

**PROCUREMENT PERFORMANCE MEASUREMENT IN
COMMERCIAL BANKS IN KENYA**

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university

Signature: _____

Date: _____

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DECLARATION BY SUPERVISOR

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

Signature: _____

Date: _____

Mr. Michael Chirchir

DEDICATION

I wish to dedicate this project to my family especially my husband who encouraged me when writing this project.

ACKNOWLEDGEMENT

I wish to recognize a number of individuals who contributed to the successful completion of this research project.

Special appreciation goes to my supervisor Mr. Michael Chirchir I wish to sincerely acknowledge his professional advice and guidance in the research project.

To my family and friends for their moral support and encouragement during the study.
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TABLE OF CONTENT

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABSTRACT	ix

CHAPTER ONE: INTRODUCTION

1.1 Background.....	1
1.2 Problem Statement	8
1.3 Objectives of the Study	10
1.4 Value of the Study	11

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction.....	13
2.2 Procurement Performance Measurement	13
2.3 Theoretical Review	14
2.3.1 Contingency Theory.....	15
2.3.2 Theory of Internal Control.....	17
2.3.3 Systems Theory.....	18
2.3.4 Agency Theory.....	19
2.4 Empirical Review.....	20
2.5 Conceptual Framework	25
2.6 Summary and Research Gaps	26

CHAPTER THREE: RESEARCH METHODOLOGY	
3.1 Introduction.....	27
3.2 Research Design	27
3.3 Target Population.....	27
3.4 Data Collection Instrument.....	28
3.5 Data Analysis.....	28
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION	
4.1 Introduction.....	30
4.2 Response Rate.....	30
4.2 Demographics	30
4.3 Descriptive Results.....	34
4.4 Inferential Statistical Analysis	41
4.5 Summary and Interpretation of Findings.....	46
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.1 Introduction.....	48
5.2 Summary of the Findings	48
5.3 Conclusion	51
5.4 Recommendation	53
5.5 Limitations and Areas of Further Research.....	54
REFERENCES	55
APPENDICES.....	60
APPENDIX I: INTRODUCTION LETTER	60
APPENDIX II: QUESTIONNAIRE	61
Appendix III: List of Commercial Banks	67

LIST OF TABLES

Table 4.1: Gender of respondents.....	31
Table 4.2: Bank's Operation	34
Table 4.3: Procurement Performance Measurement	35
Table 4.4: Information Technology Performance Measurement	36
Table 4.5: Performance measurement of internal processes	37
Table 4.6: Staff Training	38
Table 4.7: Culture and Ethics	40
Table 4.8: Effects of Procurement Measurement on Performance.....	41
Table 4.9: Bivariate Pearson's Correlation	43
Table 4.10: Regression Coefficients.....	45
Table 4.11: Regression Model Fitness.....	45
Table 4.13: Analysis of Variance	46

LIST OF FIGURES

Figure 2.1: Conceptual Framework	25
Figure 4.1: Level of education of respondents	32
Figure 4.2: Period Employed in the Bank	33

ABSTRACT

Procurement encompasses the whole process of acquiring property and/or services. Sound public procurement policies and practices are among the essential elements of good governance. Performance measurement is crucial in enhancing the performance of organizations because whatever gets measured gets done. The procurement function has not been given the recognition it deserves in developing countries, in most public entities. The study used descriptive survey design with all the commercial banks operating in Kenya as the units analysis. The study used primary data which was collected through use of questionnaires with respondents as the procurement managers in the 43 commercial banks. The data collected was analyzed using descriptive statistics and inferential statistics. The results indicated that procurement performance measurements in banks are adequate. ANOVA statistics presented indicate that the overall model was statistically significant. There is a positive relationship between procurement performance measurement and internal processes, staff training, ethics and culture which through regression analysis had beta coefficients.

CHAPTER ONE: INTRODUCTION

1.1 Background

Performance has been described as the degree of achievement of certain effort or undertaking. It relates to the prescribed goals or objectives which form the project parameters (Chitkara, 2005). From project management perspective, it is all about meeting or exceeding stake holders' needs and expectations from a project. It invariably involves placing consideration on three major project elements i.e. time, cost and quality (Project Management Institute, 2004).

Measuring performance is a perennial topic in the executive suite, in board meetings, and at meetings of management scientists. Authorities like Dr. Deming; measuring performance is good; measuring the right things is the trick executives must learn. Today's demanding business environment requires executives to regularly evaluate how they measure their company's performance. Many CEOs spend significant time asking themselves what is the proper performance measurement process and structure, and what measures should we be using to drive business success (Minerich, 2008).

For any organization to change its focus and become more competitive Amaratunga and Baldry (2002) suggest that performance is a key driver to improving quality of services while its absence or use of inappropriate means can act as a barrier to change and may lead to deterioration of the purchasing function. Organizations which do not have performance means in their processes, procedures, and plans experience lower performance and higher customer dissatisfaction and employee turnover (Artley &

Stroh, 2001; Amaratunga & Baldry, 2002 and CIPS Australia, 2005). Measuring the performance of the purchasing function yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage as was noted by (Batenburg & Versendaal, 2006).

According to CIPS Australia (2005) report, efficiency and effectiveness represent different competencies different competencies and capabilities for procurement organization. Efficiency reflects that the organization is doing things or activities right, whereas efficiency whereas effectiveness relates to the organisation doing the right thing. There is a trade-off between efficiency and effectiveness as a highly efficient organization may spend less than peers (particularly when compared to highly effective organizations), however, quality and value may suffer. Organizations focused on efficiency tend to make decisions based on cost and investment pay back likelihood; whereas effectiveness focused organizations make decisions based on quality and value rather than costs and productivity. The challenge for procurement organizations is targeting and achieving the right balance between the two.

1.1.1 Performance Measurement

Performance measurement is a regular measurement of the results (outcomes) and efficiency of services or programs (Hatry, 2006). Regular measurements of a system's services and programs are important from an agency or municipality's manager's perspective because he or she is looking to measure progress towards managing for

results; which is a customer oriented progress that focuses on maximizing benefits, and minimizing the negative consequences of service programs.

Traditionally, performance measurement has involved management accountants with budgetary control and the development of purely indicators such as return on investment (Chenhall, 2000). However, in today's work environment, there are increasing trends of relying on non-financial measures to assess the performance of organizations. Performance measurement has now gone beyond input and process into other sensitive areas. The shift of measurement systems beyond input and process into the more politically and methodologically sensitive area assessing effectiveness as 'difficult and controversial' (Politt & Bouckaert, 2004).

Thai (2004) explained that, as many countries have moved to a regional and or global economy, Public procurement practitioners face another challenge that is, how to comply with their government's procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing unfairly with foreign firms as provided in regional trade agreements and/or the World Trade Organization (WTO) agreements is not easy, which requires a careful study of trade agreements in order to take advantages of special provisions. This calls for effective performance measurement.

Performance measures are recognized as an important element of all Total Quality Management programs. Managers and supervisors directing the efforts of an

organization or a group have a responsibility to know how, when, and where to institute a wide range of changes. These changes cannot be sensibly implemented without knowledge of the appropriate information upon which they are based. Performance measurement is traditionally viewed as an element of the planning and control cycle that captures performance data, enables control feedback, influences work behavior (Flamholtz, Das and Tsui 1985) and monitors strategy implementation (Simons 1990). Performance measurement is better thought of as an overall management system involving prevention and detection aimed at achieving conformance of the work product or service to your customer's requirements. Additionally, it is concerned with process optimization through increased efficiency and effectiveness of the process or product. Simons, (2000) defines Performance management systems as “the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities”. These systems focus on conveying financial and non-financial information that influence decision-making and managerial action. The recording, analyzing, and distributing of this information is embedded in the rhythm of the organization and is often based on predetermined practices at preset times in the business cycle.

