

**STRATEGIC RESPONSES BY THE PUBLIC PROCUREMENT  
OVERSIGHT AUTHORITY (PPOA) TO ENVIRONMENTAL CHANGES**

**BY**

**GILBERT KIPLAGAT KIMAIYO**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS  
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF  
NAIROBI**

**OCTOBER, 2012**

## DECLARATION

I declare that this research project is my original work and has not been submitted for degree in any other university.

Signature:  Date: 18<sup>TH</sup> OCTOBER, 2012

**Gilbert Kiplagat Kimaiyo**

**D61/75684/2009**

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

Signature:  Date: 14/11/12

**Mr. Alex Jaleha**

**Lecturer, School of Business, University of Nairobi**

## ACKNOWLEDGEMENTS

The experience of working on this project was overwhelming in terms of both gaining knowledge on the subject matter and personal capability development. I am grateful to my esteemed Supervisor Mr.Alex Jaleha as his guidance, suggestions and positive criticism helped me to improve my work.

I would like to thank all the staff at the Public Procurement Oversight Authority who took their time and helped me in collecting the required information, without their support, this work would not have been possible.

I would also like to thank my family members, Winnie, Elvis and Alma and friends for their support, encouragement and their prayers.

Lastly, I thank God for the gift of life.

## DEDICATION

I dedicate this research project to my wife Winnie, lovely children Elvis and Alma for their immeasurable love, care, support and understanding during the time of my studies.

## ABSTRACT

Change is about survival, change is especially necessary in organizations that wish to prosper in a volatile, uncertain, complex, and ambiguous environment. If changes rocking the external environment were temporary, the slow and uncertain pace at which organizations change would matter less. But, the reverse is true. Powerful forces in the environment are pressuring public and private organizations to alter permanently existing structures, policies, and practices (Bolman & Deal, 1991). Organizations have to be proactive in order for them to be able to respond quickly to the changes in the environment. Public Procurement Oversight Authority (PPOA) has encountered several environmental changes such as political, technological, external pressure from donors and other multilateral organizations, and lastly legal and policy changes. The research was an in-depth case study about strategic responses adopted by the Public Procurement Oversight Authority to environmental changes. The objective of the study was to find the strategic responses that PPOA has adopted in order to overcome the changes in the environment. The study was conducted by carrying out in-depth interviews of the targeted respondents and the analysis of the secondary data. The study established a number of strategic responses adapted by PPOA to the changes in the environment these include: advancements in technology, strategic partnerships, outsourcing of services, performance contracting, business process re-engineering (BPR), benchmarking and performance measurement. These strategic responses are discussed in detail in the chapters of the research project. The success of the study was limited and constrained by some of the targeted respondents who could not be easily accessed because some of them were usually busy with their duties so they could not attend to the interviewer or would prefer to respond when they had time which meant the delay in the collection of data. Further studies could be done to identify how PPOA will review the procurement law in order to align it to new constitution.

# TABLE OF CONTENTS

DECLARATION .....	i
ACKNOWLEDGEMENTS .....	ii
DEDICATION .....	iii
ABSTRACT .....	iv
TABLE OF CONTENTS.....	v

## CHAPTER ONE: INTRODUCTION.....1

1.1 Background of the study.....	1
1.1.1 Strategic Responses.....	2
1.1.2 The Kenyan Public Sector.....	3
1.1.3 Public Procurement Oversight Authority (PPOA).....	4
1.2 Research Problem .....	5
1.3 Research Objective.....	7
1.4 Value of the Study.....	7

## CHAPTER TWO: LITERATURE REVIEW ..... 9

2.1 Introduction .....	9
2.2 Environment and Organization.....	9
2.3 Internal and External Environmental Changes.....	10
2.4 Concept of Strategy.....	11
2.5 Strategic Responses to Environmental Changes.....	13

## CHAPTER THREE: RESEARCH METHODOLOGY.....25

3.1 Introduction .....	25
3.2 Research Design.....	25
3.3 Data Collection.....	25
3.4 Data Analysis .....	26

<b>CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.....</b>	<b>28</b>
4.1 Introduction .....	28
4.2 Environmental Changes and Challenges.....	28
4.3 Strategic Responses by PPOA to Environmental Changes.....	35
4.4 Discussion.....	43
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS &amp; RECOMMENDATIONS....</b>	<b>44</b>
5.1 Introduction .....	44
5.2 Summary of the Findings.....	44
5.3 Conclusions.....	47
5.4 Recommendations for Policy and Practice.....	48
5.5 Limitations of the Study.....	49
5.6 Suggestions for Further Study.....	50
<b>REFERENCES.....</b>	<b>51</b>
<b>APPENDENCES.....</b>	<b>I</b>
Appendix I: Introduction letter.....	i
Appendix II: Interview guide.....	ii

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Change is pervasive in our society and a fact of life in organizations. Where does the impetus for change come from? The simple answer is that the impetus to change comes from the environment. Effective strategic leaders understand that change in the strategic environment is a continuous process. By environment, we mean the internal organizational environment, but more often, we are talking about the external environment. Organizations are awash in the external environment, and a sea of change in the environment (e.g., the rifled musket, steam-driven warships, the jet engine, and the age of information) can cause an unresponsive organization to founder. A part of strategic leadership is understanding when environmental change implies a need for organizational change and when it does not (Goodfellow, 1985).

Change is about survival, change is especially necessary in organizations that wish to prosper in a volatile, uncertain, complex, and ambiguous environment. If changes rocking the external environment were temporary, the slow and uncertain pace at which organizations change would matter less. But, the reverse is true. Powerful forces in the environment are pressuring public and private organizations to alter permanently existing structures, policies, and practices (Bolman & Deal, 1991).

How a business aligns itself to the changes in the environment determines its success. Ansoff and Mc Donnell (1990) noted that successful firms continually scan their environment in order to identify future economic, competitive, technological



and political discontinuities, which could affect their operations. Globalization is one example of pressure to change. With globalization comes greater competition, especially for workforce quality. Wider differences in the skills, attitudes, and needs of the workforce are coupled to increase the communications problems. Geographic dispersion creates conflict between regional offices (e.g., unified commands) and the central headquarters as well as conflict among regional offices. Globalization creates the challenge of building cohesion and common purpose in the face of cultural and organizational differences. All of this is complex because many of the variables in the equation are not under the control of the leaders who are creating the vision for change. This therefore calls for the concerted effort of all the players in the public sector to formulate strategic responses that will improve the productivity, quality, and speed in the delivery of services to its citizens.

### **1.1.1 Strategic Responses**

Strategic response is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm objectives (Pearce and Robinson 1997). Strategic responses involves changes to organizations' strategic behavior, such responses may take many forms depending on the organizations' capability and environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. The strategic responses include new products, new markets, new services and new strategies for attacking the markets (Ansoff and Mc Donnell, 1990).

Extant studies have shown that turbulent environments do not remain in the same state long enough for an organization to be able to find a favorable competitive position and exploit it. The limited timeframe challenges firms to respond quickly and with resilience to external changes. In a turbulent age, the only dependable advantage is a superior capacity for reinventing your business model before circumstances force you to (Hamel and Valikangas, 2003). For any organization to be successful it must be in tune with its external environment. There must be a strategic fit between what the environment wants and what the firm has to offer, as well as between what the firm needs and what the environment can provide (Ansoff and Mc Donnell, 1990).

### **1.1.2 The Kenyan Public Sector**

The Kenyan public sector plays a central role in the country's socio-economic development. The sector has however, been affected by globalization, public sector reforms, regional and international partnerships, climate change, Information, Communication and Technology (ICT) and Human Resource Development (HRM), among other factors. In an increasingly changing global environment, the mandate, structure and operations of public service must be reshaped and productivity enhanced to make it more focused, efficient and responsive to the needs of its citizens (DPM, 2010).

The Kenya's Public service has been undergoing multidimensional, interdependent and interlocking reforms through Performance Improvement Strategy. The country has made tremendous progress through these reforms that were anchored in the

Performance Management System (PMS). The noteworthy reforms are: Results Based Management (RBM) - process under which flagship programs were introduced in the public service to propel the focus on results. They include Performance Contracts, Service Delivery Charters and Rapid Results Initiatives (Muthaura, 2010).

