of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County.
- iv. To find out the effect response time and the implementation of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the past or previous studies that have been done and theories advanced on challenges to procurement. The chapter is hence broken down into theoretical review (procurement, procurement within the public sector, advantages of public procurement and disposal act); conceptual framework (professionalism, financial management, records management and response time); critical review; empirical review; summary and finally gaps to be filled by the study.

2.2 Theoretical Review

2.2.1 Procurement

On a general level procurement essentially involves commerce between two or more businesses and is such an important element of business operations that a clear strategy is imperative. This has led to much investigation of means to streamline the industrial procurement process. From a strategic perspective, procurement can encompass the entire operation including a company's requisitioning, transportation, warehousing, and in-bound receiving processes (Nevalainen, 2001, p. 60), where the dominant goal is process efficiency (Aldin et al., 2004).

Procurement is a complex process that has both direct and indirect functions. Specifically, the distinction is that direct procurement is the purchase of high volume

materials and/or services that directly facilitate the creation of the end product. Indirect procurement is the purchase of the support materials and services necessary to enable the creation of the end product. Subsets within this category are operating resource management (ORM) and maintenance, repair, and operations (MRO). MRO purchases tend to be low volume and high frequency items (Bartezzaghi and Ronchi, 2004). As reported by Neef (2001), direct procurement accounted for fewer purchasing transactions (between 20% and 40% in manufacturing companies) but could account for up to 60% of a manufacturing firm's total procurement expenditure. This distinction is an important one to note when analyzing the internet's role in procurement (e-procurement), as the characteristics of different materials may determine their suitability to online transactions (Bartezzaghi and Ronchi, 2004).

Procurement activities simply begin with the supplier's promise to fulfill buyer's requests. However, those promises and expectations are generally vague and uncertain in nature, especially for technology-intensive procurement projects (Forker and Stannack, 2000). Besides, during the product hand-over, discussion for the necessary engineering adjustment has to be transmitted together. Promises, expectation, and discussion mostly involve the knowledge interaction and communication. The current interest in SRM (Supplies Resource Management) among academics and business practices focuses more on basic transactional issues, particularly the sourcing and trading including supplier selection, quality/cost demands, and supplier capabilities/evaluation. Technology and knowledge communication are relatively neglected (Amaral, 2004). Notably, according to an investigation by Accenture in 2003, most business purchases in the USA continue to employ conventional product supply contracts. The lack or refusal of information

interaction and communication between buyers and suppliers in the USA leads to an obstacle to a stable and long-term relationship development (Kannan and Tan, 2003), which runs against the essential initiative of SRM. Based on research findings, the quality of purchasing products, financial performance, experience learning and knowledge creation (Choi et al., 2004), enterprise competence enhancement (Sheth and Sharma, 1997), and continuous collaboration opportunities with partners (Handfield et al., 1997) are all related to the completion and success of the buyer-supplier interaction associated with the knowledge incorporated in procurements.

2.2.2 Procurement within the Public Sector

Sound public procurement policies and practices are among the essential elements of good governance (KIPPRA, 2006; Odhiambo and Kamau; World Bank, 2002). Otieno (2004) notes the irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. In some cases, tenders are awarded to firms either through single sourcing or manipulation of bids; and worse still, full payments have often been made for projects that fail to take off or are abandoned half way. Still in other cases, tenders are awarded to un-competitive bidders through irregular disqualification of the lower bidders.

According to Thai (2001), the basic principles of good procurement practice include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and

consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation. An ideal procurement system should also focus on effectiveness, where procuring entities should meet the commercial, regulatory and socio-economic goals of government in a manner that is appropriate to the procurement requirement. Furthermore, a good procurement practice should embrace: efficiency, which requires that procurement processes be carried out as cost effectively as possible; fair-dealing, where suppliers should be treated fairly, without discrimination or prejudice including protection of commercial confidentiality where necessary.

The process should also uphold integrity by ensuring that there are no malpractices; informed decision-making, which requires public bodies to base decisions on accurate information and ensure that requirements are being met. More still, the procurement practice should be responsive to aspirations, expectations and needs of the target society. Finally, there is need for transparency to enhance openness and clarity on procurement policy and its delivery (World Bank, 2002). Various studies have shown that procurement and revenue management form the core functions of public financial management, particularly within the Medium Term Expenditure Framework (MTEF). The main objectives of the MTEF include linking policy, planning, budgeting; achieving fiscal discipline through a realistic macro economic framework; resource allocation, efficiency in line with strategic priorities and operational efficiency through delivery of quality managerial services. Public procurement within the MTEF, framework aims at advancing social economic development by improving elements such as economic growth, poverty reduction, decentralization and enterprise development in the private sector. In addition, public procurement within the MTEF is also closely linked to the export market

development as well as foreign direct investment into the country (KIPPRA 2005). In most developing countries, public procurement serves a greater role than it does in developed nations. This is because in developing countries, governments are the main buyers of goods and services. In this regard they often influence the size, structure, conduct and performance of national industries (KIPPRA, 2006; Aketch, 2005).

2.2.3 Advantages of Public Procurement and Disposal Act 2005

In the past decades, the public procurement system in Kenya has undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s to the introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2006 which has introduced new standards for public procurement in Kenya.

According to Public Procurement Oversight Authority (2007), Procurement Act of 2005 establishes a strong Public Procurement System which enhances economy and efficiency, competition, integrity, transparency, public confidence and conducive investment climate. It establishes a strong organizational framework with a strong oversight mechanism, well defined Procuring Units and Tender Committees, it reduces delay in the procurement process, strengthens professionalism in public procurement through recognizing the role of the professionals and the need for continuous staff training and development, seals loopholes for corruption, therefore reduces wastage of public resources, enhances compliance with the Act and the Regulations due to the sanctions for non compliance and improves the image of the country as a good investment destination.

According to Oanda (2008), although the Public Procurement and Disposal Act 2005 promises to dramatically improve the procurement environment in Kenya there are a number of loopholes through which part of the problems from the past can sneak back into play. This is the lack of a clear definition of who is procurement professional whom the PPD Act 2005 says must be entrusted with procurement responsibility in any public entity. Oanda avers that while it is clear who is called a Lawyer, Engineer, Doctor or Accountant, a procurement professional is not well defined by the Act. For the Public Procurement and Disposal Act 2005 to be enforced professionally, enactment of a legal instrument that regulates the conduct of supplies management practitioners in both private and public sectors in Kenya is of paramount importance. The Article 27 (Responsibility for complying Act, etc.) and Article 28 (Engagement of procuring agents) in the Public Procurement and Disposal Act 2005 for instance, would not be professionally enforced unless professional competence, qualification and integrity of the procurement practitioners are regulated through a well-structured legal framework as is the case with Supplies Practitioners Management Act.