1.1.2 Procurement Performance Measurement

Procurement encompasses the whole process of acquiring property and/or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking

and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters, 2004).

Sound public procurement policies and practices are among the essential elements of good governance (KIPPRA, 2006). Otieno (2004) notes the irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. 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.

According to Kalakota and Robinson (2001) before the implementation of e-procurement, a company must first clearly define the business problems its e-procurement solution is intended to address. Furthermore, before an e-procurement solution can be deployed, a company must undergo thorough procurement process reengineering. Automating an existing procurement process will only make matters worse (Kalakota & Robinson 2001). Puschmann and Alt (2005) recognize that in the successful practices the redesigning of the procurement process is focused on: reduction

or elimination of authorization stages; regulation of exceptions to a limited degree in the beginning; elimination of paper; integration of suppliers in the entire process chain; and consideration of the complete process from searching for goods through to invoicing.

1.1.3 Factors Affecting Procurement Performance Measurement

The rise of e-business in the late 1990's led to the development of new opportunities related to procurement: e-procurement, spend management, outsourcing and joint product design (Lancioni, Smith, and Oliva, 2000). The advent of the Internet as a business systems platform has been a catalyst for major changes in the operation and status of organizational procurement. Information Technologies have changed the way organizations and governments operate. As noted by Nelson et.al. (2001), the majority of organizational spending consists of purchasing. In order to decrease the total costs spent on purchasing process, internet technologies are used and e-Procurement has become popular to implement in the latest era by both governments and enterprises. Although the opportunities for improvement seem abound, both private and public sector are still cautious as far as the adoption of electronic technologies is concerned (Zheng, Caldwell, Harland, Powell, Woerndl, and Xu, 2004). Ward and Peppard (2003) indicate that 60% of Information Technology application in procurement initiatives and projects do not deliver the expected benefits.

Khanapuri, Nayak, Soni, Sharma and Soni (2011) assert that there are a number of requirements relating to the adoption of e-procurement system. They include technology, objectives, information, staffing and skills. The mentioned requirements

make the adoption process to face a number of challenges such as Compatibility, Integration, Adoption and regular use by employees and lack of capacity by small suppliers. For any e-procurement initiative to be successful, there are a number of factors that an organization must critically consider. They include: user acceptance of new information system; information quality; trust; risk perception; early supplier involvement; staff training; users and buyers; compliance with best practices; top management support; continuous measurement of the key benefits; re-designing affected business processes and actual selection of e-procurement solution.

1.1.4 Banking Sector in Kenya

The Kenyan financial sector is largely dominated by banks which control 57 percent of the total assets in the financial sector. The vital role played by commercial banks in Kenya in financing economic development brings to the fore the need to study the funding structure of commercial banks. The banking environment in Kenya has, for the past decade, undergone many regulatory and financial reforms. These reforms have brought about many structural changes in the sector and have also encouraged foreign banks to enter and expand their operations in the country (Kamau, 2009). Kenya's financial sector is largely bank-based as the capital market is still considered narrow and shallow (Ngugi, 2006). Banks dominate the financial sector in Kenya and as such the process of financial intermediation in the country depends heavily on commercial banks (Kamau, 2009). In fact, Oloo (2009) describes the banking sector in Kenya as the bond that holds the country's economy together. Sectors such as the agricultural and

manufacturing virtually depend on the banking sector for their very survival and growth. The performance of the banking industry in the Kenya has improved tremendously over the last ten years, as only two banks have been put under CBK statutory management during this period compared to 37 bank-failures between 1986 and 1998 (Mwega, 2009).

The banking sector in Kenya is regulated by the Central Bank of Kenya (CBK). Commercial banks are licensed and regulated under the Banking Act cap 488; deposits taking micro finance institutions are regulated under Micro Finance Act and the Forex Bureaus under the Central Bank of Kenya Act cap 491. In Kenya, commercial banks play an important role in mobilizing financial resources for investment by extending credit to various businesses and investors. Lending represents the heart of the banking industry and loans are the dominant assets as they generate the largest share of operating income. Loans however expose the banks to the greatest level of risk. There are 44 licensed commercial banks in Kenya (43 if Charterhouse bank is excluded), one mortgage finance company and one credit reference bureau. Of the 45 financial institutions, 32 are locally owned and 13 are foreign owned. The credit reference bureau, Credit Reference Bureau Africa was the first of its kind to be registered in Kenya by the Central bank of Kenya aimed at enabling commercial banks to share information about borrowers to facilitate effectiveness in credit scoring.

1.2 Problem Statement

Performance measurement is crucial in enhancing the performance of organizations because whatever gets measured gets done. The procurement function has not been

given the recognition it deserves in developing countries, in most public entities, regardless of the effort by the partners like the World Bank, the International Trade Organization, the United Nations Conference on Trade and Development, the World Trade Organization and, others. This could be deliberate or sheer ignorance on the value the procurement function could contribute to any organization (Telgen, Zomer, & de Boer, 1997). While functions like Human Resource (HR) and Finance can have their performance measured, this is not the case with the procurement function. The failure to establish performance of the procurement function has led to irregular and biased decisions that have costly consequences to every entity.

The need to have coherent methods of performance of the procurement function in public entities, particularly in developing countries, has never been as sound as it is now. Delaying will worsen the already deteriorating performance, loss of professionals, and organizations will continue incurring unnecessary costs (DCD/DAC, 2003). However, it is important that appropriate performances are implemented. It should not be any performance. The issue of basing on financial performance and neglecting or ignoring non financial performance is not helping the procurement function because only partial performance is considered (Lardenoije, Van Raaij, & Van Weele, 2005).

Local studies on the area of procurement measurement have focused on the effect of procurement process in companies. Ngugi and Mugo (2007) analyzed the effect of procurement activities on the operation and effectiveness of public sectors in Kenya; however the study did not focus on commercial banks in Kenya. Chipiro (2009)

examined the impact of E-procurement on strategic sourcing in limited banks in Zimbabwe while Heng (2008) examined the factors influencing the design and use of performance measurement systems (PMSs) in Malaysia however these studies did not focus on commercial banks in Kenya. Jackinda (2011) did an investigation into the effectiveness of the procurement performance measurement systems of large manufacturing companies in Nairobi but did not address the factors affecting procurement performance measurement in commercial banks. Rwoti (2005) did a study on procurement performance measurement systems of large manufacturing companies in Nairobi but did not address the procurement performance measurement among commercial banks in Kenya. However, there lacks conclusive studies in Kenya as majority of reviewed studies focus on developed economies. This forms the research gap. It is for this research gap that the study wished to establish: what are the factors affecting procurement measurement among Kenyan commercial banks?

1.3 Objectives of the Study

The objectives of this study were;

- i. To investigate the factors affecting procurement performance measurement in commercial banks in Kenya
- ii. To find out whether procurement performance measurement affects performance of commercial banks in Kenya

1.4 Value of the Study

This study will be of importance to various stakeholders among them being the management of commercial banks, procurement professionals, policy makers in both private and public sector and also scholars. Management of commercial banks will appreciate the factors affecting procurement performance measurement among the banks. For example through the findings of this study, they will be able to understand the interplay of various operational and human factors that influence the way procurement performance is measured. It will therefore be possible for management to know the areas within their procurement functions that will require improvement for the betterment of the overall profitability of the banks.

Procurement as a profession is dynamic and is experiencing new improvements on a regular basis. The findings of this study will inform procurement professionals on areas that require their attention both at their working places and in their other professional engagements. For example there are many aspects of procurement which will need to be included in the organizational performance metrics in order to appreciate the contribution of procurement to the overall organizational performance and effectiveness.