### **1.1.3 Public Procurement Oversight Authority (PPOA)**

Public Procurement Oversight Authority was created under the Public Procurement and Disposal Act, 2005. This was as a result of a review study undertaken in 1999 with an aim of reviewing the country's public procurement systems. The review found that there was no uniform procurement system for the public sector as a whole, no sanctions or penalties against persons who breached the regulations in the Supplies Manual, other than internal disciplinary action. Consequently application of the rules was not strict and many of the norms were not followed. The Supplies Manual did not cover procurement of works, the dispute settlement mechanisms relating to the award procedures as set out in the Manual were weak and unreliable for ensuring fairness and transparency. records of procurement transactions in many cases were found to be inaccurate or incomplete or absent, which led to suspicions of dishonest dealings at the tender boards. The systems had other institutional weaknesses that not only undermined its capacity for carrying out their mandates effectively but also led to a public perception that the public sector was not getting maximum value for money spent on procurement (PPOA, 2010).

In view of the above shortcomings it was found necessary to have a law to govern the procurement system in the public sector and to establish the necessary institutions to ensure that all procurement entities observe the provisions of the law for the purpose of attaining the objectives of an open tender system in the sector. PPOA was mandated with the responsibility of ensuring that procurement procedures established under the Act is 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, standard tender documents, providing advice and assistance to procuring entities, and develop, promote and support training and professional development of staff involved in procurement (The Public Procurement and Disposal Act, 2005).

## **1.2 Research Problem**

The market dynamics have created challenges for many public organizations and some of the key challenges affecting public organizations include the emergence of the global economy, advancement in the technology, increased societal demands, organizational scrutiny by pressure groups and more so the heightened media attention that is critical of government inefficiencies in service delivery. These have led to the emergence of strategic response mechanisms within the private market but government organizations have been slower to respond. This is understandable, given fiscal constraints and the bureaucratic process common to governments. However, a new approach, which incorporates modern strategic management tools,

is necessary for the public sector to achieve improved performance and overall service quality (Porter, 1996). This therefore calls for the concerted effort of all the players in the public sector to formulate strategic responses that will improve the productivity, quality, and speed in the delivery of services to its citizens. According to Porter (1996), various management tools and techniques have been developed to counter the environmental changes in organizations. Some of these management tools and techniques include: total quality management, benchmarking, time-based competition, outsourcing, partnering, re engineering and change management.

The Public Procurement Oversight Authority is not unique; it is also experiencing numerous managerial challenges arising from the environmental changes. The key challenges are in the area of policy formulation that will guide the Public Procuring Entities on how to procure goods, works and services within the legal framework, adoption and use of ICT in the Public Sector, constant changes in technology, inadequate capacity building initiatives, low level of policy implementation by the Public Procuring Entities, inadequate funding from the exchequer and weak linkages with key stakeholders such as Ethics and Anti Corruption Commission, Judiciary, and Efficiency Monitoring Unit (PPOA Strategic Plan, 2010-2014).

Several studies have been conducted in this area of strategic response of firms to the environmental changes. For instance Kimutai (2008) conducted a study on strategic responses of sugar companies in Kenya in the face of changing environmental conditions. Gichumbi (2008) carried out a study on strategic responses by NSSF to changing environmental conditions in Kenya. Abong'o (2007) conducted a study on

responses adopted by private universities in Kenya in coping with the changing higher education environment. Other studies that have been done on response strategies include the one conducted by Githii (2007) on strategic responses of Rwathia group of companies to environmental changes.

It is therefore clear that none of the researchers have concentrated on Response Strategies adopted by the Public Procurement Oversight Authority to the environmental changes. What are the response strategies adopted by the Public Procurement Oversight Authority to the environmental changes.

### **1.3 Research Objective**

The objective of the study was to determine the strategic responses adopted by the Public Procurement Oversight Authority to the environmental changes.

### **1.4 Value of the Study**

The government of Kenya through the Public Procurement Oversight Authority and other public sector agencies are the major beneficiaries of this study. This is as a result of their quest to enhance transparency and accountability in the provision and delivery of services to the members of the public. Academicians and scholars are also interested in this study in their search for more knowledge in this area of Strategic Management.

Other beneficiaries of this study include the donors and multilateral organizations, such as the World Bank and the World Trade Organization, who have supported

public procurement improvement programmes. The demand by these organizations has been mainly to harmonize the national procurement system with international procurement guidelines, in order to make the processes more transparent and to devolve procurement to local entities.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

In this chapter, literature was reviewed under the raised environmental changes and strategic responses on the study objectives. The review focused on past studies and theoretical review of the study, critical analysis was made and research gaps established.

### **2.2 Environment and Organization**

The environment within which organizations operate can be both dynamic and uncertain. This therefore calls for managers both in the Private and Public Sector to understand the uncertain nature of the environment within which their organizations operate and try to align the organizations strategies and capabilities to these environmental changes. The term environment refers to the various attributes or variables within and without every organization both environment dependent and environment serving (Ansoff, 1987).

The organization and environment share a closed loop interaction. Environment affects the organization followed by the generation of a response from the organization, thus completing the cycle. It implies that the effect of environment on the organization cannot be fully understood without evaluating the organizational response (Galbraith, 1997). The aim of the study is to analyze the environmental variables and the organizational response in context of the public sector



## **2.3 Internal and External Environmental Changes**

The major four functions of management involve planning, controlling, organizing and leading. These functions can be affected by the internal and external factors in a business environment. Internal factors or environment of a business consists of the organizational resources available to accomplish its goals. These are human, technological, financial and physical resources. The task of management is to acquire these resources and make efficient and effective use of them within an organization. In this task the management of each business is in competition with all other businesses in the life. Organizational resources are therefore scarce and management success depends on how well these resources are both acquired and used (Montana and Charnove 2000)

The external environment is typically made up of things, situations, and events that occur outside of an organization, (usually beyond the organizations control), and affects the organization in either a positive or negative way. Some of these external things, situations, and events that affect the organization in a positive or negative way may include demographics, economy, and government interference, political issues, social issues, competition and environment issues (Robbins, et al., 2003). According to Kottler (2003), the external environment trends call for closer attention since they represent large political, economic, social and technological changes which are always hard to come by but once adopted, they act as a base to a company's long-term survival and profitability. This has left firms with no option than to respond to all the unmet needs and trends.

According to Pearce and Robinson (1997), external environment exerts pressure on firms to be pro active and to formulate successful strategies that facilitate responses to anticipated, planned and actual changes in an increasingly dynamic and changing environment, and in order for organizations to achieve their goals and objectives it is necessary for them to adjust to their environment because an organization's success is dependent on its responses to changes in the environment.

This therefore, makes it necessary for organizations to constantly align and re-align various activities in order to survive in this turbulent environment. The organizations need to formulate and implement strategies that will enable them to plan and act on future eventualities. Strategy is about winning, strategy articulates how organizations intend to combine their resources in order to convert its broad intentions into organization capabilities (Schoenberger, 1985). Strategy formulation therefore guides the actions and decisions made by an organization and helps them achieve long term survival and prosperity.

## **2.4 Concept of Strategy**

Strategy is a framework through which an organization can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. Chandler (1962) is of the view that strategy is the determination of the long-term goals and objectives of an enterprise, and the adaptation of courses of action and the allocation of resources necessary for carrying out the goal. The essence of strategy is to relate the organization to changes in the environment (Ansoff, 1987). Strategy therefore is a tool that helps the organizations to align its

activities to match turbulence in the environment. Organizations therefore need to develop response mechanisms to deal with the changes in the environment. These environmental changes may be viewed as a function of both the number of environmental variables and constraints important to organization, and as a function of the diversity, and a number of different components of the environment (e.g. technological, political, and legal) containing important variables or constraints (Collins, 2001).