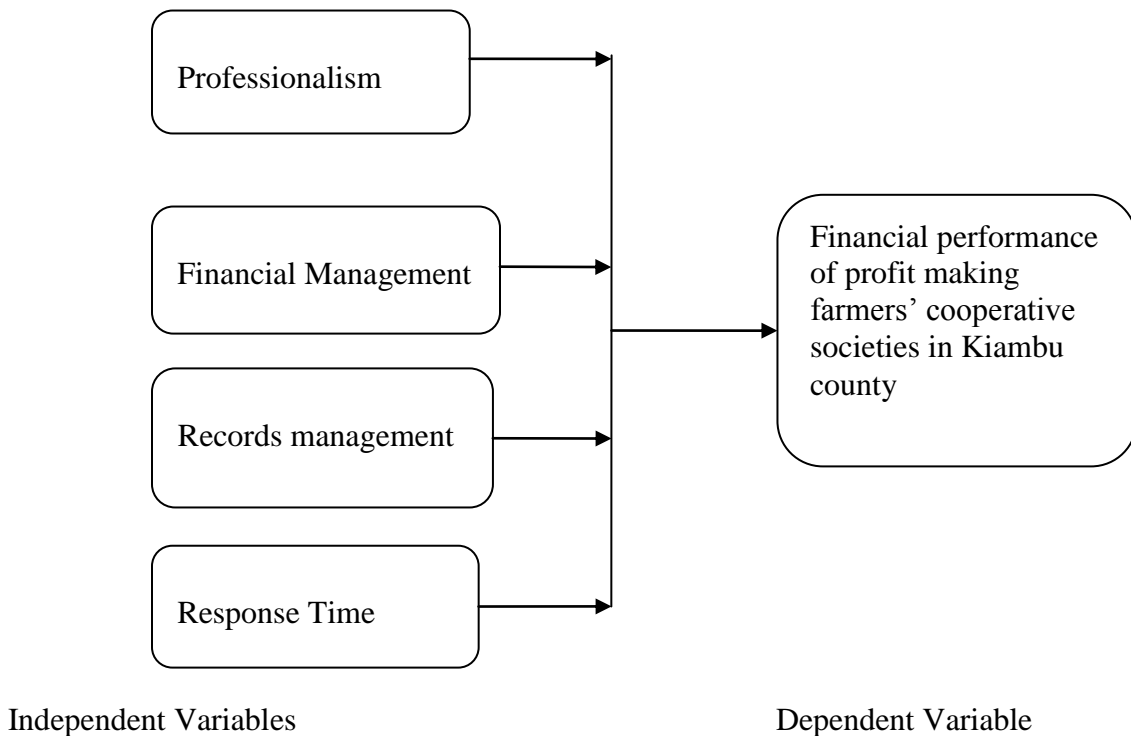
Value for money (VFM) is the most important principle of procurement. VFM in the public sector entails consideration of the contribution to be made to advancing government policies and priorities while achieving the best return and performance for the money being spent (Bauld and McGuinness, 2006). Sometimes the government is at liberty to consider other criteria than the lowest price; for example technical capabilities, qualifications of key personnel, and past performance records in awarding contracts to potential suppliers (Cummings and Qiao, 2003). Some of the barriers which need to be

overcome in order to achieve VFM are weak governing bodies, politics, tradition, and lack of education and training programmes (Palmer and Butt, 1985).

Although the Public Procurement and Disposal Act 2005 promises to dramatically improve the procurement environment in Kenya there are a number of loopholes undermining its implementation and through which part of the problems from the past, sneaks back into play (Oanda, 2008). Among the weaknesses cited by PPOA include weak oversight and enforcement, non-transparent procurement practices, lack of effective links between procurement and financial management and poor records management and filing systems (Anonymous, 2007).

2.3 Conceptual Framework

Figure 2.1: Conceptual framework



2.3.1 Professionalism

The benefits of a centralized arrangement are that it removes the diffusion of accountability for procurement decisions by placing this within the agency that holds the funds. It also enables capacity to be built in the user agencies where there is a greater need (Murray, 2001a). However, in contemplating the move to such a decentralized system, a number of difficult issues have to be tackled. These include the manner in which the decentralized system should be managed, how to leverage the buying power that comes with centralized purchasing especially of common user items and how to create adequate capacity in the buying agencies to tackle types of procurement they had no responsibility over before (Atkinson, 2003).

In dealing with the oversight problem, many countries have coupled decentralization of the procurement function with the creation of central entities with oversight and enforcement responsibility. This involves involving professionals e.g. in tendering, procurement, evaluation, disposal and others, which are very costly, and time consuming. However, in countries without the history of such an agency, vigorous debates can occur regarding the powers and responsibilities that such an entity should have the extent to which it should be endowed with operational independence and where such an entity should be placed within existing government structures (Phillips, et al 2007). While the answers to many of these issues depends largely on how the government fiduciary arrangements are organized, the principle should be to vest such an entity with adequate authority and independence to enable it vigorously enforce the procurement rules across all public agencies.

In carrying out assessments of existing procurement systems, one constantly finds that abuse of the procurement system arises largely due to weak or inconsistent enforcement of the prevailing rules (Soudry, 2007). This is clearly reflected by the dissonance between the prevailing (formal) rules (in whichever juridical form these may be) and what actually takes place in practice during the procurement process simply due to involving certain individuals with little knowledge in the procurement processes . Public entities will go to lengths to create a semblance of formal compliance with procedural and other requirements while seriously compromising the intent and spirit of such rules (Porter, 2001). In severely compromised systems, even this veneer of formal compliance is not observed mainly because public officials and their private sector accomplices have no fear of retribution.

Ambiguities and gaps in the rules also lead to different interpretations and practices that are mainstreamed. And, when the problem is framed as one of lack of enforcement, doubt is often expressed as to whether replacing existing rules with a new legal framework will result in any radical improvements (Gunasekaran, 2005). This can be a difficult question because, while the lack of enforcement can partly be traced to the weakness in the rules themselves, a solution will require a multi-faceted approach. It will include for example, strengthening the right of bidders to obtain redress when the public entities breach the rules, forcing greater transparency into the decision-making process (including public notification of contract awards) coupled with other institutional oversight mechanisms such as procurement audits (Scarpetta, 2003). The challenge lies in achieving proper balance so that mechanisms of enforcement do not become so heavy as to make the system inefficient and costly

2.3.2 Financial Management

Financial Management is putting together the economic resources at hand to make efficient use of them and taking decisions that can successfully culminate in acquiring more assets for the business. With effective Financial Management you can even attract finance to meet the short term and long term requirement of the family or firm. The whole process is intense and deals with the selection of specific or a combination of assets to deal with a financial issue, if any. The aim of Financial Management is to reduce the size of a problem and ensure fiscal growth of the enterprise (Rosen, 2002).

In government, public financial management concerns the taxing and spending of government, which in turn influences resource allocation and income distribution (Rosen, 2002: 16). The spending portion covers the budget cycle, including budget preparation, internal controls, accounting, internal and external audit, procurement, and monitoring and reporting arrangements.

The planning and financial framework does not include clear links to procurement planning and, consequently, procuring entities are not required to prepare procurement plans. In addition, the procurement oversight arrangements do not generate the information that would be required to fully integrate procurement planning into corporate plans. Established international practice considers procurement planning as a key activity within the public financial management system to enhance the transparency and economy of procurement processes as well as the quality of the goods, services and works procured (Warkentin, 2002). In addition, the institutionalization of procurement planning can ensure that procurement inputs relate more effectively to corporate objectives and

provide timely information on funding requirements. Also, budget execution is mainly affected by the impact of cash management in the context of fiscal constraints, weaknesses in the commitments controls, and shortcomings in the procurement process.

2.3.3 Records Management

Record management is a crucial aspect of survival for any company, no matter the size. Not only is keeping track of important information vital to the smooth operations of a company, trying to track down and find documents (both paper and electronic) can be a very costly process. Having a system in place to manage the classification, storage, archiving, and destruction of company records can help avert a costly and potentially damaging situation.

One of the best ways to implement a record management policy is utilizing a business that specializes in it; there are a myriad of companies that offer record management solutions for both paper and electronic documents. Such solutions make it easy to track, retrieve, and securely store important documents (Bolton, 2006). With so many threats facing companies today, record management is one vital key to managing a successful.