Procurement involves many stakeholders and therefore it is driven by policy interventions. The findings of this study will inform policy makers on the areas and aspects of procurement that will require policy interventions for the purpose of improving procurement efficiency.

This study is scholarly in nature and hence will be of value to researchers and scholars both in academia and industry. The study will identify gaps that can be advanced in the interest of further scholarly discourse in the area of procurement measurement. Specifically the findings of the will identify academic gaps that will trigger further studies on procurement measurement.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews both theoretical and empirical literature related to the study. The theories reviewed are; contingency theory, agency theory and theory of internal control. The chapter concludes by highlighting the research gaps of the study.

2.2 Procurement Performance Measurement

Procurement management includes the processes to purchase or acquire the products, services, or results needed from outside the organization to perform the work. Procurement management also includes administering any contract issued by an outside organization (The Buyer) that is acquiring the organization from the performing organization (the seller), and administering contractual obligations placed on the organization by the contract (George Belev et al., 2004)

According to Van Weele (2006) purchasing performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. This means that purchasing performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function (Lardenoije, Van Raaij, & Van Weele, 2005).

Purchasing efficiency and purchasing effectiveness represent different competencies and capabilities for the purchasing function. CIPS Australia (2005) presents the differences between efficiency and effectiveness. Efficiency reflects that the organization is “doing things right” whereas effectiveness relates to the organization “doing the right thing”. This means an organization can be effective and fail to be efficient, the challenge being to balance between the two.

For any organization to change its focus and become more competitive Amaratunga & Baldry (2002) suggest that performance is a key driver to improving quality of services while its absence or use of inappropriate means can act as a barrier to change and may lead to deterioration of the purchasing function.

Organizations which do not have performance means in their processes, procedures, and plans experience lower performance and higher customer dissatisfaction and employee turnover (Artley & Stroh, 2001, Amaratunga and Baldry, 2002). Measuring the performance of the purchasing function yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage as was noted by (Batenburg & Versendaal 2006).

2.3 Theoretical Review

This section comprises review of theories that are relevant to the study and inform the theoretical background of the study.

2.3.1 Contingency Theory

Contingency theory means that one thing depends on other things, and for organizations to be effective, there must be a “goodness of fit” between their structure and the conditions in their external environment. As such the correct management approach is contingent on the organization’s situation (Daft 2001). This study accepts the notion of contingency theory, which suggests that the selected PMS design and use must conform to its contextual factors (Pugh, 2008). However, for the purpose of this study, contingency theory is used and reviewed in a narrower focus as follows. Contingency theory represents a rich blend of organizational theory such as organizational decision making perspectives and organizational structure (Lawrence and Lorsch, 1969; and Donaldson, 2001). The essence of the contingency theory paradigm is that organizational effectiveness results from fitting characteristics of the organization, (such as its cultures) to contingencies that reflect the situation of the organization (Lawrence and Lorsch, 2004). According to Donaldson (2001), organizations seek to attain the fit of organizational characteristics to contingencies which leads to high performance. Therefore the organization becomes shaped by the contingencies (fit) to avoid loss of performance. Thus, there is an alignment between organization and its contingencies, creating an association between contingencies and organizational contextual characteristics (Burn and Stalker, 1961, Woodward, 2001).

Contingency theory is based on the premise that there is no universally appropriate or perfect measurement system which applies equally to all organizations in all

circumstances. In fact, it is suggested that particular features of an appropriate measurement system will depend upon the specific circumstances in which an organization finds itself. The study position is that contingency theory offers a useful way of conceptualizing the relationship between certain “contingency” variables and organization structure (PMS design and use). In the view of contingency theorists, the design of accounting information and control systems, i.e. one particular type of PMS, is based upon specific characteristics of the organization and its environment. Contingency theory is essentially a theoretical perspective within organizational theory that emphasizes how contingent characteristics or contextual factors (Daft, 2001) such as technology, size, environment, culture and strategy affect the design and functioning of organizations (Covaleski, Dirsmith & Samuel, 2006).

This theory is relevant to the study because one thing depends on another thing to be effective hence for effective procurement measures the organization needs to have strategic measures put in place in procurement department.

2.3.2 Theory of Internal Control

A system of effective internal control is a critical component of an organization's management and a foundation for its safe and sound operation. A system of strong internal control can help to ensure that the goals and objectives of an organization will be met, that it will achieve long-term targets and maintain reliable financial and managerial reporting. Such a system can also help to ensure that the organization will comply with laws and regulations as well as policies, plans, internal rules and procedures, and reduce the risk of unexpected losses and damage to the organization's reputation.

The following presentations of internal control in essence cover the same ground. In USA, the Committee of Sponsoring Organizations of the Tread way Commission (COSO) issued Internal Control – Integrated Frameworking 1992, which defined internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations; Reliability of financial reporting; Compliance with applicable laws and regulations. The Rutteman Report (1994) in UK defined internal control as the whole system of controls, financial and otherwise, established in order to provide reasonable assurance of Effective and efficient operations; Internal financial control and Compliance with laws and regulations.

The theory is relevant to the study because it outlines the internal control policies , procedures and rules to be followed in the procurement department.

2.3.3 Systems Theory

Bertalanffy (1972) defines system theory as the trans disciplinary study of systems in general, with the goal of elucidating principles that can be applied to all types of systems at all nesting levels in all fields of research. The term does not yet have a well-established, precise meaning, but systems theory can reasonably be considered a specialization of systems thinking, a generalization of systems science, a systems approach. The term originates from Bertalanffy's General System Theory (GST) and is used in later efforts in other fields, such as the action theory of Talcott Parsons and the system-theory of Niklas Luhmann. Systems theory on the other hand, which has it's origins from the work of German biologist Von Bertalanffy who understood the limitations of these traditional approaches. He saw the need to create a revised approach and hence emerged systems theory (Irving, 1999).

The theory is relevant to the study because all organizations interact with outside world as they are often systems. Sections of organizations interact amongst themselves in exchange of key information and materials.

2.3.4 Agency Theory

Agency theory is a concept that explains why behavior or decisions vary when exhibited by members of a group. Specifically, it describes the relationship between one party called the principal, that delegates work to another called the agent. It explains their differences in behavior or decisions by noting that the two parties often have different goals and, independent of their respective goals, may have different attitudes toward risk. The concept originated from the work of Adolf Augustus Berle and Gardiner Coit Means, who were discussing the issues of the agent and principle as early as 1932. Berle and Means explored the concepts of agency and their applications toward the development of large corporations. They saw how the interests of the directors and managers of a given firm differ from those of the owner of the firm, and used the concepts of agency and principal to explain the origins of those conflicts (Murtishaw & Sathaye, 2006).

Jensen and Meckling shaped the work of Berle and Means in the context of the risk-sharing research popular in the 1960s and '70s to develop agency theory as a formal concept. Jensen and Meckling formed a school of thought arguing that corporations are structured to minimize the costs of getting agents to follow the direction and interests of the principals. The theory essentially acknowledges that different parties involved in a given situation with the same given goal will have different motivations, and that these different motivations can manifest in divergent ways. It states that there will always be partial goal conflict among parties, efficiency is inseparable from effectiveness, and

information will always be somewhat asymmetric between principal and agent. The theory has been successfully applied to myriad disciplines including accounting, economics, politics, finance, marketing, and sociology (Nikkinen and Sahlström, 2004).

This theory is relevant to the study because all organizations have people who explain their differences in behavior or decisions by noting that the two parties often have different goals and, independent of their respective goals, may have different attitudes toward risk. Sections of organizations interact amongst themselves in exchange of key information and materials.

2.4 Empirical Review

Traditional performance measurement system inhibits the improvement of critical dimensions such as quality, flexibility and delivery. For a performance measurement system to be regarded as a useful management process it should act as a mechanism that enables assessment to be made, provides useful information and detects problems, allows judgment against certain predetermined criteria to be performed and more importantly, the systems should be reviewed and updated as an ongoing process (Kim, Chan and Yoon, 2003).