In view of the above definitions and views of strategy, it is clear that there are two mainstream schools of strategy in the contemporary literature: the positioning school and the resource-based view (RBV). The positioning school, popularized by Porter (1980), views the firm as concerned with achieving strategic fit with its environment; that is, with evaluating the competitive forces operating within the environment (Porters' Five forces) to assess where and how best to compete. In the RBV School, initiated by Penrose (1959) and later developed by Rumelt (1984), a firm's competitive advantage lies mainly in the bundle of resources at its disposal and how it can stretch these to achieve competitive advantage. This study therefore is anchored on the Resource Based View theory.

Managers in public organizations need also to understand that in times of rapid change strategies apparently become more dynamic and more complex, too. The effectiveness of chosen strategy will not only be determined by the content of the strategy, but by the ability to its flexible adaptation according to anticipated actions

and reactions of competitors as well as the changing requirements of customers. Without applying a dynamic perspective of strategies managers run the risk to stick with strategies of the past, even if these have already been proved as being unsuccessful. Strategies have to take into account many aspects: issues inside and outside the firm, hard and soft facts. Once a new strategy is formulated it must be aligned with the companies' resource-allocation process to make implementation possible. In order to evaluate its effectiveness a casual chain of performance measures, as included in the balance score card, should be established. Such as measurement system combined with a system dynamics model may support strategic learning, which is especially necessary in turbulent task environments (Andersen and Richardson, 1997).

## **2.5 Strategic Responses to Environmental Changes**

Strategic response is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm objectives (Pearce and Robinson 1997). This is because markets impart pressure on firms to adapt to changing circumstances, or to risk decline and exit. But businesses vary in their interpretation of market signals and expectations of stakeholders' responses, including actual and prospective partners, competitors, customers, suppliers, investors and Government, among others. Identification of particular threats and opportunities, however, tells us nothing about how firms choose to adapt or why they do so in the ways they do, or what the consequences of adaptation are. Businesses always have some discretion regarding the strategies they adopt,

although the degree of choice is often severely constrained by resources or circumstances. Larger enterprises, for example, might possess greater discretion concerning strategy choice owing to their superior resource base and higher resilience to environmental shocks. Firms take strategic decisions about which goods and services to provide (and, therefore, which markets to enter or exit), and how to produce them, set prices, and attract particular kinds of customers. This is true of businesses during times of environmental turbulence (Whittington 1989).

The firms' resources and capabilities may be exploited to increase operational efficiency, or dynamic capabilities may be developed to explore new opportunities for revenue generation. To leverage their capabilities, firms implement a variety of strategies, for example, portfolio strategy which include:-divestment, acquisition, alliance, new product development, growth strategy (for example, consolidation, withdrawal, launching new products, entering new markets), business strategy (for example, cost focus, differentiation or hybrid) and financing strategy (for example, debt rescheduling, raising equity). Strategies are implemented through a range of revenue generation and efficiency-enhancing actions. Performance outcomes include sales, profit and market share achieved (Marketing Institute of Singapore, 2000). According to the U.S. Office of Management and Budget (1988), environmental changes have forced government procurement entities to respond by adopting the following strategies: paperwork reduction (green procurement), government re-engineering, performance contracting and privatization.

Based on the above different literature perspectives, it is noted that different companies adopt different strategies directed at improving the effectiveness of basic operations within the company's department, such as production, marketing, materials management, research and development, and human resources (Johnson and Scholes, 2003). In Summary, strategic response mechanisms have emerged within the private market to meet these recent challenges but government organizations have been slower to respond. This is understandable, given fiscal constraints and the bureaucratic process common to governments. However, a new approach, which incorporates modern strategic management tools, is necessary for the public sector to achieve improved performance and overall service quality. Some of these modern strategic management tools and techniques include advancement in technology, strategic partnerships, outsourcing, performance contracting, business process re-engineering (BPR), benchmarking and performance measurement.

The technological advancement is one of the key strategic responses that organizations always adopt in order to align itself to the changing environment. This is because technological changes have transformed the traditional workplace to agile, virtual, mobile, and collaborative workplaces. Today, knowledge work can be conducted at thousands of other physical locations such as airports, cars, and airplanes. Agile workplaces are constantly transforming, adjusting, and responding to organizational learning. The key aspects of technological changes are mobility, sharing of information and knowledge, and collaboration across organizational networks. Mobile workplaces include the mobility and flexibility of the corporate

settings and constraints to adapt to the evolving needs and opportunities of the knowledge worker (Schaffers, 2005). The paradigm shift to the diversity of workplaces described above is multidimensional because of its relationship with the flexibility of the knowledge worker needs, corporate settings and various constraints inherent of the knowledge-based economy. Therefore, the future work setting will be the result of a balance between these different forces. It is also noted that there are four pillars framework for building an enterprise of the future. The framework covers leadership, organization, learning and technology (Murray and Greenes, 2006).

According to the study done by Jeffrey (2007), on the advancement of technology in East Asia, the study showed that East Asia has been the most successful region in the developing world in adopting technologies from the innovating economies. This is in part because East Asia developed ingenious institutions for quickly adopting technological advances from abroad. For example, the electronics and semiconductor production throughout Southeast Asia and coastal China is based on technology that came from the United States and Japan originally thirty years ago. The East Asian developing countries created special economic zones, export processing zones, science parks, and other institutional arrangements to entice foreign investments in the electronics sector who were looking for low-cost places to produce their products. Thanks to the success of these specialized institutions, East Asia became one of the key global centers for new electronics industries during the past three decades. Thus, even though the technology was originally developed in

Palo Alto and environs, it diffused very quickly to East Asia. The diffusion was so fast that it allowed a substantial narrowing of the income gap of East Asia with the United States. But, as the formal growth models suggest, rapid technological diffusion by itself did not, and will not, fully close the income gap. Full catching up will require that East Asia become a major innovator in its own right.

Strategic Partnerships arrangements are currently being adopted by many organizations as a strategic response to the environmental changes that are taking place in the business environment. Strategic partnership is a formal alliance between two commercial enterprises, usually formalized by one or more business contracts but falls short of forming a legal partnerships or, agency, or corporate affiliate relationship (Wikipedia, 2012). Due to the environment pressure, the public sector and especially the public procuring entities are nowadays engaging in public private partnerships. Public private partnership is an agreement in a form of a written contract recording the terms of a public private partnership concluded between a procuring entity and a private party (The Public Procurement and Disposal (Public Private Partnerships) Regulations, 2009). Lindgreen and Wynstra (2005) suggested that two widely differing supplier management models have emerged from both practice as well as academic research on the issue of how to optimally manage suppliers. Literature generally distinguishes between two basic purchasing strategies: competitive and collaborative, or in other words, adversarial and partnership strategies. However, Bensaou (2000) suggests a hybrid of the competitive model and a partnership model as another supplier relationship strategy. In public procurement,



networking with private sector organizations is posited to be more efficient than traditional governance structures (Kamarck, 2002).

According to the study carried out by the Standing Senate Committee on Foreign Affairs and International Trade (2012), on the implication of strategic partnership between Brazil and Canada. The study concludes that the implications of Brazil's transformation for Canadian policy and interests while the Canadian Government undertake strategic partnerships that matches the priorities and expertise in key sectors with the most promise in: education, science and technology, infrastructure, investment and trade, and regional and global affairs. It emerged that these strategic partnerships and the Canada-Brazil relationship in general would benefit from an update of Canada's visa regime regarding Brazil and an improved understanding of Brazil's commercial climate.

Outsourcing of services is a popular strategic response that is being used by many firms with an aim of cutting down the operation costs. Outsourcing is the act of one company contracting with another company to provide services that might otherwise be performed by in-house employees. Often the tasks that are outsourced could be performed by the company itself, but in many cases there are financial advantages that come from outsourcing (Wikipedia). As a result of globalization, the employed workforce is made up of part time, temporary, freelance, or independent contractors and number is growing (Neikirk, 2002). The basic idea about outsourcing is that if a firm does not specialize in a certain function which it does not consider core, it will

outsource the work and therefore be able to offer better cost and quality. Global outsourcing has altered the work in companies. Initially outsourcing was only done for the peripheral services such as janitorial services, but now outsourcing has been extended even to the core functions such as final product assembly, customer service, financial services and technological services (Clot, 2004).