A record keeping system is a day to day method by which a business manager records the financial transactions of the business. These business records let the manager analyze where the business is and where it is going. Keeping records is crucial for the successful management of any business. A comprehensive record-keeping system makes it possible for business managers to develop accurate and timely financial reports that show the progress and current condition of the business. With the financial report generated from a good record-keeping system, they can compare performance during one period of time

(month, quarter or year) with another period, calculate trends and plan for the business's future (Robek, Brown & Stephens, 1995). An appropriate record-keeping system can determine the survival or failure of a business. For those already in businesses, good record keeping systems can increase the chances of staying in business and the opportunity to earn larger profits. Complete records will keep you in touch with your business's operations and obligations and help you see problems before they occur (Robek, Brown & Stephens, 1995).

A basic record-keeping system should be easy to use, understand, reliable, accurate and timely. The business needs some type of business journal to record transactions and a well-organized filing system. The system should also be generating monthly financial statements that include cash flow, accounts receivable, accounts payable, payroll, overall income statement and balance statement (Kautz, 1998). A record system should also do more than simply record. Ideally, a good record system should be able to project itself into the future or the past and give an ideal picture of the financial situation at that point in time.

Wood and Sangster, (1999) outlines that record keeping is an important aspect in business as it is the base from which information is prepared concerning an entity's financial performance. Data obtained from the records is sorted out, classified and summarized into useful information to be reported in form of financial statements prepared at the end of particular periods (usually annually). The primary uses of financial statements are evaluating past performance and predicting future performance. These statements are therefore the major factors that determine the kind of information to be

extracted for performance evaluation. Rukunga (1999) stated that, once in business one realizes the necessity of keeping records of transactions because he/she may want to know the expenditure for a given period and items on which the business money is being spent. One would also want to know how the business is fairing on revenue earnings for the same period, the other expenses incurred and finally if the business is making any profits. It is also important to have information on who owes the business money and when it is due, and whether the business owes anyone money and how much it owes. Proper maintenance of business records will assist in assessing the level or amount of credit required to enable the business perform better.

Fess and Rollin (1997) indicate that the use of records is an integral part of successful financial management. Knowledge of the past performance of an enterprise gives additional value beyond its historical aspects. Comparison with the current operations may reveal the means of accelerating favorable trends and reducing those that are unfavorable. In the conduct of day to day operations, management relies upon records in various ways such as knowing the amount owed to creditors or customers and the due dates, knowing when to place orders and amount of cash required for purchases. Many other essential items of information can be obtained in a timely and orderly manner if adequate records are maintained. Financial records are tools that help entrepreneurs manage their businesses better. Broadly, the records help one evaluate the past and present performance of the business and to project and plan its future. Important financial information is extracted from the accounting records to make various analyses which are used by management for decision making. Modern businesses are complicated and involve many daily transactions, which cannot be handled mentally.

Records management programs are not generally an organization's primary business, and even though RM programs don't usually generate income they are important to every organization poor record management will lead to poor control of creation and growth of records, increased operating costs, lowered efficiency and productivity, low assimilation of new records management technologies, low regulatory compliance, maximize litigation risks, increased risk on vital information, reduced management decision making, and increased risk on corporate memory (Robek, Brown and Stephens, 1995).

The term intellectual control refers to the accessibility of records via their content. This usually involves creating an *index* of records to aid the identification and retrieval of relevant items from storage. If the owners have failed to provide an adequate index to their records, subsequent retrieval can be time-consuming, expensive and unreliable and the record storage process may be perceived as a 'black hole' to be avoided.

2.3.4 Response Time

The purchasing function is in a grey area when it comes to competency. Supplier relationships are frequently described as strategic based on time factor (Bensaou, 1999; Gadde and Snehota, 2000; Kraljic, 1983; Olsen and Ellram, 1997; etc.) and the nature of supplier relationships may be directly related to the buyer's core competence (Cox, 1996) but outsourcing decisions are frequently taken without a thorough strategic review (Lonsdale and Cox, 1997). Suppliers directly impact the quality, cost and delivery of the firms that incorporate the suppliers' outputs into their final product (Krause and Scannell, 2002). Strategic purchases, high value purchases and supplier selection and evaluation in relation to the response rate have substantial implications for a firm's ability to make

profits (Zsidisin, 2003) and thus should be considered as a core competence. An OEM (Original Equipment Manufacturer) operating just-in-time manufacturing may well view procurement as integral to their core competency (Purchasing, 1995). For smaller companies purchasing may be a core competence as the function structures and manages relationships with suppliers with whom they have little leverage as they do not represent significant cash flows (Christiansen and Maltz, 2002).

Donavon Favre, global lead of Accenture's procurement solutions unit, believes work that is not a core competency should be done by an organisation for which that work is a core competency. At most companies, purchasing indirect or non-critical materials are not core competencies (Favre et al., 2004). Parts, components and systems that entail mature technology that add nothing to the product value in the view of the customer may be considered commodities. Commodity component families can be identified as having many possible suppliers and may generate small margins, whilst strategic component families have few suppliers and high premiums (Venkatesan, 1992).

Response time in procurement in consideration to competitive environment includes lower procurement costs, faster cycle times, reduced maverick or unauthorized buying, more highly organized information, and tighter integration of the procurement function with key back-office systems. Effectiveness includes increased control over the supply chain, proactive management of key procurement data, and higher-quality purchasing decisions within organizations (Harrington, 1999).

Efficiency in procurement is more evident and has been reported as the number one reason for utilizing e-business tools (Harrington, 1999; Kalakota and Whinston, 1996).

Efficiency is realized through lower costs (including the opportunity cost of time) in performing various facets of the purchasing task. E-commerce tools reduce transaction costs between organizations by facilitating communications and enabling tasks to be completed more rapidly. The conversion of paper documents for ordering, invoicing, and tracking into electronic documents lowers expenses associated with accounting, record keeping, and the various archival tasks associated with procurement (Ramusson, 1999). Other cost savings include economies gained from reduced order cycle time and greater timeliness in ordering and delivery (Peters and Hogenson, 1999). Order cycle cost reductions occur when Internet-based buying lowers managerial involvement in purchase activities and in the number of separate buying tasks and procedures that must be carried out (Kalakota and Robinson, 1999). E-commerce tools offer the opportunity to group tasks such as vendor identification, specification transfer, and pricing into a seamless communication stream, lowering time and cost investments (Solomon, 1999).

Further, highly knowledgeable technical personnel, reduced conflict and better coordination imply better product selection and inventory management. Importantly, e-commerce tools not only lower the cost of search but also make the search aspects of the buying process more effective (Kosiur, 1997). Purchasers are able to utilize Internet search engines and other Web-based product and vendor directories to widen the scope of their search. Effectiveness outcomes of increased search capabilities include lower and generally more competitive, pricing as well as a wider array of quality choices.

Mainly inefficiencies are brought by, ordering unapproved or nonessential items and poor compliance with corporate contracts leading to unnecessary administrative overhead and

payment cost , failure to order through approved suppliers, reducing the ability of to negotiate lower prices and resulting to overall cost creep, high error rates and long purchase cycle times caused by the many stage nature of existing procurement process involving staff in lengthy reconciliation and other non value-adding activities and unnecessary complicated and time wasting logistics and fulfillment procedure involved in taking delivery of good and services to delivering them to the end user.

Inefficiencies in the procurement processes lead to lack of control and not realizing value for money in any business. Other problem that may result from inefficiency in the procurement process includes poor management of procurements, corruption, theft and loss of public properties.

2.4 Empirical Review

Angeles (2007) sought to pursue the understanding of current business-to-business e-procurement practices by describing the success factors and challenges to its implementation in the corporate setting. The study through factor analysis resulted in three e-procurement success factors: supplier and contract management; end-user behavior and e-procurement business processes; and information and e-procurement infrastructure.