According to Math (2013) different tools measure different projects and people. To use a broad example, you cannot judge the progress of a marketing campaign based on the number of employee injuries any more than you can judge the cost effectiveness of a copy machine based on quarterly sales, many businesses make the mistake of using the

same metrics and goals to measure all company management. This is a mistake because different areas of the business may have different strategic goals and must be measured accordingly. Therefore, it is essential to develop individual measurement tools for each area of performance measurement.

Regina (2006) in his paper proposes and tests a model to explain three critical outcomes of Performance Management Systems information quality, effectiveness, and usefulness of the PMS to managerial decision-making. Drawing from Organizational Information Processing Theory (OIPT), he examined how those three outcomes may be influenced by factors that affect OIP requirements (industry, size, and geographic scope of operations) and by organizational and technological factors that affect OIP capabilities. Organizational factors included management's decision-making style and organizational structure. Technological factors included the types of technology used in the PMS (ERP; specialized tools such as EIS and DSS; and generic tools such as Excel, Access and Lotus Notes), and the degree of use of e-commerce and Internet technologies. He used stepwise regression to analyze data from a sample of 1,990 respondents in small, medium and large organizations, operating at regional, national, international and global levels across a broad range of the Dow Jones Global Industry Groups.

Infrastructure should be implemented to include data acquisition; collation; sorting; analysis; interpretation; and dissemination processes to support the use of performance measures. This suggests that reflection requires assessment of the effectiveness and

efficiency of these processes, data acquisition, data gathering, data collation, sorting, data analysis and interpretation to make it more meaningful (Neely, 2008).

Jackinda (2011) found that the firms had measurement tools but had challenges several recommendations were made. They included the need to emphasize on performance measurement in procurement so as to help identify areas of weakness, control efficiency, increase profitability and competitiveness of firms. The researcher also recommended the need for the organizations to embrace the importance of professionalism and independence of the procurement function for the full potential of procurement performance measurement to be realized, and the need for procurement professionals to come together and develop sectorial procurement performance measurement indicators to facilitate uniform measurements and intercompany benchmarking.

Rwoti (2005) found that 60% of Kenyan manufacturing firms measure the efficiency and effectiveness of their procurement process. As regards the performance measurement systems used in measuring procurement performance the study shows that 66.7% of large manufacturing firms in Nairobi use the non-traditional performance measurement systems in measuring their procurement performance. The study further revealed that these firms measure their procurement performance based on varied dimensions and indicators. Those who measure also showed that they enjoy various benefits, which their counterparts may not be enjoying. On the other hand the study found out that many firms encounter various challenges, which in a way hamper their effort to sustain continuous and objective procurement performance measurement. Such

challenges include lack of professionalism in procurement, lack of defined measurement indicators and poor data management systems.

Comptroller (2001) indicated that monitoring is an organization's own oversight of the control systems performance and therefore monitoring should be on going and part of the normal course of daily operations and activities. Internal and external audits, as part of monitoring systems, may provide independent assessment of the quality and effectiveness of a control system's design and performance. All should share responsibilities of monitoring and self-assessment, everyone should understand their roles and responsibilities to report any breaches of the control systems.

Delone (2003) stated that organizations face different levels of uncertainty, i.e., "the difference between the amount of information available and the amount of information required to perform the task at the desired level of performance. This difference characterizes the information processing requirements of the task. The three factors that can be expected to influence the information processing requirements that a PMS must meet: industry, scope of operations, and size of the organization. Different industries vary in their velocity and predictability of change, and the resulting levels of uncertainty raise different levels of information requirements. Uncertainty, and therefore information requirements, can also be expected to increase as organizations expand in terms of their geographic scope of operations (regional, national, international, or global) and size (small, medium, large organizations). OIPT proposes that organizations deal with these increased information processing requirements by trying to reduce the

effects of uncertainty through buffering (e.g., extra inventory) or by increasing their information processing capabilities through structural mechanisms (e.g., lateral relations) and efforts to improve information flow (e.g., investments in IT and IS)."Technological Capabilities includes factors such as: The types of technology used in the performance management system to generate and process information: Enterprise Resource Planning (ERP), specialized tools(EIS - Executive Information Systems, DSS- Decision Support Systems) or generic tools (Excel, Access, Lotus Notes);The level of use of e-commerce and Internet technologies to facilitate the flow of information

Tan et al. (2009) in their study stated that employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions. Both are injurious to the public's perception of honest government. As a government employee, you might have access to procurement and other nonpublic information that could affect a contract bid or the award process handling administrative data.

Amos (2008), in his study explained the importance and effective way to maintain ethics awareness in agencies is to provide training for employees .Ethics training and seminars can be provided, along with training in more specific areas, such as procurement procedures, record keeping, records management, and accountability and administrative law. Regular reviews or audits of procurement processes and performance measurements can be done to ensure probity is being considered and achieved.

An organizational culture is a combination of factors including nationality, the tasks performed by the organization, information technology and the people working in the

organization. While alliances are vital for supply chain performance, the cultural diversity brought by the integration may either be a barrier or a bridge. The firms' cultural diversity must be taken into account during such alliances because these will affect supply chain performance (Brau, Fawcett, Magnan & McCarter, 2005).

2.5 Conceptual Framework

Miles and Huberman (1994) defined a conceptual framework as a visual or written product, one that “explains, either graphically or in narrative form, the main things to be studied -the key factors, concepts, or variables -and the presumed relationships among them”. The variables of the study will comprise one dependent variable (procurement performance measurement) and four independent variables (information Technology, ethics and culture, staff training and internal processes).