Why do companies outsource? In a recent study titled, "Outsourcing to China A Case Study Revisited Seven Years Later", by David Meeker and Jay P Mortensen, they point out that, "Outsourcing is a complicated decision rooted in the strategic plans of a company. Some of the reasons that companies decide to outsource include: mitigate risk, improve quality, faster time to market, obtain new ideas/thinking, rapid expansion of capacity, focus on core competencies, growth with less investment, infuse the company with new technology, leverage the company's assets and capabilities, improved return on investment, better cash flow and reduced cost," are all valid reason to outsource to China (Curtis, 2012)

Performance contracting is widely acknowledged by many scholars to be a very useful management tool or technique that is used by organizations to improve the provision and delivery of services in both the private and public sector. Performance Contracts itself has been a subject of considerable debate among the scholars and human resource practitioners. Performance Contracting is a branch of management science referred to as Management Control Systems. Organization for Economic Co-operation Development (1999) defines Performance Contract as a range of

management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. In this paper performance contracting is used as a management tool to help public sector executives and policy makers to define responsibilities and expectations between the contracting parties to achieve common mutually agreed goals. According to Gichumbi (2008), performance contracting as a management tool or technique was used by the National Social Security Fund (NSSF) to improve its efficiency in the provision of services.

According to a case study of the Danish National Board of Industrial Injuries (1999), contract management in Denmark was introduced in 1992 as a response to framework budgeting which was solely an input-oriented system but not connected to the services that agencies provide. Since barriers to improved efficiency were found to be agency-specific a decision was made to negotiate customized contracts with individual agencies. The selection of pilot agencies was based on existing action plans that could be used as a starting point for contract negotiations. As a result, all major tasks of an agency could be included in the performance criteria so that the problem of goal displacement was avoided. After the first pilots the Ministry of Finance has been withdrawing from negotiations and now negotiations are solely between an agency and the agency's department. Changes currently considered or already introduced concern the implementation of budget guarantees in the

performance contracts and the use of contract management as a means of strategic control by departments. As the experience with contract management in the Danish National Board of Industrial Injuries shows performance contracts are a powerful tool that motivate managers and employees to live up to the contract requirements due to its nature as a commitment with another party (OECD, 1999).

Business Process Re-engineering (BPR) is another strategic response used by organizations to re-invent the processes by which firms produce goods and services. Champy (1993) exhorted managers to 're-engineer the corporation'. Re-engineering involves re-inventing the processes by which firms produce goods and it has focused attention on reducing firm size and bureaucratization. The new thinking is that managers should enhance financial performance by preventing their firms from employing too many people and from operating with overly bureaucratic structures. Its competitive advantages should include employee empowerment, fluid communication, management by people rather than numbers, better customer service and agility in the face of shifting market competitions. Business Process Re-engineering (BPR) is the fundamental consideration and radical re- design of organizational processes in order to achieve dramatic improvements of current performance in cost, speed and quality of service. Re-engineering identifies, analyses, and redesigns an organization's core processes with the aim of achieving dramatic improvements in critical performance measures such as cost, quality, service, and speed. This requires a customer-centric view that also incorporates a risk and impact assessment to account for the impact that BPR can have on jobs and

operations. Consequently it must run concurrently with change management programs to proactively address resistance to change (GOK, 2011). According to the U.S. Office of Management and Budget (1988), environmental changes have forced government procurement entities to respond by adopting the management tools such as re-engineering to help the government departments to reduce its operating costs.

According to the findings of a case study conducted by Atul (2001), on an Indian refinery with a specific focus on re-engineering materials management, the study showed that a radical improvement in materials management function through business process re-engineering (BPR) was achieved by analyzing current processes, identifying key issues, deriving paradigm shifts and developing re-engineered processes through customer value analysis. BPR was carried out on existing processes of materials planning and procurement and warehousing and surplus disposal. The re-engineered processes for materials management function triggered a few improvement projects that were identified by the group of executives who took part in the re-engineering exercise. Those projects were implemented in an integrated framework with the application of the state of art information technology tools. The outcome of the exercises showed drastic improvement in the results.

Benchmarking and performance measurement is recognized by many firms to be management tool or technique used for continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leader. Benchmarking is a term which was originally used by

land surveyors to compare elevations. Today, however, benchmarking has a narrower meaning in the management lexicon since the benchmark is industry best-practice and is not in any sense a standard. Benchmarking is defined as the continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leader, which is the search for industry best practices that will lead to superior performance (Camp, 1989). The aim of benchmarking is to identify competitive targets which render the weak points of the benchmarking organization visible and to establish means of improvement. In other words, the basic idea behind benchmarking is not to find out by how much others are doing better but, rather, how they make it to do better in certain area. Given the fact that industry best practice for a given product, service or process may never be found, because of high transactions costs, only relative or local optimums are found as benchmarks. In the real world "ideal-type" definitions of benchmarking, need however, to be modified. Consequently, benchmarking is a continuous, systematic process of measuring products, services and practices against organizations regarded to be superior with the aim of rectifying any performance gaps (Horvath and Herter, 1992).

According to the findings from an empirical study examining the relationship between benchmarking, product quality, and business performance in Malaysian electronics and electrical industry, it is said that benchmarking has the potential to not only enhance production efficiency and effectiveness but also improves bottom-line results. The study investigated the impact of benchmarking on performance in

the Malaysian electronics and electrical industry using correlation, Friedman's rank test and structural equation modeling. The result of the study revealed that benchmarking in particular appears to be of primary importance and exhibit significant impact on product quality performance and business performance. Findings of the study provided a striking demonstration of the importance of implementing effective benchmarking for Malaysian electronics and electrical industry in enhancing its performance (Arawati, 2000).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter elaborates the research methodology of the study. The chapter contains the research design, data collection and data analysis.

### **3.2 Research Design**

A case study research design was selected and used for this study because it is a powerful form of qualitative analysis that provides an in depth data. A case study involves a careful and complete observation of a solid unit such as person, institution, and family, cultural group or entire community and emphasizes depth rather than breadth of study because it provides a systematic way of looking at events, collecting data, analyzing information and reporting results (Kothari, 1990).

The researcher believes that the chosen case study approach was an appropriate method to employ in collecting in depth data regarding how PPOA as an institution respond to the changes in its environment. The use of a case study provided an understanding of issues under review.

### **3.3 Data Collection**

Primary and Secondary data were collected for the study. The primary data collected were largely qualitative and it was gathered using an interview method. This necessitated the use of a semi-structured interview guide (Appendix II). The



interview targeted six respondents purposely selected from the PPOA's top and middle level management who were mainly the head of departments. The respondents included the top and middle level managers of the following departments:-Compliance, Capacity Building, Administrative Review Board, Policy and Research, and Administration. The data were collected by recording the notes of the interview in a note book.

Prior to the actual collection of data, the researcher first contacted the potential respondents in order to gain their cooperation, explain the purpose of the study, and assemble key contact information. Since the data that were collected and examined included organizational documents, the researcher stated his intent to request copies of these documents, and plans for storage, classification, and retrieval of these items. However, the researcher established that most of the secondary data were available from the organization website. The researcher also carried out a pilot study by interviewing one of the respondents prior to the actual interview with an aim to determine whether the planned timeline was feasible and whether or not the interview questions were appropriate and effective. Based on the results of the pilot study, the researcher made some few adjustments.

### **3.4 Data Analysis**

The data collected from PPOA were analyzed by use of content analysis technique, since this technique is the most suitable tool for analyzing in-depth qualitative data that were collected. Content analysis method was first used successfully for

analyzing hymns, newspaper and magazine articles, advertisements and political speeches in the 19<sup>th</sup> century (Harwood and Garry 2003). Today, Content analysis has a long history of use in communication, journalism, sociology, psychology and business, and during the last few decades its use has shown steady growth (Neundorf, 2002).