Murray, (2009) sought to establish perceived local government procurement best practice. Secondary research is then drawn upon to establish local government procurement's response to the economic recession. The study was set within the context of English local government. Its contribution is in highlighting that perceived best public procurement practice may well, in the short-term, be inappropriate and perhaps delay

economic recovery. Suggestions for more radical short-term procurement strategic interventions were set out and justified as accelerating the economic recovery. The suggestions were considered appropriate, not only for the crisis, but also for future economic downturns or indeed any country facing such a situation. The analysis suggested that English local government procurement strategy generally remain unaltered from that adopted prior to the economic recession. It is then argued that current best practice may well hinder an economic recovery and a short-term shift in procurement strategy is required.

There are reported financial benefits from outsourcing procurement in the literature. Raising purchasing process compliance from 60 per cent to 95 per cent can reduce a companies cost of goods sold by 4 per cent and procurement outsourcing across the board can reduce costs of service and materials by up to 15 per cent (Favre *et al.*, 2004).

A noted benefit derived from outsourcing purchasing is the imposed behavioral and process discipline which the provider brings (John, 2003b). It may be argued that this process discipline could and should be imposed in-house, but in reality this is often very difficult to enforce. Without process discipline it is difficult to track costs. Many smaller firms run into trouble because they simply do not know their true costs (Morgan, 1995) and we believe true cost to be even more difficult to calculate for larger firms who do not have rigorous processes. This illustrates that great care needs to be taken when setting out the value expected to be gained from engaging a service provider and the method in which this value will be measured and communicated in terms of quantified and realized benefits.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research questions. Specifically the following subsections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

Research design refers to the method used to carry out a research. This research problem was studied using descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enables the researcher to generalise the findings to a larger population. This study therefore was able to generalise the findings to all the departments in the Firm. The focus of this study was quantitative. However, some qualitative approaches were used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

3.3 Target Population

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous. Population studies are more representative because everyone has equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (1999). The target population for this study was employees in procurement department and other heads of departments in the profit making farmers' Cooperative Societies in Kiambu County who have the responsibility of procurement activities in the Firms. The study focused on the section and particularly on the top, middle and lower level management staff who are directly dealing with the day-to-day procurement activities in the firms. Mugenda and Mugenda (1999) explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study.

3.4 Sample Design and Procedure

The study used stratified random sampling technique in coming up with the sample being that the target population is heterogeneous, that is, consist of different farmers' Cooperative Societies. This would make the use of other sampling techniques such as random sampling technique inappropriate, as they would come up with unrepresentative sample. When sub-populations vary considerably, it is advantageous to sample each subpopulation (stratum) independently (O'Sullivan and Barnes, 2007). Stratified sampling technique focuses on important subpopulations but ignores irrelevant ones,

improves the accuracy of estimation, is efficient and sampling equal numbers from strata varying widely in size may be used to equate the statistical power of tests of differences between strata. Stratified sampling also allows other sampling techniques such as random and systematic sampling techniques, to be conducted within the stratum (Groves, 2004).

The target population was stratified into farmers' Cooperative Societies, which formed 10 strata. In each stratum, the study used simple random sampling technique in coming up with a sample of 3 employees from procurement department from each firm. This helped reduce repetitiveness and redundancy of the data collected, since each firm adopts the procurement procedure. Random sampling technique would be advantageous for it accords each member of within the stratum an equal chance of being included in the study.

3.5 Data Collection

3.5.1 Type of Data

The study utilized both primary and secondary data. Primary data was gathered through questionnaires, while secondary data was obtained from the firm's annual financial records. These supplemented the primary data received from questionnaires.

3.5.2 Research Instrument

With respect to procurement, this study utilized a questionnaire to collect primary data as used in various previous research projects (Lumpkin and Dess, 2001). A questionnaire is a research instrument consisting of a series of questions and other prompts for gathering information from respondents. The study considered questionnaires for they have

advantages over other types of research instruments in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data.

The questionnaire designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The second part was devoted to the examination of the effects of public procurement procedures on the operations of farmers' cooperative societies in Kiambu County study where the variables of the study were put into focus. The questionnaire is designed to include both structured and unstructured questions. The structured questions was used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form; while the unstructured questions was used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information.

3.5.3 Data Collection Method

This study collected quantitative data using a self-administered questionnaire. Nevertheless, where it proved difficult for the respondents to complete the questionnaires immediately, the questionnaire were left with the respondents and picked later. Before the questionnaire was finally administered to participants, a pilot study was carried out to ensure that the questions are relevant, clearly understandable and make sense. The pilot study aimed at determining the reliability of the questionnaire including the wording, structure and sequence of the questions. A cover letter from University of Nairobi was

taken along to enable the administering of the questionnaire. The respondents were assured of confidentiality of their names and responses and that the responses would not be handled by any other person but rather was used purely for academic purposes.

3.6 Pilot Study

This pilot study involved a pretest of the questionnaire on 10 respondents from the cooperative societies. The respondents were conveniently selected since statistical conditions are not necessary in the pilot study (Cooper and Schindler, 2003). The purpose was to refine the questionnaire so that respondents in the major study had no problem in answering the questions. Expert opinion was requested to comment on the representativeness and suitability of questions and give suggestions of corrections to be made to the structure of the questionnaire. This helped to improve the content validity and reliability of the data that was collected. The questionnaire was hand delivered and administered at the respondents' place of work to ensure objective response and reduce non-response rate. The results of the pilot study were not included in the actual study.

3.7 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data collected was purely quantitative and it was analyzed by descriptive analysis such as measure of central tendency and measure of dispersion. The descriptive statistical tools helped in describing the data and determining the extent used. Data analysis used SPSS and Microsoft Excel to generate quantitative reports through tabulations, percentages, and measures of central tendency. The

researcher conducted a multiple regression analysis to determine the relative importance of each of the variables with respect to financial performance of the cooperative societies. A probabilistic model to predict the extent to which the identified independent variables affect the dependent variable was used. The population regression line is represented by the following equation: $Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \epsilon$

Where; Y = financial performance – The dependent variable (determined through profit margin of the Cooperative societies) β_0 = This is the Y-intercept which is a constant not a variable and it occurs when $x_1=x_2=x_3=x_4=0$

x_1 = Professionalism– independent variable

x_2 = Financial Management– independent variable

x_3 = Records management – independent variable

x_4 = Response Rate– independent variable

ϵ = error variable which represents all the factors that affects the dependent variable but was not included in the model either because they are difficult to measure or not known.

3.8 Data Presentation

Tables were used to present responses and facilitate comparison. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons. This generated quantitative reports through tabulations, percentages, and measure of central tendency.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

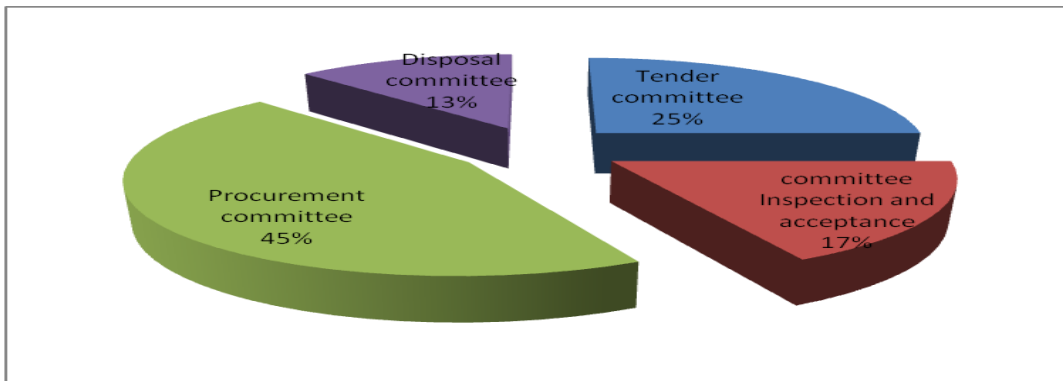
4.1 Introduction

This chapter presents the data that was found on an examination of the effects of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County. This study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points were used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

4.2 General Information

This section presents data on general information on existence of procurement committees; implementation of the public procurement Act of 2005 and the effect on financial performance by the sampled profit making farmers' cooperative societies in Kiambu County

Figure 4.2: Respondents committee



Source: Author

From the findings, 45% of the respondents served in procurement committee; 25% in tender committee; 17% in inspection and acceptance committee while 13% in disposal committee. Thus the distribution of most of the respondents in procurement committee means that they would provide sufficient data on the effects of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County.