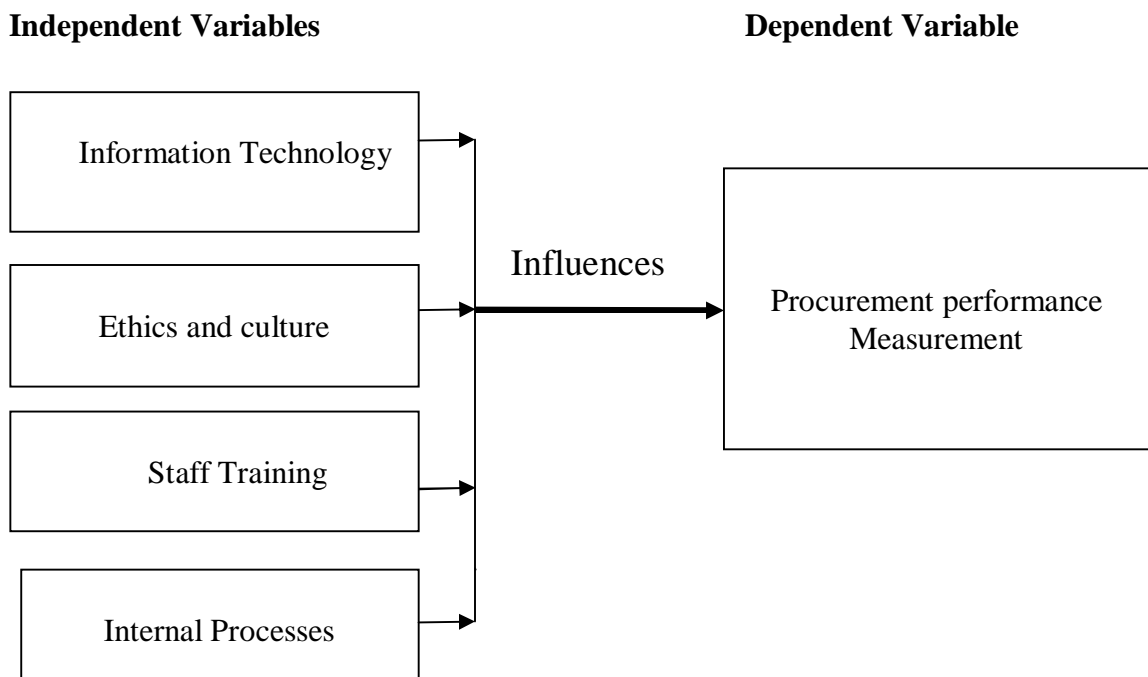


Figure 2.1: Conceptual Framework

2.6 Summary and Research Gaps

The above chapter reviews the various theories that inform the independent and dependent variables. The chapter explores the conceptualization of the independent and the dependent variables by analyzing the relationships between the variables. In addition, empirical literature in a wide range of studies have considered procurement performance measurement as being the most basic concept used to determine the income and performance of economic entities, industries and even whole economies. Most of the studies however have concentrated in the developed economies with emerging economies attracting only a minority share of the studies conducted. The above review of empirical literature has however determined that there are several factors that affect the performance measurement such as technology, people, infrastructure and culture.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. This includes the study design, target population, data collection tools that were used, data collection technique, data analysis method and presentation. This research methodology aims at enabling the researcher to obtain the data, process the data and interpret the results.

3.2 Research Design

The study used descriptive survey design. According to Sekaran & Bougie (2011) descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in a situation. Descriptive studies are essential in many situations especially when using qualitative data in understanding the phenomena.

3.3 Target Population

The study had 43 units of analysis which were the commercial banks operating in Kenya as at 31st December 2012. The 43 licensed commercial banks have procurement

departments. The population of the study was all heads of procurement departments of the licensed commercial banks. Given the relatively small number of these banks, a census was conducted.

3.4 Data Collection Instrument

The study used primary data which was collected through use of questionnaires. A five point Likert scale questionnaire was used. The Likert measures the level of agreement or disagreement. Likert scales are good in measuring perception, attitude, values and behaviour. The Likert scale has scales that assist in converting the qualitative responses into quantitative values (Mugenda & Mugenda, 2003)

The respondents were procurement managers in the 43 commercial banks therefore, 1 procurement manager per entity was chosen. The research used self introductions and also used internal informants. The questionnaires were sent to the respondents attached with a forwarding letter from the University. Follow ups were made and the fully completed questionnaires were later picked from the respondents by the research assistants.

3.5 Data Analysis

Data Analysis is the processing of data to make meaningful information (Sounders, Lewis & Thornbill, 2009). Burns and Grove (2003) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the

researcher. According to Hyndman (2008) data processing involves translating the answers on a questionnaire into a form that can be manipulated to produce statistics and the process involves coding, editing, data entry, and monitoring the whole data processing procedure.

The data collected was analyzed using descriptive statistics and inferential statistics. The descriptive technique used generated frequencies, mean and percentages while inferential statistics generated the fitness of the model and regression of coefficients. The data has been presented using tables and charts. A multivariate regression model that was used to link the independent variables to the dependent variable is as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where; Y = Procurement performance measurement

X_1 = Information Technology

X_2 = Ethics and Culture

X_3 = Staff Training

X_4 = Internal Processes

In the model, β_0 = the constant term while the coefficient β_i , $i=1, \dots, 4$ is used to measure the sensitivity of the dependent variable (Y) to unit changes in the predictor variables. μ represents the error term which captures the unexplained variations in the model.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains the data analysis of the study. The data is presented in the form of diagrams and tables. The data has been analyzed using descriptive statistics to generate frequencies of responses and inferential statistics to determine the relationship of the variables under study.

4.2 Response Rate

Initially the target population was 43 commercial banks in Kenya; however, the duly completed and returned questionnaires were 36 which convert to 79% response rate. According to Mugenda and Mugenda (2003) 50% response rate is adequate for analysis in descriptive study. This is further supported by Creswell (2003) who provides guidance that a 40% response rate is adequate.

4.3 Demographics

This section consists of information that describes basic characteristics such as age, years of work experience and education level of the respondents.

4.3.1 Gender Distribution

Table 4.2 presents the gender of the respondents, which indicates that 63.9 % constituted of male respondents while 36.1% comprised of female respondents. From this

conclusion it was noted that majority of the staff in banks' procurement department are male who comprised of 63.9% of the respondents.

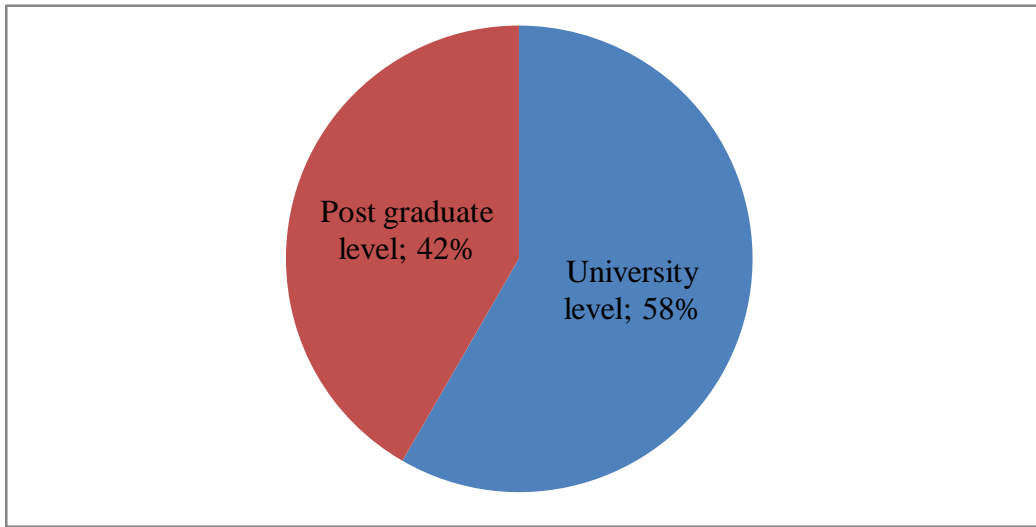
Table 4.1: Gender of respondents

Indicator	Frequency	Percent (%)
Male	23	63.9
Female	13	36.1
Total	36	100.0

4.3.2 Level of Education

Figure 4.1 presents the level of education of procurement department employees in the banking industry. Based on the results majority of the respondents are university graduates. This explains the high level of competences employed in banks' procurement department.

Figure 4.1: Level of education of respondents

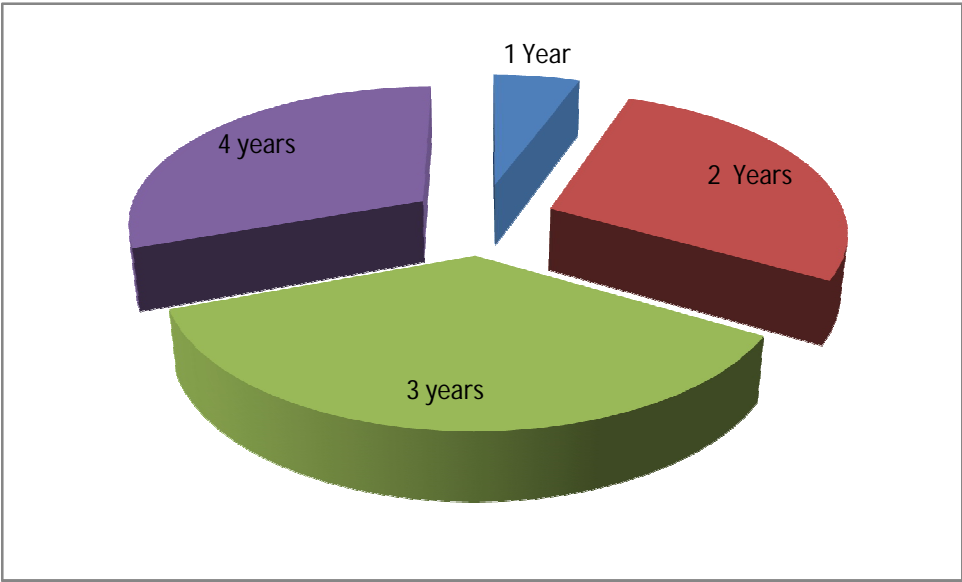


Source: Research Data (2013)

4.3.3 Period of Employment

Figure 4.1 presents the period that the employees have been working in the procurement department in the banking industry. The findings indicated that most of the respondents have worked between 2 to 4 years. Few respondents had a one year working experience. This explains the high level of experience of majority of the respondents in the banks' procurement department.