The data collected were first analyzed by identifying the main themes relating to the study .i.e. the environmental variables affecting the organization and the response strategies adopted by the organization to counter them. The data were assigned codes to the main themes, then classified into the responses under the main themes and finally integrated the themes and responses into the text of the report in a form of narratives for ease of and interpretation of the findings.

o

## **CHAPTER FOUR: DATA ANALYSIS, FINDING AND DISCUSSION**

### **4.1 Introduction**

The chapter highlights the findings of the study and the discussion on the outcome of the data analysis based on the objective of the study. The ensuing paragraphs details the environmental variables that the respondents felt were of concern to the Public Procurement Oversight Authority (PPOA) and the strategic responses that were developed and adopted by the organization. Content analysis was used to get in depth qualitative statements from the respondents.

### **4.2 Environmental Changes and Challenges**

The study established that there have been many changes in the external environment of the organization. These external environmental changes have exerted a lot of pressure on the Public Procurement Oversight Authority (PPOA) to formulate strategies that helped it to achieve its mandate in the turbulent environment.

Based on the interviews and the secondary data, the researcher discovered that there were some changes in the external environment that respondents felt were of concern to PPOA. Some of these changes in the environment have been discussed in the ensuing paragraphs.

### **4.2.1 Political Changes and Challenges**

The study established that when the National Rainbow Coalition (NARC) Government took the reins of the country's administration in 2003, the Government embarked on major reforms in the Public Sector and especially in the area of Public Procurement. It started by recruiting qualified Procurement Officers who were deployed to Government Ministries and departments. The Government further embarked on the enactment of the Public Procurement and Disposal Act, 2005 and Regulations of 2006. Under the Public Procurement and Disposal Act, 2005 the Public Procurement Oversight Authority was created with an aim of streamlining the procurement activities in the Public Sector. It is in light of the existing problems in the public sector that the Kenyans welcomed the new Authority with the hope that with a modern system of public procurement, there was going to be fairness and competition among suppliers of goods and services to the Government.

The study further found out that nine members of the PPOA's Advisory Board are nominated by the various professional organizations; however, the appointment of the Board Members is done by the Minister of Finance after names of the nominee's have been approved by Parliament. At a times, the appointment of the Board members delays due to failure by the Parliament to approve the names as a result of political reasons. This therefore impacts negatively the decision making organ of the organization especially on keys issues that are handled at the Advisory Board level.

## **4.2.2 External Pressure from Donors and Multilateral Organizations**

The study uncovered that the Public Procurement Oversight Authority was launched in 20<sup>th</sup> June, 2008 and the importance of the launch cannot be gainsaid, more so as it was done at a time when the level of awareness by Kenyans on economic malpractices in public expenditure had risen. PPOA was launched at a time when the Government was expected to spend billions of shillings in infrastructure projects that included roads and fibre optic telecommunication links that was to help in catalyzing economic growth.

The study further found that at that point in time, there was a lot of pressure from the donors and other multilateral organizations that donated funds for major projects in the country. For example the African development bank (ADB) whose shareholders include the 53 countries in Africa and 24 non-African countries from the Americas, Asia, and Europe is driven by the objective of promoting the economic development and social progress of its regional member countries (RMCs) individually and jointly. The Agreement establishing the ADB requires that the proceeds of any loan be used with due attention to considerations of economy and efficiency. Although the Bank normally finances only part of the cost of contracts under projects and programs, it requires that in most cases a system of international competitive bidding be used in purchasing any goods and in contracting for works needed to be implemented in any of the projects or programs wholly or partially financed with its loans. Furthermore, the Bank requires that any other bidding procedures and contract

awards which may be used for procurement of goods and works on projects and programs wholly or partially financed by the Bank should be subject to conditions acceptable to the Bank, consistent with its policies and the purpose for which the loan is being granted. On the other hand, for contracts not financed by it, the Bank shall be satisfied that the procedures to be used will fulfill the Borrower's obligations to cause the project to be carried out diligently and efficiently.

### **4.2.3 Technological Changes and Challenges**

The study established that the pressure for change in the area of technology came mainly from the Kenya's National ICT Policy (2005) and ICT Strategy for Economic Growth (2006). This was the start of a journey that represented Kenya's vision in the information age. The preparation of the two documents was guided by the aspirations set out in Kenya's key socio-economic development framework documents including: The Economic Recovery Strategy for Wealth Creation and Employment, 2003-2007; Poverty Foreword Reduction Strategy Paper; 2001; Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction. The development of this ICT Strategy for Economic Growth was a result of wide consultations involving all key stakeholders in the public sector, private sector and civil society.

The study revealed that due to the above Government Policies, the Public Procurement Oversight Authority has had to ensure that the reforms in the public procurement incorporated the use of technology or e-procurement. It was established

that there were significant efficiencies to be generated by applying better procurement and modern e-procurement technologies because while other sectors of the economy were moving into the digital platform, public procurement remained rigid and was made up of all paper-based systems run by procurement officers who were not technology savvy.

The in depth interviews revealed that PPOA's challenges specifically stemmed from the outdated manual workflows in the Government Ministries and departments or lack of clear guidelines in some steps of the procurement process. These challenges significantly impacted on the operational efficiencies and effectiveness of its procurement system. The study also found out that there were some problems in the acquisition of the reports from the Government Ministries and department. This was associated with difficulties in finding meaningful data and statistics in the manual system: registers and logs with good design were difficult to find; summarizing data and writing reports took a lot of time; duplication of data was also another problem because the same data got repeated over and over since the workers found it hard to keep track of the documents, information and transactions. Lack of data security was also another challenge because the data that was stored in filing cabinets was freely available to anyone. Other problems that the Authority experienced due to the use of manual systems were inconsistency of data, too much paper work, space consuming, and slow retrieval of data. The study further revealed that due to the above challenges, the organization had to come up with the best strategies in ICT in order to be able to cope up with the changes in the ICT Sector.

#### **4.2.4 Legal and Policy Changes and Challenges**

The study found out that in an effort to create order in public procurement, PPOA through the support of the Kenya Government under the Public Financial Management Reform (PFMR) Programme, has since its establishment in 2007 endeavored to implement a new legal and regulatory regime to guide public procurement. Key achievement towards implementing a new legal and regulatory framework in public procurement was evident in the many guidelines PPOA has developed to guide procurement practices and pricing of common user items. The guidelines include: Public Procurement Market Price Index, General and Disposal Manual, Procurement Manual for Works, Procurement Manual for Information and Communication Technology, Procurement Manual for Insurance Services, Procurement Manual for Non-Intellectual Services, among others. Similarly, the Authority developed a comprehensive manual on procurement that sought to simplify the application of the Act and the Regulations. The Manual clarified the provisions of the law while ensuring that there was consistency in its application in relation to the law. The manual was a product of joint effort between PPOA and its stakeholders.

The study established that some of the provisions in the Act, for instance reservations and preferences for SMEs had not been operationalized. In addition, regulations to guide procuring entities on public-private partnerships (PPP), public procurement records management protocols and development of a public



procurement policy framework needed to be finalized. Further, there were some provisions in the Act that were inconsistent with other regulations. Apart from strengthening the enforcement mechanism, it was imperative to undertake research that will inform review and operationalization of all provisions of the Act to make it more relevant and effective in governing the public procurement process. To strategic position the procurement function, there was need to undertake research and develop policy guidelines on the appropriate procurement organization structures for the different classes of Procuring Entities.

The study also revealed that the next phase of the reforms that PPOA plans to undertake include the plans to deepen capacity building of public procurement staff in order to satisfy the needs of the County Governments envisaged to become operational after the next general elections. Over the few years the procurement law has been in operation, several weaknesses have also been identified. PPOA intends to review the law with a view to initiate amendments that will align it to the new constitution that was promulgated. It was further found that the structure of PPOA as currently it is does not conform to the new constitution. The next phase of reforms will also endeavour to align the structure to the supreme law. Since the roll-out of the public procurement law, complaints have been raised with regards to its efficiency and effectiveness. Long delays in the procurement process have been noted and a study is required to identify causes of delay. This will be an important assignment for PPOA going forward. The Authority also looks to strengthen its Monitoring and Evaluation (M&E) system to not only ensure procuring entities

utilize public resources efficiently but also follow the law as they execute procurement work.