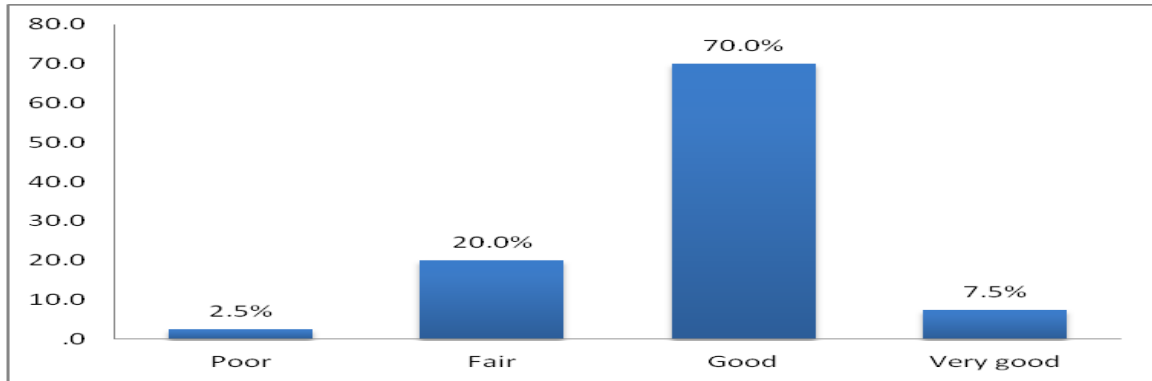
Table 4.1: Implementation of the public procurement Act of 2005

Year	Frequency	Percent
2007	1	2.5
2009	4	10.0
2010	30	75.0
2011	4	10.0
i don't know	1	2.5
Total	40	100.0

Source: Author

The asked the respondents to state the year in which their organizations started implementing the public procurement Act of 2005. From the findings, 75% indicated year 2010, 10% stated year 2009 and 2011 while 2.5% stated year 2007 while one respondent had no idea. From these findings, it is clear that most of the profit making farmers' cooperative societies in Kiambu County implemented public procurement Act in the year 2010 and hence there had been the perceived influence on financial performance as most had already complied.

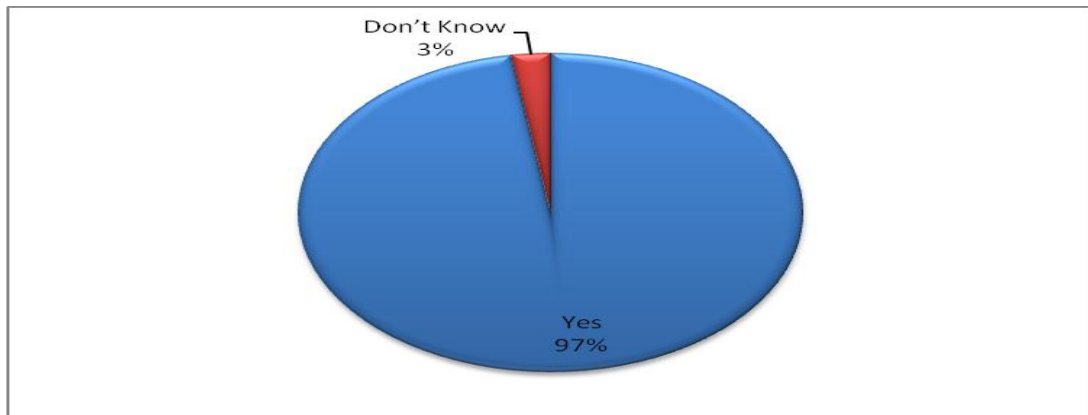
Figure 4.3: Rating the organization



Source: Author

The study asked the respondents to rate their organization in terms of the Public Procurement and Disposal Act 2005 implementation. From the findings, 70% rated it as good, 20% as fair, 7.5% and 2.5% as poor. The findings indicate that majority of profit making farmers' cooperative societies in Kiambu County had indeed performed well after Public Procurement and Disposal Act 2005 implementation.

Figure 4.4: Effect of implementation of the procurement Act of 2005



Source: Author

The study inquired the respondents' view on whether implementation of the procurement Act of 2005 has affected the society's financial performance. From the findings, 97% agreed while 3% denied. In addition, 52.5% stated that this had a great impact while 47.5% indicated a moderate impact. Therefore, it is clear that the Act had a significant impact on profit making farmers' cooperative societies in Kiambu County in terms of profitability.

4.3 Professionalism

The study in this section sought to establish the effect of professionalism in implementation of public procurement procedures on the financial performance of the cooperative societies in Kiambu County.

Table 4.2: Influence of Professionalism

	Frequency	Percent
To no extent	1	2.5
To a little extent	1	2.5
To a great extent	30	75
To a very great extent	8	20
Total	40	100

Source: Author

From the findings, 75% of the respondents indicated that professionalism in implementation of public procurement procedures affect financial performance to a great extent. Further, 20% indicated a very great extent while each of 2.5% stated a little as well as no influence respectively. From the findings it is clear that professionalism in implementation of public procurement procedures is significant determinant of financial performance.

Table 4.3: Effect of Professionalism on financial performance

Effect of Professionalism on financial performance	Mean	Std. Deviation
Enhances accountability for procurement decisions	4.45	.639
Management of oversight over the procuring system	4.08	1.421
Enables capacity to be built in the user departments	3.55	1.154
Enhances procurement planning	4.18	.813
Ensures there is assessment of the procurement procedures during implementation	4.35	.834

Source: Author

The study asked the respondents to state the extent to which professionalism in the implementation of procurement procedures affect financial performance of the cooperatives. From the findings professionalism ensures there is assessment of the procurement procedures during implementation had a mean score of 4.35; enhances accountability for procurement decisions [M=4.45], enhances procurement planning [M=4.18], management of oversight over the procuring system [M=4.08].The respondents moderately stated that professionalism enables capacity to be built in the user departments [M=3.55]. The findings thus indicate that professionalism in implementation of public procurement procedures ensures there is assessment of the procurement procedures; enhances accountability for procurement decisions; enhances procurement planning and ensures management of oversight over the procuring system in profit making farmers' cooperative societies in Kiambu County.