Figure 4.2: Period Employed in the Bank



Source: Research Data (2013).

4.3.4 Years of Banks' Operation in the Industry

Table 4.3 shows that most banks in Kenya have more than 4 years working experience. These results indicate that the banking industry has been in existence for so long and it serves as a best avenue to conduct this survey of the effects of procurement performance measurement.

Table 4.2: Bank's Operation

Indicator	Frequency	Percent (%)
Years of Bank in operation	4	100

4.4 Descriptive Results on Procurement Performance Measurement in Commercial Banks

This section presents the descriptive results where the factors affecting procurement performance are measured.

4.4.1 Analysis of Procurement Performance Measurement

Table 4.4 displays results of data analysis regarding the views of the respondents on procurement performance measurement. Results indicate that 78% of the respondents support that the banking procurement systems effective at detecting fraud.84 % of the responses received support that banks have sufficient internal controls in place. The results also indicate that banks conduct performance appraisals and that performance appraisals done are supported by rewards. This is supported by an agreed response rate of 78% and 94% respectively. 81% respondents agreed that banks conduct monthly and yearly budget with 72 % supporting that banks produce reports from weekly to yearly basis. The overall mean score of 3.94 which means that more respondents were agreeing with the questionnaires statement. In addition the responses were spread from the mean

at 0.90 standard deviation. The results indicate that internal controls and fraud detector systems are significant in maintaining performance in banks' procurement activities.

Table 4.3: Procurement Performance Measurement

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
My bank procurement systems are effective at detecting fraud	5.6%	5.6%	11.1%	58.3%	19.4%	3.81	1.01
My bank has appropriate and sufficient internal controls in place	2.8%	2.8%	8.3%	75.0%	11.1%	3.89	0.75
My bank does conduct performance appraisals at least twice in a year	2.8%	2.8%	16.7%	50.0%	27.8%	3.97	0.91
My bank conducts monthly and yearly budget variance analysis	5.6%	2.8%	11.1%	58.3%	22.2%	3.89	0.98
My bank does produce daily, weekly, monthly, quarterly and yearly financial reports	8.3%	8.3%	11.1%	47.2%	25.0%	3.72	1.19
The performance appraisals are supported by rewards	0.0%	0.0%	5.6%	55.6%	38.9%	4.33	0.59
Average	4.2%	3.7%	10.7%	57.4%	24.1%	3.94	0.90

4.4.2 Information Technology and Performance Measurement

Table 4.5 presents the results of respondents' perception on information technology is a performance measurement in banks' procurement activities. Results indicate that 94% of the respondents agreed that banks have invested hugely in information technology. Ninety four percent of the respondents also show that the banks' systems has helped in controlling inventory stocks and 92 % agree that the system added a competitive advantage to banks in Kenya. Adaptation of new technology tends to reduce operational costs of companies. This argument is also supported 86% level of agreement by

respondents to that statement. In addition technology as reported from the results has helped reduce ordering time and follow up which is supported by 92% response rate. The results also indicate that 92% agree that the system is user friendly as it is easy to use. On a 5 point scale the mean score of the responses was 4.33 which indicates that there was a higher level of agreement on the questionnaire statements by respondents. The responses were also spread from the mean at a 0.62 standard deviation. Technology in procurement provides access to a whole range of procurement information at low cost and independently of time and location.

Table 4.4: Information Technology Performance Measurement

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
My bank has invested heavily in information and Technology	0.0%	0.0%	5.6%	44.4%	50.0%	4.44	0.61
The system has helped in controlling the inventory stocks	0.0%	0.0%	5.6%	50.0%	44.4%	4.39	0.60
The system has added competitive advantage to the bank	0.0%	0.0%	8.3%	47.2%	44.4%	4.36	0.64
The system has reduced operation costs for the banks	0.0%	0.0%	13.9%	63.9%	22.2%	4.08	0.60
The system has helped in reducing ordering time and follow up	0.0%	0.0%	8.3%	47.2%	44.4%	4.36	0.64
The system is easy to use	0.0%	0.0%	8.3%	50.0%	41.7%	4.33	0.63
Average	0.0%	0.0%	8.3%	50.5%	41.2%	4.33	0.62

4.4.3 Internal Processes and Performance Measurement

The results of internal processes measurement of procurement performance are displayed in Table 4.6. Seventy two percent (72%) of the respondents agreed that banks

have put in place good internal audits and 85% support banks' transparency and accountability by displaying performance results for all stakeholders. In addition to banks being transparent 72% agreement level indicated that banks' books of accounts are adequately audited. From the results banks seem to have good leadership and management structure which supports corporate governance, this is supported by 88% level of agreement. Procurement department in banks follows a set of procedures that ought to be followed at all times during purchasing which in turn reduces the number of corruption cases in the same department as presented by 77% level of agreement. The overall mean score of 3.89 which means that more respondents were agreeing with the questionnaires statement. In addition the responses were spread from the mean at 0.89 standard deviation.

Table 4.5: Performance measurement of internal processes

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
My bank has put in place good internal audit functions	2.8%	5.6%	19.4%	66.7%	5.60%	3.67	0.79
My bank is transparent and accountable. It does ensure transparency by displaying performance results for all stakeholders	2.8%	2.8%	8.3%	58.3%	27.80%	4.06	0.86
My bank is transparent and accountable. It does ensure transparency by allowing its books of accounts to be audited	2.8%	19.4%	5.6%	61.1%	11.10%	3.58	1.03
My bank has a good leadership and managements structure which support corporate governance	5.6%	2.8%	2.8%	44.4%	44.40%	4.19	1.04
The number of corruption cases have reduced in my department	5.6%	5.6%	11.1%	63.9%	13.90%	3.75	0.97

There are set procedure in my department to be followed at all times during purchasing	0.0%	0.0%	19.4%	55.6%	25.00%	4.06	0.67
Average	3.3%	6.0%	11.1%	58.3%	21.3%	3.89	0.89

4.4.4 Staff Training and Performance Measurement

Results in Table 4.7 indicate that every employee in the procurement department of most banking institution agrees that newly recruited receive adequate induction training and learn about their job duties. Further the induction has helped improve the knowledge gap about the organization which promotes employees working comfortably in the work environment. These statements are supported by respondents' agreeable rate of 97%, 92% and 86%. Training programs has helped in establishing team work, this is represented by 91% a positive response from the respondents. Training programs tend to improve morale in the organizations in addition to offers from the organization on short training programs offered in form of seminars. This conclusion is drawn respectively from 89% and 81% satisfying rate of respondents agreeing to these statements. In addition 81% of the respondents in banks' procurement department receive on job training. On a 5 point scale the mean score of the responses was 4.22 which indicate that there was a higher level of agreement on the questionnaire statements by respondents. The responses were also spread from the mean at a 0.62 standard deviation.