### **4.3 Strategic Responses by PPOA to Environmental Changes**

The Public Procurement Oversight Authority has formulated strategies in response to the changes in both internal and external environment. These strategic responses were depended on the organization's internal capabilities and were found to be adequately aggressive to effectively address the threats that changes in the environment exerted on the organization.

The interviews conducted on the respondents and the analysis of the secondary data shows the existence of strategic responses that have been formulated by PPOA's top management in order to address the changes in the internal and external environment. It was clear from the data that some of these strategic responses include: - investment in ICT, strategic partnerships, outsourcing of services, performance contracting, business process re-engineering, benchmarking and performance measurements.

#### **4.3.1 Investment in Information Communication Technology (ICT)**

The in depth interviews and the review of the secondary data revealed that the Public procurement in Kenya can now be done on-line, through a standardized interactive database driven website, [www.ppoa.go.ke](http://www.ppoa.go.ke). Apart from reducing transaction costs currently incurred by the Government, citizens and the private sector, the site also provides a forum for citizens' participation in public procurement through feedback

at [info@ppoa.go.ke](mailto:info@ppoa.go.ke). According to PPOA ICT Manager “The website was launched on June 20<sup>th</sup> 2008 and it has enabled citizens, Government departments, the business community and various stakeholders to access procurement opportunities and information in an efficient and effective manner”. The website has, in addition to above: provided information on matters pertaining to procurement as well as improvement on service delivery to the public; facilitated interactive online business planning and sharing of resources and skills as well as leverage for new technological opportunities; improved collaboration between PPOA and procuring entities by providing timely information on matters pertaining to procurement. The website has also helped the heads of the procuring entities, accounting officers and all public officials involved in the procurement process to download average price lists, which assisted them with information on indicative prices of common user items for goods, works and services mostly procured by public entities.

The study also revealed that all procurement contracts awarded by the public entities are published on the PPOA website to ensure greater transparency. Consequently, PPOA has been able to publish all open tenders for goods or works above Kshs 6 million on its website. The authority also anticipates advertising services above Kshs. 3 Million in addition to placing the same on the Procuring entity’s website. The Authority hopes that the website will enable the lodging of reviews in case of complaints without seeking guidance from the Administrative Review Board (ARB). The study further revealed that the information on previous decisions that were issued by the Public Procurement Administrative Review Board (PPARB) from

2004 onwards have been posted on the website to enable potential appellants or applicants make an informed decision on whether to lodge a review with the ARB or a complaint with the Director General. Other features on the website include the ability of the visitors to the website to download the Act, Regulation and the gazette notices. The respondents felt that the information accessed by the stakeholders from the website was useful in informing them about their legal requirements in the public procurement system.

### **4.3.2 Strategic Partnerships**

The study found that in March 2007, an agreement was signed between the Governments of Kenya and the United States of America to launch threshold program. Threshold programs are designed to help improve performance on specific indicators. The Kenyan program is designed to reduce public sector corruption by overhauling the public procurement system, with a specific concentration on health care procurements and delivery throughout the supply chain. The program is administered in Kenya through the United States Agency for International Development (USAID).

The study also established that the Public Procurement Oversight Authority entered into a partnership arrangements with the Millennium Challenge Corporation (MCC) which is supporting the procurement reform program in Kenya through a range of activities designed to raise standards and improve practices. MCC is a United States of America Government corporation designed to provide development aid to poor

countries based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. The Kenyan program is designed to reduce public sector corruption by overhauling the public procurement system, with a specific concentration on health care procurements and delivery throughout the supply chain. The program is administered in Kenya through the United States Agency for International Development (USAID) in partnership with PPOA.

The study also revealed that the American Rural Development (ARD), Inc., one of America's leading consultancies in promoting the essential conditions for successful economic development, has been contracted to support the Public Procurement Oversight Authority (PPOA) in reforming the public procurement process in Kenya. ARD is a wholly owned subsidiary of Tetra Tech, a leading provider of consulting, engineering, and technical services worldwide. With the support of its partner, Crown Agents, ARD has embarked on an extensive program of workshops designed to help staff who are performing procurement-related functions within central and local government agencies to acquire a better understanding of the law and good procurement practices from an international perspective. ARD is strengthening the PPOA by providing training for members of the Advisory Board and Administrative Review Board. It is training PPOA staff on their enforcement, oversight and other responsibilities and helping the Authority to establish linkages with public procurement regulators in other countries.

The study further revealed that another activity in which ARD was contracted was to prepare manuals to guide procurement in the key areas of health, information technology, insurance, nonintellectual services, public works and project management, together with procurement by schools/colleges and cooperative societies. These sector specific manuals will complement a general procurement manual that was prepared separately. To strengthen compliance with the law, ARD supported PPOA in auditing and reviewing the procurement practices of several key Procuring entities and has prepared a procurement review manual to standardize practices in carrying out these reviews. Records management practices in key entities were reviewed to identify common areas of weakness and a manual on good practice was also prepared and promulgated through a training program. Measures have been recommended to promote the use of framework contracts within the Government of Kenya. ARD also assisted PPOA to develop guidelines for procurement under public-private partnerships and, together with its partner, Gina Din Corporate Communications, developed and implemented a national public awareness campaign. Other components of the MCC program focused on improving health service procurement and delivery and on improving the capacity of civil society institutions to monitor and report on public procurement practices.

### **4.3.3 Outsourcing of Services**

The respondents interviewed felt that the Public Procurement Oversight Authority had put in place modalities of outsourcing some of its functions. It is clear from the study that PPOA is utilizing external expertise to carry out reviews/assessments in

order to increase the compliance check in the Government Ministries, institutions and departments. The study also established that there was progress in the development of a policy for sourcing external expertise on services e.g. uses of external lawyers to carry out matters relating to law.

The study also revealed that the Procuring entities have been given the option to use the services of public or private procuring agents to advise them or manage their procurement process, especially where they lack the necessary capacity. Smaller procuring entities were especially encouraged to use the assistance of larger ones, who may have additional capacity for a fee.

#### **4.3.4 Performance Contracting**

The study uncovered that the Public Procurement Oversight Authority initiated the Results Oriented Management (ROM) approach, which made it necessary to adjust its operations to respond to predetermined objectives, outputs and results. The adoption of this approach therefore demanded a paradigm shift in the organization. This called for a transformation from a passive, inward- looking bureaucracy to one which is pro-active, outward looking and results oriented; one that seeks 'customer satisfaction' and 'value for money'. Consequently the management developed a strategic plan for 2010-2014 period which reflected the objectives of the organization. The developed strategic plan outlined the mission, core values and the organizational structure of the Authority. A majority of the respondents interviewed summed the goal of performance contracting as the improvement of

performance/enhancement of efficiency and effectiveness in service delivery through a transparent and accountable system.

#### **4.3.5 Business Process Re-engineering (BPR)**

The study established that the Government of Kenya was currently implementing a number of reforms aimed at re-engineering the public sector to improve productivity, attain efficiency and increase its service delivery levels to Kenyans. Public Procurement, a problematic area, was being targeted for improvement. A number of milestones to this end have so far been attained. Among them is the enactment of the new law to regulate the management of the public procurement system in Kenya, namely the Public Procurement and Disposal Act, 2005. The Act was operationalized on 1st January, 2007 through the promulgation of the Public Procurement and Disposal Regulations, 2006. The Act has addressed issues on corruption, mis-procurements and proliferation of contract variations.

The study also revealed that PPOA in liaison with the Government has commenced a major reform initiative to re-engineer and fully automate the Integrated Financial Management Information System (IFMIS). To this end, The Treasury has established the IFMIS Department in the Ministry of Finance, charged with the overall mandate of coordinating, implementing and overseeing the re-engineering and full automation of IFMIS. Comprehensive and holistic implementation of IFMIS Re-engineering in the broad spheres of Planning of procurement activities, Budgeting, Cash-Management, Asset-Management, Debt-Management, Auditing,



Electronic-Funds-Transfers and financial reporting will help to increase transparency, accountability, effectiveness and efficiency of public service performance and service delivery to Kenyans and especially in the area of public procurement.