Table 4.4: Professionalism challenges in implementation of public procurement procedures

	Mean	Std. Deviation
Lack of oversight over the various procurement processes	3.35	0.834
Inadequate capacity to handle all types of procurements necessary	3.20	1.043
Ambiguity in the powers and responsibilities of those involved in the procurement process	3.30	0.723
Operational independence	3.43	1.010
Difficulties operating in the existing organization structures	3.93	0.944
Abuse of the procurement system by various parties	1.90	0.982
Inconsistent utilization of the procurement procedures for various purchases	2.20	0.723
Compliance with procedural requirements	3.25	0.840
Compromise on the intent and spirit of rules	1.88	0.648
Ambiguities and gaps in the rules and procedures	3.08	1.347
Inefficiencies in implementation	2.20	0.883
High costs of ensuring professionalism in implementation of the procurement procedures	3.30	0.992

Source: Author

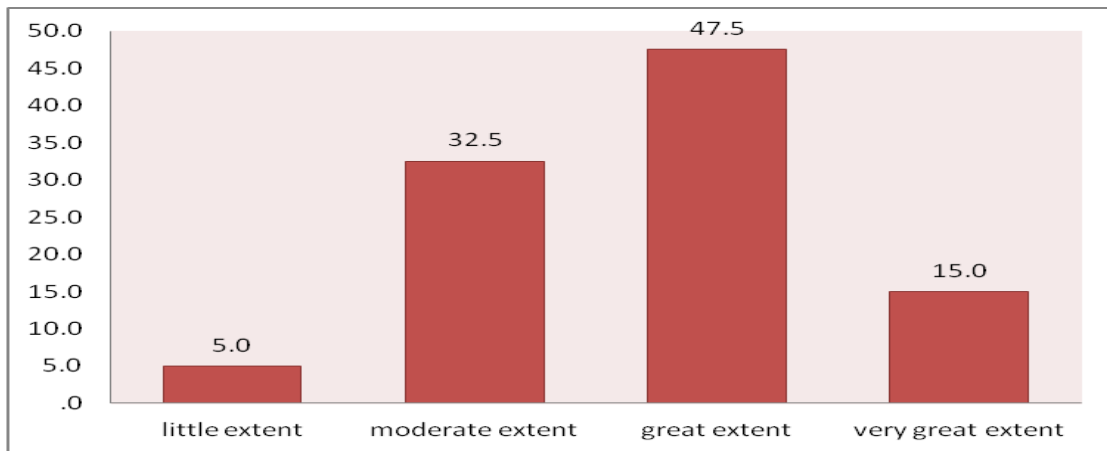
The study asked the respondents to state the extent to which challenges affiliated to professionalism affect the implementation of procurement procedures in the cooperatives. The respondents were required to rate their level of agreement based on a Likert scale of 1-5 where 1= To no extent, 2= To a little extent, 3= To a moderate extent, 4= great extent and 5= very great extent. From the findings, difficulties operating in the existing organization structures had a high mean score of 3.93; operational independence had a mean score of 3.43; lack of oversight over the various procurement processes had a mean of 3.35; ambiguity in the powers and responsibilities of those involved in the procurement process and high costs of ensuring professionalism in implementation of the procurement procedures had a mean of 3.30. On the other hand, abuse of the procurement system by various parties and compromise on the intent and spirit of rules had low mean scores of 1.90 and 1.88. From these findings, it is evident that the profit making farmers'

cooperative societies in Kiambu County normally faces difficulties operating in the existing organization structures; operational independence and lack of oversight over the various procurement processes while abuse of the procurement system by various parties, compromise on the intent and spirit of rules; as well as high costs of ensuring professionalism in implementation of the procurement procedures rarely affect them.

4.4 Financial management

The study in this part sought to establish the effect of financial management in implementation of public procurement procedures on the financial performance of the cooperative societies in Kiambu County.

Figure 4.5: Influence of Financial management



Source: Author

From the findings, 47.5% of the respondents indicated that financial management in implementation of public procurement procedures affects financial performance to a great extent. 15% indicated a very great extent while 32.5% stated moderate influence. From the findings, it is apparent that financial management in implementation of public procurement procedures is a major determinant of financial performance.

Table 4.5: Financial management challenges

	Mean	Std. Deviation
Ineffective financial management system	2.38	1.213
Difficult decision making process leading to lost opportunities for financial growth	4.55	6.516
Lack of budget preparation capacity	2.00	1.013
Weak internal controls leading to income/asset losses	1.50	0.679
Inadequate capacity in accounting for revenue and assets	1.38	0.490
Ineffective internal and external oversight mechanisms	2.20	0.464
Inadequate monitoring and reporting arrangements	2.38	0.705
Unclear links to procurement planning, budgets and strategy	2.23	0.862

Source: Author

The study asked the respondents to state the extent to which challenges associated to financial management affect the implementation of procurement procedures in the cooperatives. The respondents were required to rate their level of agreement based on a Likert scale of 1-5 where 1= To no extent, 2= To a little extent, 3= To a moderate extent, 4= great extent and 5= very great extent. From the findings, majority of the profit making farmers' cooperative societies in Kiambu County faces difficulties in decision-making process leading to lost opportunities for financial growth. However, they rarely face ineffective financial management system; Lack of budget preparation capacity; Weak internal controls leading to income/asset losses; inadequate capacity in accounting for revenue and assets as well as ineffective internal and external oversight mechanisms during implementation of procurement procedures.

4.5 Records management

In this area, the study sought to ascertain the effect of records management in implementation of public procurement procedures on the financial performance of the cooperative societies in Kiambu County.

Table 4.6: Influence of records management

	Frequency	Percent
little extent	3	7.5
moderate extent	28	70
great extent	2	5
very great extent	7	17.5
Total	40	100

Source: Author

From the findings, 70% of the respondents indicated that records management in implementation of public procurement procedures affects financial performance to moderate extent, 17.5% indicated a very great extent, while 5% stated great influence. From the findings, it is obvious that records management in implementation of public procurement procedures is a determinant of financial performance at a moderate extent.

Table 4.7: Records management challenges in implementation of public procurement procedures

	Mean	Std. Deviation
Keeping track of important information	2.85	1.292
Classification or sorting out of data	2.83	1.107
Storage or archiving of data and records	3.63	1.275
Retrieving of the records and information	2.85	1.210
Poor technological infrastructure for record keeping	2.73	1.198
Insecure record keeping in safeguarding the firm records	3.23	1.165
Comparison between the current operations with historical data	3.43	0.747
Failure of knowing when to place orders and amount of cash required for purchases	2.68	1.457
Challenges of obtaining data in a timely and orderly manner	2.95	1.280

Source: Author

The study asked the respondents to state the extent to which challenges related to records management affect the implementation of procurement procedures in the cooperatives. The respondents were required to rate their level of agreement based on a Likert scale of 1-5 where 1= To no extent, 2= To a little extent, 3= To a moderate extent, 4= great extent and 5= very great extent. From the findings, comparison between the current operations with historical data had a mean score of 3.43 while insecure record keeping in safeguarding the firm records had a mean score of 3.23. Keeping track of important information [M= 2.85]; classification or sorting out of data [M=2.83]; lack of proper record keeping leading to increased operating costs [M=2.41]; Poor record keeping leading to increased litigation risks [M=1.85] and Poor record keeping affecting effective management decision making processes [M=1.97].

From the findings most of the cooperative societies faces insecure record keeping and comparison current and historical data while they rarely face Keeping track of important information; classification of data; lack of proper record keeping; Poor record keeping leading to increased litigation risks; Poor record keeping affecting effective management decision making processes during implementation of procurement procedures.

4.6 Response Rate

In this section, the study sought to determine the effect of response rate in implementation of public procurement procedures on the financial performance of the cooperative societies in Kiambu County.

Table 4.8: Influence of Response Rate

	Frequency	Percent
No extent	1	2.5
little extent	3	7.5
moderate extent	20	50
great extent	9	22.5
very great extent	6	17.5
Total	40	100

Source: Author

From the findings, 50% of the respondents indicated that response rate in implementation of public procurement procedures affects financial performance to moderate extent, 22.5% indicated a great extent, and 17.5% indicated very great extent while 7.5% stated little influence. From the findings, it is clear that response rate in implementation of public procurement procedures is a determinant of financial performance at a moderate extent.