Table 4.6: Staff Training

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
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Every new employee receives Induction Training	0.0%	0.0%	2.8%	58.3%	38.9%	4.36	0.54
Learning about the duties of the job is included in the induction training	0.0%	0.0%	8.3%	75.0%	16.7%	4.08	0.50
Induction has improved my knowledge gap about the organization, which has helped me adjust comfortably to the work environment.	0.0%	0.0%	13.9%	61.1%	25.0%	4.11	0.62
Training programs have helped inculcating the sense of team work	0.0%	0.0%	8.3%	55.6%	36.1%	4.28	0.62
Through training programs, morale in the organization has improved.	0.0%	2.8%	8.3%	50.0%	38.9%	4.25	0.73
I receive on the job training	0.0%	0.0%	8.3%	50.0%	41.7%	4.33	0.63
The organization offers short training in form of seminars	0.0%	0.0%	19.4%	47.2%	33.3%	4.14	0.72
Average	0.0%	0.4%	9.9%	56.7%	32.9%	4.22	0.62

4.4.5 Culture and Ethics and Performance Measurement

Table 4.8 presents results on culture and ethics as measurement of performance of procurement activities in banks. Banks invite tenders from suitable suppliers upon which an evaluation follows to choose the best supplier, this is supported by 80% agreed response rate. Seventy seven percent (77%) agree that bank officials conduct the operation in a fair and equitable way, while 72% support that goods are procured in accordance with the law, agency rules and guidelines. Procurement reviews and audits of procurement process is done in banks' procurement department to ensure probity is considered and achieved. This is supported by 85% respondents agreeing to the statement. From the results, 72% and 89% positive responses respectively, indicate that staff at the banks procurement department is ethical and practice professionalism at all times. The overall mean score of 3.83 which means that more respondents were agreeing with the questionnaires statement. In addition the responses were spread from the mean at 0.96 standard deviation.

Table 4.7: Culture and Ethics

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
My bank invites tenders from all suitable suppliers, and after receiving they are evaluated	5.6%	2.8%	11.1%	63.9%	16.7%	3.83	0.94
My bank officials conducting procurement procedures are fair and equitable	5.6%	8.3%	13.9%	50.0%	22.2%	3.75	1.08
My bank procures goods in accordance with the law, agency rules and guidelines, and conditions of contract.	2.8%	5.6%	19.4%	66.7%	5.6%	3.67	0.79
Regular reviews and audits of procurement processes is done to ensure probity is being considered and achieved	2.8%	2.8%	8.3%	58.3%	27.8%	4.06	0.86
Procurement staff in my bank are ethical	2.8%	19.4%	5.6%	61.1%	11.1%	3.58	1.03
Procurement staff in my bank practice professionalism, accountability and an efficient procurement system.	5.6%	2.8%	2.8%	44.4%	44.4%	4.19	1.04
Average	4.4%	6.8%	10.3%	58.3%	20.2%	3.83	0.96

4.4.6 Effects of Procurement Measurement on Performance

Table 4.9 presents responses on the effects of procurement measurement on performance of the company. (Seventy eight) 78% agree that procurement performance leads to higher profitability. Procurement performance measurement leads to increased employee

morale and improves cost efficiency. These statements are supported by 80% agreed response rate of the respondents. Seventy seven (77%) and 83% respectively agree to the statement that procurement performance measurement improves productivity and that it leads to overall sustainability of the firm. On a 5 point scale the mean score of the responses was 3.90 which indicate that there was a higher level of agreement on the questionnaire statements by respondents. The responses were also spread from the mean at a 1.05 standard deviation.

Table 4.8: Effects of Procurement Measurement on Performance

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
Procurement performance measurement leads to higher profitability	2.8%	2.8%	16.7%	50.0%	27.8%	3.97	0.91
Procurement performance measurement leads to increased employee morale	5.6%	2.8%	11.1%	58.3%	22.2%	3.89	0.98
Procurement performance measurement improves cost efficiency	8.3%	8.3%	11.1%	47.2%	25.0%	3.72	1.19
Procurement performance measurement improves productivity	5.6%	8.3%	8.3%	50.0%	27.8%	3.86	1.10
Procurement performance measurement leads to overall sustainability of the firm	5.6%	5.6%	5.6%	44.4%	38.9%	4.06	1.09
Average	5.6%	5.6%	10.6%	50.0%	28.3%	3.90	1.05

4.5 Inferential Statistical Analysis

Inferential analysis was conducted to generate correlation results, model of fitness, analysis of the variance and regression coefficients.

4.5.1 Correlation Analysis

Table 4.10 presents the correlation test results which indicate that information technology had a correlation of (0.384) and the same was statistically significant to explain performance measurement as the p was 0.021. Internal process (0.709) and staff training (0.049) had a strong and positive correlation with procurement performance measurement. Internal process was statistically significant in measuring performance of procurement as it had a p value of 0.000 while staff training was not significant as it had a p value of 0.778. Culture and ethics had a moderate and positive correlation of (0.59) while effects of procurement measurement on performance variable had a strong and positive correlation of (0.833), they were both statistically significant as the p value of both variables were 0.000. On an overall basis it can be concluded that the variables of the study had moderate to strong correlations.

Table 4.9: Bivariate Pearson's Correlation

Variable		Procurement performance	Information technology	Internal processes	Staff training mean	Ethics and culture	Effects of Procurement measurement
Procurement performance	Pearson Correlation Sig. (2-tailed)	1					
Information technology	Pearson Correlation Sig. (2-tailed)	0.384 0.021	1				
Internal process mean	Pearson Correlation Sig. (2-tailed)	0.709 0.000	0.587 0.000	1			
Staff training	Pearson Correlation Sig. (2-tailed)	0.049 0.778	-0.004 0.983	-0.231 0.176	1		
Ethics and culture	Pearson Correlation Sig. (2-tailed)	0.590 0.000	0.298 0.077	0.703 0.000	0.009 0.957	1	
Effects of procurement measurement	Pearson Correlation Sig. (2-tailed)	0.883 0.000	0.581 0.000	0.843 0.000	-0.12 0.486	0.537 0.001	1

4.5.2 Regression Analysis

The model used to link the independent variable to the dependent variables was;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

In the model, β_0 = the constant term while the coefficient β_i = 1....4 was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables. μ is the error term which captures the unexplained variations in the model. Y represents measurement performance; X_1 represented information technology X_2 ethics and culture, X_3 staff training and X_4 represented internal process.

Regression of coefficients results in Table 4.11 show that there is a positive relationship between procurement performance measurement and internal processes, staff training, ethics and culture whose beta coefficients are 0.719, 0.384 and 0.08 respectively. From the results information technology displayed a negative relationship of -0.147. The results from the table below also indicate that internal process was statistically significant in measuring procurement performance as it had a probability of 0.002 which is lower than the probability conventional of 0.05. Results indicate that a unit change in internal processes, staff training and ethics and culture variables will lead to a positive change in procurement performance measurement of banks while a unit change in information technology will cause a negative change in measurement of procurement performance.

Table 4.10: Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
Constant	-0.12	1.323	-0.091	0.928
Information technology	-0.147	0.291	-0.506	0.617
Internal process	0.719	0.213	3.374	0.002
Staff training	0.384	0.228	1.683	0.103
Ethics and culture	0.08	0.159	0.505	0.617

Table 4.11 shows fitness of the regression model in explaining the study phenomena. Staff training, internal process, information technology, ethics and culture satisfactorily explain measurement of procurement performance. This is supported by coefficient of determination also known as the R square of 55.9%. This means that staff training, internal process, information technology, ethics and culture variables explain 55.9% of the variations in the dependent variable which is procurement performance measurement. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 4.11: Regression Model Fitness

Indicator	Coefficient
R	0.748
R Square	0.559
Std. Error of the Estimate	0.4141

The reported p value was less than the conventional probability of 0.05 significance level as presented by the ANOVA statistics on Table 4.13 indicates that the overall model was statistically significant. These results imply that the independent variables are

good predictors of procurement performance measurement. This was supported by an F statistic of 9.836 and probability (p) value of 0.000.