#### **4.3.6 Benchmarking and Performance Measurement**

The Study found that a delegation from the Public Procurement Oversight Advisory Board, the Administrative Review Board (ARB) and PPOA management, led by the Advisory Board Chairperson, visited procurement organizations in the USA and Canada. The purpose of the study tour was to:- benchmark Kenya's public procurement system with international best practices; learn about the public procurement systems, including arrangements for bid challenge and resolution of contract disputes, in the United States and Canada; consider features of these systems that might be adapted for application in Kenya; and to strengthen links with public procurement organizations overseas with a view to facilitating continuing arrangements for exchange and the sharing of information.

The respondents felt that benchmarking tour befitted the organization by equipping the delegates with information on e-procurement, bid challenge systems, framework contracting and agreements, arrangements for supporting small businesses and disadvantaged groups, procurement audits and investigations, contract management and dispute resolution and public procurement policy. The study further revealed the Authority was "currently working on regional harmonization of procurement

systems in line with concerted efforts towards regional integration” said the PPOA’s Director General.

#### **4.4 Discussion**

The findings of the study show that this study is anchored on the resource-based view (RBV) theory which was initiated by Penrose (1959) and later developed by Rumelt (1984). The Resource Based Theory explains that a firm’s competitive advantage lies mainly in the bundle of resources at its disposal and how it can stretch these resources to achieve competitive advantage.

Based on the findings of the study, it is clear that PPOA’s success depends entirely on the availability of resources at its disposal. These include both financial and non financial resources. For PPOA to successfully formulate and implement its strategic responses, it must have sufficient financial capacity to enhance investments in Information Communication Technology, to attract the best strategic partners, to carry out business process re-engineering, and benchmarking. On the area of performance contracting, PPOA must have enough human resource in order to effectively implement performance contracting: Inadequate number of staff at PPOA has led to outsourcing of some of the core functions like Procurement Reviews/Assessment to consultants. PPOA as an institution need to source for more funding from the Treasury and Donors so as to fully implement its strategies.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The chapter highlights in summary the environmental variables affecting the organization and the strategic responses that the Public Procurement Oversight Authority has put in place in order to deal with these changes in the internal and the external environment. The chapter further highlights the conclusions drawn from the study, recommendations for policy and practice, limitations of the study and suggestions for further study.

### **5.2 Summary and Findings**

The study established that in coming up with strategies; PPOA Management considered the changes in the internal and the external environment. However, the analysis of the study revealed that the organization was more affected by the external changes than the internal ones. The major external variables that affected the organization include: political interferences, external pressure from donors, advancement in technology, legal and policy issues. The study noted that in order for PPOA to counter the mentioned environmental challenges, it formulated the following strategies: advancements in technology, formed strategic partnerships with key donors, outsourced some of the procurement reviews/assessment to consultants, signed performance contracts, re-engineered the organization and conducted benchmarking and performance measurement.

The study further shows that the innovative use of technology has had the greatest impact on the way PPOA as a Government Agency does business. In particular, PPOA's adoption of information and communications technology (ITC) has drastically improved service delivery, reduced costs, enhanced transparency and accountability, and accelerated the spread of ITC throughout the economy—benefitting both the competitiveness of the public sector and the pace of economic growth and development. Technology has also increased performance and quality, and it was viewed by respondents to be a means of providing competitive edge and hence, it was becoming part of the organization strategy. Computer based information systems have also altered the nature of operations in the organization, and enabled the firm to develop closer relationships with its clients and created new opportunities for the organization. It was therefore clear that the implementation of e-procurement should not simply be engrafting electronic technology onto a paper-based procurement process, but should be a focus on reengineering the entire procurement process to take advantage of electronic innovations.

Based on the results from the interviews, it was also clear that PPOA was looking at outsourcing as a means to gain specific value-added benefits to the services that the organization was delivering to the people. However, despite the allure of using outsourcing as a means to finally achieve a positive transformation of the overall operations of organization there was still the debate about the economic and political implications of leaving certain key processes in the hands of private sector providers. The major reason given for this was that outsourcing reshapes a fundamental

characteristic common to all governmental institutions – authority and the control that such authority guarantees. What outsourcing essentially does is relinquish some degree of control that would otherwise be absolutely held by the government authority.

There was also sufficient evidence from the study to show that the implementation of Performance Contracting Strategy by the Public Procurement Oversight Authority enhanced the overall performance and service delivery in the organization. From the results, it was clear that sustained application of the Performance Contracting Strategy was a necessary pre-requisite for streamlining the management and operations of the Public Service so as to work better more efficiently. However, for the Strategy to be fully integrated and to become effective, it was imperative that it is extended to all the institutions within the three arms of Government and cascaded to all levels. This view was supported by the studies done by other researchers. According to Akaranga (2008), all government ministries and state corporations in Kenya had formally implemented performance contracts and there was clear evidence of improvement in income over expenditure as well as service delivery in the state corporations and government ministries.

Based on the study it was also clear that the Business Process re-engineering in the organization emerged because the management found itself confronted with rising expectations and fiscal problems. Long winded procedures, non-transparent processes, unclear responsibilities, increasing personnel costs, and complex

communication paths exacerbated the situation. BPR promised to become a valuable and much-needed tool in the organization. By facilitating resource efficiency and allowing for a more straightforward way of service provision, BPR assumed a leading role in the transformation of the organization.

Finally, the findings of the study shows that the highly successful organizations use the best practice benchmarking as a tool to continually learn and improve. The resources needed to carry out repeated best practice benchmarking projects properly and in a way that maximizes the learning to be gained from the experiences can be considerable; hence it was being used more frequently within large organizations.

### **5.3 Conclusions**

Based on the findings of the research, several conclusions could be drawn from the study. First, there are numerous issues affecting public procurement in Kenya today and PPOA alone cannot be able to deal with them alone; hence there is need to be tackled jointly by a range of different stakeholders. This is particularly true for capacity gaps found in areas in which procurement meets other core public functions, such as audit, public financial management, human resources and Ethics and Anti corruption Commission. In such areas, it is recommended that the capacity gaps be addressed by strategies of intensified partnership and coordination between PPOA and organizations working in related fields.

Lastly, there was evidence to conclude that for any organization to be successfully in the area of strategic partnerships, it must have the infrastructure to attract and maintain these relationships. The first step in this infrastructure is to have a message that informs corporations of who you are, what you do as an organization and how they can help. Corporations have various resources and interests, so be sure to give corporation's options when asking for their help. In addition, the organization need to do a research when soliciting corporate partnerships, they are not supposed to approach any organization that doesn't historically support initiatives that are related to the mission of the organization. Also organizations need to know how an organization provides support, there are some corporations that will never make a financial contribution, but will provide in kind service or good donation that are just valuable as a financial contribution to the organization.

#### **5.4 Recommendations for Policy and Practice**

The implementation of the best strategic responses in the Public Sector demonstrates the dynamisms in which government agencies and institutions are pro actively engaging in the best practices that endeavor to improve the manner in which the service delivery is provided to the Kenyan Citizens. The policy makers in these agencies and institutions need to formulate policies that will entrench the adoption of the best strategic responses.

As a matter of policy, all the public sector institutions should adopt and implement the performance contracting, business process re-engineering and, benchmarking and

performance measurement in their organizations. This can only be achieved if the government can make it a government policy and oversee its implementation.

On the recommendation for practice, it is important for all public sector institutions to outsource some of their non core functions as opposed to outsourcing some of the core functions to the third parties. This is because of the need to safeguard the confidentiality of some of the core functions of an organization. For example, the outsourcing of procurement assessments/ reviews to consultants needs to be limited and instead increase the capacity of internal staff to carry out the function.