Table 4.9: Challenges in implementation of public procurement procedures

	Mean	Std. Deviation
Inefficiency in procurement processes leading to low responses rates and thus increased procurement costs	2.58	1.567
Failure to order through approved suppliers due to low response rates thus increase purchase prices/costs	3.13	1.305
Low response rates cause longer cycle times and high opportunity costs and re-order levels	3.30	1.018
Inefficiencies in the procurement system resulting to high error rates	2.55	0.904
Reduction in the ability to negotiate lower prices due to low response rates	3.03	1.441
Low response rates leading to losses due to lost investment opportunities	2.98	1.493
Decreased control over the supply chain	2.23	0.800
Inefficiencies arising from ordering unapproved or nonessential items	2.13	0.911
Inefficiencies are experienced due to poor compliance with corporate contracts leading to unnecessary administrative costs	2.40	0.672

Source: Author

The study asked the respondents to state the extent to which challenges related to response rate affect the implementation of procurement procedures in the cooperatives. The respondents were required to rate their level of agreement based on a Likert scale of 1-5 where 1= To no extent, 2= To a little extent, 3= to a moderate extent, 4= great extent and 5= very great extent. From the findings, low response rates cause longer cycle times and high opportunity costs and re-order levels; failure to order through approved suppliers due to low response rates thus increase purchase prices/costs and reduction in the ability to negotiate lower prices due to low response rates had mean scores of 3.3, 3.13 and 3.03 respectively. Other statements had low mean scores. Decreased control over the supply chain [M=2.23]; Inefficiencies arising from by ordering unapproved or nonessential items [M=2.13].

From the findings, it is clear that profit making farmers cooperative societies face low response rates causing longer cycle times and high opportunity costs; failure to order through approved suppliers due to low response rates thus increase in purchase prices/costs and; reduction in the ability to negotiate lower prices due to low response rates. On the other hand, they rarely face decreased control over the supply chain; inefficiencies arising from ordering unapproved or nonessential items.

4.7 Inferential statistics

This section presents a discussion of the results of inferential statistics. The researcher conducted a multiple regression analysis to determine the relative importance of each of the variables with respect to financial performance of the cooperative societies. A

probabilistic model to predict the extent to which the identified independent variables affect the dependent variable was used. The population regression line is represented by the following equation:

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \epsilon$$

Where: Y = financial performance – The dependent variable (determined through profit margin of the Cooperative societies), β_0 = This is the Y-intercept which is a constant not a variable and it occurs when $x_1=x_2=x_3=x_4=0$, x_1 = Professionalism– independent variable, x_2 = Financial Management– independent variable, x_3 = Records management – independent variable and x_4 = Response Rate– independent variable.

The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. Findings are presented in the following tables;

Table 4.10: Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.918 ^a	.843	.805		.51038

Source: Author (a. Predictors: (Constant), Professionalism, Financial Management, Records management and Response Rate, b. Dependent Variable: financial performance)

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (financial performance) that is explained by all the

independent variables. The four independent variables studied, explain 84.3% of variance in financial performance as represented by the R^2 . This therefore means that other factors not studied in this research contribute 15.7% of variance in the dependent variable.

Table 4.11: ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.214	22	.114	11.833	.000 ^a
	Residual	5.045	40	.200		
	Total	6.259	62			

Source: Author (a. Predictors: (Constant), Professionalism, Financial Management, Records management and Response Rate, b. Dependent Variable: financial performance)

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The "F" column provides a statistic for testing the hypothesis that all $\beta \neq 0$ against the null hypothesis that $\beta = 0$ (Weisberg, 2005). From the findings, the significance value is .000, which is, less than 0.05 thus the model is statistically significance in predicting how professionalism, financial management, records management and response rate affect the financial performance. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 11.833), this shows that the overall model was significant.

Table 4.12: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	3.374	.842		4.009	.000
Professionalism	0.842	.046	0.330	1.830	.001
Financial Management	0.656	.13	0.032	5.046	.0041
Records management	0.752	.88	0.167	8.545	.0015
Response Rate	0.705	.65	0.154	4.5779	.0022

Source: Author

From the regression findings, the substitution of the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$) becomes: $Y = 3.374 + 0.842X_1 + 0.656X_2 + 0.752X_3 + 0.705X_4$

Where Y is the dependent variable (financial performance), X_1 is the Professionalism variable, X_2 is the Financial Management variable, X_3 is Records management variable and X_4 is the Response Rate variable. According to the equation, taking all factors (professionalism, financial management, records management and response rate) constant at zero, financial performance will be 3.374. The data findings also show that a unit increase in professionalism will lead to a 0.842 increase in financial performance; a unit increase in records management will lead to a 0.752 increase in financial performance; a unit increase in financial management will lead to a 0.656 increase in financial performance; and a unit increase in response rate will lead to a 0.705 increase in financial performance. This means that the most significant factor is professionalism followed by records management.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings as discussed in the previous chapter. From the findings, conclusions and recommendations are discussed based on the objectives of the study mainly to examine effects of public procurement procedures on financial performance of profit making farmers' cooperative societies in Kiambu County.

5.2 Summary of findings

From the findings, most of the profit making farmers' cooperative societies in Kiambu County implemented public procurement Act in the year 2010. The findings further indicate that majority of profit making farmers' cooperative societies in Kiambu County had indeed performed well (financially) after Public Procurement and Disposal Act 2005 implementation.

From the findings, professionalism in implementation of public procurement procedures ensures there is assessment of the procurement procedures; enhances accountability for procurement decisions; enhances procurement planning and ensures management of oversight over the procuring system in profit making farmers' cooperative societies in Kiambu County. Thus, professionalism in implementation of public procurement procedures is significant determinant of financial performance. However the firms faces difficulties operating in the existing organization structures; operational independence and lack of oversight over the various procurement processes while abuse of the

procurement system by various parties, compromise on the intent and spirit of rules; as well as high costs of ensuring professionalism in implementation of the procurement procedures rarely affect them.

On financial management, majority of the profit making farmers' cooperative societies in Kiambu County faces difficulties in decision-making process leading to lost opportunities for financial growth. However, they rarely face ineffective financial management system; Lack of budget preparation capacity; Weak internal controls leading to income/asset losses; inadequate capacity in accounting for revenue and assets as well as ineffective internal and external oversight mechanisms during implementation of procurement procedures. Thus, financial management in implementation of public procurement procedures is a major determinant of financial performance.

From the findings most of the cooperative societies faces insecure record keeping and comparison current and historical data while they rarely face keeping track of important information; classification of data; lack of proper record keeping; Poor record keeping leading to increased litigation risks; poor record keeping affecting effective management decision making processes during implementation of procurement procedures. Thus, records management in implementation of public procurement procedures is a determinant of financial performance at a moderate extent.

From the findings, response rate in implementation of public procurement procedures affect financial performance at a moderate extent. This is through low response rates causing longer cycle times and high opportunity costs; failure to order through approved suppliers due to low response rates thus increase in purchase prices/costs and; reduction

in the ability to negotiate lower prices due to low response rates. On the other hand, they rarely face decreased control over the supply chain; inefficiencies arising from ordering unapproved or nonessential items.

According to the regression equation, taking all factors (professionalism, financial management, records management and response rate) constant at zero, financial performance will be 3.374. The data findings also shown that a unit increase in professionalism will lead to a 0.842 increase in financial performance; a unit increase in records management will lead to a 0.752 increase in financial performance; a unit increase in financial management will lead to a 0.656 increase in financial performance; and a unit increase in response rate will lead to a 0.705 increase in financial performance. This means that the most significant factor is professionalism followed by records management.

5.3 Conclusions

From the findings, the study concluded that professionalism during implementation of public procurement procedures is major determinant of financial performance. Professionalism in profit making farmers' cooperative societies in Kiambu County ensures there is assessment of the procurement procedures; accountability for procurement decisions; procurement planning and management of oversight over the procuring system. However, the cooperative societies face difficulties operating in the existing organization structures; operational independence and lack of oversight over the various procurement processes. The study further concludes that financial management during implementation of public procurement procedures determines financial

performance. Majority of the firms face difficulties in decision-making process leading to lost opportunities for financial growth and rarely face ineffective financial management system; lack of budget preparation capacity; weak internal controls leading to income/asset losses. The study concluded that records management in implementation of public procurement procedures determines financial performance at a moderate extent. Most of the cooperative societies faces insecure record keeping and comparison current and historical data while they rarely face keeping track of important information; classification of data; lack of proper record keeping; Poor record keeping leading to increased litigation risks; poor record keeping affecting effective management decision making processes during implementation of procurement procedures.

In conclusion, response rate moderately influence financial performance during implementation of public procurement procedures. The cooperative societies face low response rates causing longer cycle times and high opportunity costs; failure to order through approved suppliers due to low response rates thus increase in purchase prices/costs and; reduction in the ability to negotiate lower prices due to low response rates.

5.4 Recommendations

From the findings, the study recommended that profit making farmers' cooperative societies in Kiambu County should ensure proper competitive recruitment of the procurement personnel. This will enhance professionalism in public procurement procedures. Thus reducing weak professional oversight, abuse of the procurement system; as well as high costs of professionalism in implementation of the procurement

procedures. There is a need for these societies to develop policies as well as systems to ensure proper monitoring and evaluation of finances. Efficiency in strengthening of procurement committee, tender committee, inspection and acceptance committee is required in facilitation of decision-making process during implementation of procurement procedures. This will ensure that weak internal controls, budget preparation anomalies, inadequate capacity in accounting for revenue and assets as well as ineffective internal and external oversight mechanisms challenges are avoided.

The study recommends that the cooperatives need to build up on good record keeping methods that may include adoption of technology, data updating and classification. This will lead to enhance effective management and keeping track of important information in implementation of public procurement procedures, thus improved financial performance. The study recommends proper adoption of response rate strategies, which incorporates technology. Response time in procurement in consideration to competitive environment includes lower procurement costs, faster cycle times, reduced maverick or unauthorized buying, more highly organized information, and tighter integration of the procurement function with key back-office systems. Efficiency will be realized through lower costs (including the opportunity cost of time) in performing various facets of the purchasing task. All these strategies aim at enhancing profitability of profit making farmers' cooperative societies in Kiambu County

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Appendix I: Questionnaire

This questionnaire consists of two parts; kindly answer all the questions by ticking in the appropriate box or filling in the spaces provided.

SECTION A: GENERAL INFORMATION

1. Of which committee are you a member?

Tender committee

Inspection and acceptance committee

Procurement committee

Disposal committee

2. When did your organization start implementing the public procurement Act of 2005?

(a) 2007

(b) 2008

(c) 2009

(d) 2010

(e) 2011

(f) 2012

(f) I don't know

3. In your own view how would you rate the organization in terms of implementing the Public Procurement and Disposal Act of 2005

(a) Very good

- (b) Good
- (c) Fair
- (d) Poor
- (e) Very poor
- (f) I don't know

4. In your view has the implementation of the procurement Act of 2005 affected the Society's financial performance?

- Yes
- No
- Not sure
- Don't Know

If yes, to what extent?

- Low extent
- Moderate extent
- Great extent
- Very great extent

SECTION B: EFFECTS OF PUBLIC PROCUREMENT PROCEDURES ON THE FINANCIAL PERFORMANCE OF THE CO-OPERATIVE SOCIETY

PROFESSIONALISM

5. To what extent does the need for professionalism in implementing public procurement procedures affect the financial performance of the cooperative?

To a very great extent []

To a great extent []

To a moderate extent []

To a little extent []

To no extent []

6. With regard to the following matters, to what extent does professionalism in the implementation of procurement procedures affect financial performance of the cooperative. Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

Benefits	1	2	3	4	5
Enhances accountability for procurement decisions					
Management of oversight over the procuring system					
Enables capacity to be built in the user departments					
Enhances procurement planning					
Ensures there is assessment of the procurement procedures during implementation					

7. To what extent does the firm face the following challenges in the implementation of public procurement procedures? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent

Challenges	1	2	3	4	5
Lack of oversight over the various procurement processes					
Inadequate capacity to handle all types of procurements necessary					
Ambiguity in the powers and responsibilities of those involved in the procurement process					
Operational independence					
Difficulties operating in the existing organization structures					
Abuse of the procurement system by various parties					
Inconsistent utilization of the procurement procedures for various purchases					
Compliance with procedural requirements					
Compromise on the intent and spirit of rules					
Ambiguities and gaps in the rules and procedures					
Inefficiencies in implementation					
High costs of ensuring professionalism in implementation of the procurement procedures					
Other (specify.....)					

FINANCIAL MANAGEMENT

8. To what extent does the need for enhanced financial management in the implementation of public procurement procedures affect financial performance in your firm?

To a very great extent []

To a great extent []

To a moderate extent []

To a little extent []

To no extent []

9. To what extent does the organization face the following challenges in the implementation of the public procurement procedures? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

Challenges	1	2	3	4	5
Ineffective financial management system					
Difficult decision making process leading to lost opportunities for financial growth					
Lack of budget preparation capacity					
Weak internal controls leading to income/asset losses					
Inadequate capacity in accounting for revenue and assets					
Ineffective internal and external oversight mechanisms					
Inadequate monitoring and reporting arrangements					
Unclear links to procurement planning, budgets and strategy					
Other (specify.....)					

RECORDS MANAGEMENT

10. To what extent does record management in the implementation of public procurement procedures affect financial performance in your firm?

To a very great extent []

To a great extent []

To a moderate extent []

To a little extent []

To no extent []

11. To what extent do the following records management challenges in the implementation of public procurement procedures affect your firm's financial

performance? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent

Challenges	1	2	3	4	5
Keeping track of important information					
Classification or sorting out of data					
Storage or archiving of data and records					
Retrieving of the records and information					
Poor technological infrastructure for record keeping					
Insecure record keeping in safeguarding the firm records					
Comparison between the current operations with historical data					
Failure of knowing when to place orders and amount of cash required for purchases					
Challenges of obtaining data in a timely and orderly manner					
Lack of proper record keeping leading to increased operating costs					
Improper record keeping leading to low regulatory compliance					
Poor record keeping leading to increased litigation risks					
Poor record keeping affecting effective management decision making processes					
Other (specify.....)					

RESPONSE RATES

12. To what extent do response rates in the implementation of procurement procedures affect financial performance in your firm?

- To a very great extent []
- To a great extent []
- To a moderate extent []
- To a little extent []
- To no extent []

13. Rate the extent to which the following challenges are experienced in your firm? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent

Challenges	1	2	3	4	5
Inefficiency in procurement processes leading to low responses rates and thus increased procurement costs					
Failure to order through approved suppliers due to low response rates thus increase purchase prices/costs					
Low response rates cause longer cycle times and high opportunity costs and re-order levels					
Inefficiencies in the procurement system resulting to high error rates					
Reduction in the ability to negotiate lower prices due to low response rates					
Low response rates leading to losses due to lost investment opportunities					
Decreased control over the supply chain					
Inefficiencies arising from by ordering unapproved or nonessential items					
Inefficiencies are experienced due to poor compliance with corporate contracts leading to unnecessary administrative costs					

THANK YOU!!