### **5.5 Limitations of the Study**

The success of the study was limited and constrained because the researcher believes that the chosen case study approach was an appropriate method to employ in this study. However, a case study only provides information about perceptions of the respondents regarding the operations in of a single unit, in this case PPOA as an institution and the results generalized. The personal bias of the interviewer also constituted other limitations to this study.

The study was also limited and constrained by some of the targeted respondents who could not be easily accessed because some of them were usually busy with their duties so they could not attend to the interviewer or would prefer to respond when they had time which meant the delay in getting the data. Some targeted respondents were unwilling to participate in the study; however, the interviewer was able to



secure a sizeable number of the targeted respondents. Time was another limiting factor that constrained the researcher.

## **5.6 Suggestions for further Study**

The researcher suggests that there is need for other researchers to conduct the same study of strategic responses but on a different government agency so as to provide a basis for reinforcement and comparison of the research findings. This will assist to solidify the generalization of the findings arising from the case study.

Other areas suggested for further study include the need to carry out studies on some of the provisions in the Public Procurement and Disposal Act, 2005 that are inconsistent with other regulations. This should be done with an aim to inform, review and operationalize of all the provisions of the Act in line with the new constitution and to make it more relevant and effective in governing the public procurement process.

## REFERENCES

- Andersen, D.F. and Richardson, G.P. (1997), "Scripts for group model building", *System Dynamics Review*, vol. 13, no. 2, pp. 107-129.
- Abong'o E.B (2007) Responses adopted by Private Universities in Kenya in coping with the Changing Higher Education Environment. *Unpublished Thesis, University of Nairobi.*
- Ansoff, H.I. (1987). *Corporate Strategy (revised edition)*, Penguin Books, Harmondsworth, London.
- Ansoff, H.I. and McDonnell, E. (1990), *Implanting Strategic Management* (2nd Edition) Prentice Hall.
- Ansoff, H.I. (1979), *The Changing Shape of the Strategic Problem in Schendel D.E. and Hoffer C.W. (Eds), Strategic Management*, Boston, Little Brown and Company.
- Bolman, L. G., and T.E. Deal. (1991), *Reframing Organizations: Artistry, Choice, and Leadership*. San Francisco, CA: Jossey-Bass Publishers.
- Camp, R.C. (1989), *Benchmarking: The Search for Industry Best Practices That Lead to Superior Performance*, Milwaukee, WI: ASQC Quality Press.
- Chandler, A.D. (1962), *Strategy and Structure*. Cambridge, MIT Press.

Collins, J. (2001), "Level 5 Leadership – The Triumph of Humility and Fierce Resolve", *Harvard Business Review*, January, 67-76

Dixon, J. and Kouzmin, A. (1994), The commercialization of the Australian public sector: Competence, elitism or default in management education?, *International Journal of Public Sector Management*, Vol. 7 No. 6, pp. 52-73.

Goodfellow, B. 1985, The evolution and management of change in large organizations. *Army Organizational Effectiveness Journal* 1: 25-29.

Galbraith, J.R. (1997), *Organization Design*, Addison-Wesley, Reading, Massachusetts

Githendu. M.N, (2004), " A Survey of the Strategic Response of the Pharmaceutical Industry to Bargaining Power of Health Management organizations" *Unpublished Thesis, University of Nairobi.*

Gichumbi.S.N.(2008), Strategic Responses by NSSF to Changing Environmental Conditions in Kenya. *Unpublished Thesis, University of Nairobi.*

Githii. S.K.(2007), Strategic Responses of Rwathia Group of Companies to Environmental Changes. *Unpublished Thesis, University of Nairobi.*

GOK (2011) *Strategic Plan 2011-2014*. Government Press.

Hammer, M. and Champy, J. (1993), *Re-engineering the Corporation: a Manifesto for Business Revolution*. New York: Harper Business.

Hamel and Valikangas (2003), "The Quest for Resilience." *Harvard Business Review*: 52-63.

Harrigan KR (1985), *Strategic Flexibility*. Lexington, MA: Lexington Books

Johnson, G. and Scholes, K.(2003). *Exploring Corporate Strategy*, 6<sup>th</sup> Edition. Prentice-Hall, New Delhi.

Kamarck EC (2002), "The End of Government as We Know It." In J.D.Donahue J. S. Nye, Jr. (Eds). *Market-Based Governance* (pp. 227- 263). Washington, DC: Brookings Institution Press

Kimutai. M.B. (2008), *Strategic Responses of Sugar Companies in Kenya in the face of Changing Environmental Conditions*. *Unpublished Thesis, University of Nairobi*.

Kubai. E. (2010), *Strategic Responses by Kenya Airways to Changing Environment*. *Unpublished Thesis, University of Nairobi*.

Kothari, C.R.(1990), *Research Methodology: Methods and Techniques*. New Delhi:Wishwa Prakshan

OECD/World Bank (2004), "Mainstreaming and Strengthening Public Procurement: A Strategic Framework". *3rd Joint Roundtable on Strengthening Procurement Capacities in Developing Countries*, Johannesburg.

Pearce, J.A. and Robinson, R.B.(1991), *Strategic Management: Strategy Formulation and Implementation*. Illinois: Richard D. Irwin Inc.

Porter, M.E.(1996). What is Strategy?: *Harvard Business Review*. Pp 61-78.

Porter, M.E. (1985), *Competitive Advantage*. Free Press, New York, 1985.

Postrel, Steven, and Richard P. Rumelt. "Incentives, Routines, and Self-Command." *Industrial and Corporate Change* 1,3 (1992): 397-425, *Army Organizational Effectiveness Journal* 1: 25-29. Graham. Bradley.

Stacy, R. E. (1996), *Complexity and creativity in organisations*. San Francisco, CA: Berret-Koehler.

Smith, E. R. (1999), *Affective and cognitive implications of group membership becoming part of the self: New models of prejudice and of the self- concept.* Oxford: Blackwell Publishers.

Teece, David J.; Rumelt, Richard. P.; Winter, Sidney; and Giovanni Dosi, "Understanding Corporate Coherence: Theory and Evidence." *Journal of Economic Behavior and Organization*, January, 1994. Rumelt, Richard P.

Lawther WC, Martin L (2005), "Contracting for the 21st Century: A Partnership Model." Lanham, MD: Rowman and Littlefield

Lindgreen A, Wynstra F (2005), "Value in business markets: what do we know? Where are we going?" *Ind. Mark. Manage*, 34(7): 732-748

Robbins, S. P., Bergman, R., Stagg, I., & Coulter, M. (2003), *Management*, 3rd edition, Prentice Hall, Sydney

## APPENDICES

### Appendix I: Introduction letter

Gilbert Kiplagat Kimaiyo  
University of Nairobi  
Department of Business Administration  
P.O Box 30197  
NAIROBI

Dear Respondent,

RE: Request for research data

I am a post graduate student at the University of Nairobi Kisumu Campus, department of Business Administration.

In partial fulfillment of the requirement for the degree of Master of Business Administration (MBA), I am undertaking a Strategic Management research project entitled; "Strategic Responses adopted by the Public Procurement Oversight Authority to Environmental Changes". I therefore kindly request you to grant me your permission to be interviewed.

The information provided will be used exclusively used for the purpose of this research and it will be treated in strict confidence.

Gilbert Kiplagat Kimaiyo

## **Appendix II: Interview Guide**

1. What are the general challenges in the internal environment that affect operations at PPOA?
2. What are the challenges in the external environment that affect operations at PPOA?
3. What are the major technological changes that have occurred in your organization in the recent years?
4. What are the major Policy and Regulatory changes that have occurred in your organization in the recent years?
5. What are the major Social and Economic changes that have occurred in your organization in the recent years?
6. What are the major political changes that have taken place in your organization in the recent years?
7. Does PPOA have a strategic plan and how often is the plan reviewed to reflect the changes in the environment?
8. Are there any general guidelines/action strategies/goals pursued? Which?
9. At what level in the organization are strategies made?
10. How does the PPOA react/respond to emerging technological, political, regulatory, social and economic changes? Describe some of the Strategic Responses used?
11. In your view, does PPOA respond to the changes in the environment proactively or reactively?