Table 4.12: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6.747	4	1.687	9.836	.000
Residual	5.316	31	0.171		
Total	12.063	35			

4.6 Summary and Interpretation of Findings

The results indicate that internal controls and systems that detect fraud are key in maintaining performance in banks' procurement activities. This finding support that of Khanapuri, Nayak, Soni, Sharma and Soni (2011) who asserts that technology, staffing and skills which sum up to internal controls of the procurement process and activities tend to improve efficiency.

Technology in procurement provides access to a whole range of procurement information at low cost and independently of time and location as found out from the result. This findings support that of Delone (2003) who supports that technology can be used in performance management system to generate and process information flow.

Results from the study shows that most banks in Kenya have inplace good audit functions, has adequate technology that enables the banks' to have sufficient controls

and to detect fraud. This finding support those of Kim, Chan and Yoon (2003) who state that for a performance measurement system to be regarded as a useful management process, it should act as a mechanism that enables assessment to be made, provides useful information and detects problems and allows judgment against certain predetermined criteria to be performed.

Conclusions from the results are that ethics in banks procurements department is of key importance. Results show that banks' procurement staff practice professionalism and allow regular reviews and audits of procurement processes. These findings relate with those of Amos (2008) where he explained in his study that the importance and effective way to maintain ethics allowing regular reviews or audits of procurement processes and performance measurements so as to ensure probity is being considered and achieved.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains summary of findings, conclusions and recommendations and further areas of research which is derived from data analysis.

5.2 Summary of the Findings

The results indicate that procurement performance measurement in banks are adequate with tasks involved in staff management through appraisals and rewards, good budget planning and frequency in production of financial reports to stakeholders. This finding is supported by an overall average responses mean of 3.94 which means that more respondents were agreeing with the statements on this objective in the questionnaire. Information technology is not statistically significant in measuring procurement performance. This is evident as the probability value of 0.617 is higher than the conventional value of 0.005.

The findings also show that internal processes such as internal audit, transparency and accountability of financial reporting as well as having a set procedure for purchasing of goods is significant in measuring the performance of procurement in banks, this is because a probability value of 0.002 is less than the conventional value of 0.05 thus its

significance. The results show that banks have well structured and organized structures which tend to prevent corruption in procurement and promote transparency and adequacy in its financial reporting. This finding is supported by an overall mean score of 3.89 which means that more respondents were agreeing with the questions in the statement.

The findings from the results indicate that staff training has a positive impact on performance measurement. As such an increase in staff training, induction of new employees on job responsible among other training programs initiated by the company results to positive increase in procurement performance. This finding is supported by a positive regression coefficient of 0.384. In addition to the findings a 5 point scale mean score of the responses to statements of this objective was 4.22 which indicates that there was a higher level of agreement on the questionnaire statements by respondents.

The results of the study also indicate that ethics and culture had a positive impact on procurement measurement. However low the regression coefficient of culture and ethics, a change in the later would result to an increase in procurement performance. This is supported by a regression coefficient of 0.08. The overall mean score of 3.83 which means that more respondents were agreeing with the questionnaires statement. In addition the responses were spread from the mean at 0.96 standard deviation.

Effects of procurement measurement on performance were found to be statistically significant with a positive impact on the importance of procurement performance. These

findings are justified from Pearson's correlation results which indicate a positive correlation of 0.833 and a statistically significant probability value of 0.000, which is less than conventional value of 0.05.

Results also indicate that the model was robust for the study, which means that the independent variables that is staff training, internal process, information technology, ethics and culture variables explain 55.9% of the variations in the dependent variable which is procurement performance measurement. ANOVA statistics presented in Table 4.9 indicate that the overall model was statistically significant. This was supported by a probability (p) value of 0.000 which implies that the independent variables are good predictors of procurement performance measurement.

There is a positive relationship between procurement performance measurement and internal processes, staff training, ethics and culture which through regression analysis had beta coefficients of 0.719, 0.384 and 0.08 respectively. It is also important to note that internal process was the only statistically significant variable in measuring procurement performance as it had a probability of 0.002 which is lower than the probability conventional of 0.05. Results further indicate that a unit change in internal processes, staff training and ethics and culture variables will lead to a positive change in procurement performance measurement of banks while a unit change in information technology will cause a negative change in measurement of procurement performance

5.3 Conclusions

The study concluded that banks prepare budgets and reports on a frequent basis as a way of measuring procurement performance. Transparency of real-time procurement information allows the early detection of corruptive and fraudulent activities. Performance appraisals that go along with reward seem to have an effect in improving staff performance at the end improving procurement performance in the company.

Technology in procurement provides access to a whole range of procurement information at low cost and independently of time and location. Efficiency of procurement activities is best maintained when companies adapt to new technologies which tend to reduce cost and improve operational activities. Application of technologies ensures compliance with the existing procurement policy, legislation and procedures thus allowing neither purchasing agencies nor bidders to deviate from the public procurement process. In this way banks tend to reduce the opportunities for corruptive cases

Purchasing audit is a management tool used in assessing how goals and objectives are being met while utilizing organizational limited resources such as time, personnel input and budgets. This finding shows that banks control finances usage in the procurement department through audits and the ensuring transparency in financial a reporting as well as in transparency when sourcing for a supplier. This again is achieved through proper planning and budgeting controls achieved through proper corporate governance. From

the results it is possible to conclude that banks carry out staff training to improve the level of engagement of employees in the organization. Banks need to equip employees with knowledge on what is expected of them in their positions and how their performance will be measured. In addition, banks support training programs to staff to develop a good employee employer relationship as employees need to feel the support of their managers in their personal growth and career development.

Employee engagement through training is critical to the success of an organization and employee performance. Training is necessary as it is a result of employees understanding the company's goals and their role in helping the organization reach those goals. Employees believing in their goals align that with the business strategy thus becoming higher performers. From the results it is evident to conclude that banks measures on culture and ethics tend to improve performance and overall image of the company. Values stand that the very core of human decision making. An organization whose culture aligns with personal values makes stakeholders feel liberated. Employees as well are able to bring out energy, creativity, enthusiasm and commitment to work.

5.4 Recommendations

The study recommends that procurement performance could be measured using non financial measures such as internal processes, staff training, technology and organizations' culture and ethics. As earlier indicated, having performance measures is not an end in itself but a means to effective and efficient control and monitoring of any function is important. Implementing purchasing measures is not as easy as it may sound. It requires preparation, coordination, team work, constant communication and feedback. To ensure entities maximize purchasing efficiency and effectiveness, loss of professional turnover should be reduced. This can be done through establishing clear roles and procedures within the procurement processes.

Internal processes and systems should maintain continuous improvement to allow for good structures for purchasing management. These structures if well done tend to avoid unnecessary costs for example such as costs as a result of corruption which results to court cases that can be very costly to the company. In procurement measurement quality of procured goods is usually a key indicator of performance; however, companies should also consider other intangible measures like timely delivery of orders and customer satisfaction.

Finally, the study recommends that procurement professionals should make recommendations of improving the training curriculum of procurement professionals in order to capture the important findings of the study. This will enable the inclusion of

issues related to ethics and integrity into the syllabus. This can have a high impact on the outcomes of the procurement profession both to the organizations and the country.

5.5 Limitations and Areas of Further Research

The study creates a gap that other researchers or academic students can address through concentrating on challenges encountered when measuring procurement performance in achieving targets. The study did not fully concentrate on the effects of procurement measurement on performance, a highlight is just given, therefore an in-depth analysis on the effects of measuring procurement on performance can be considered as an area for further studies. Suggested research could also focus on procurement performance measurement in another industry for example in savings and credit companies or in insurance companies in Kenya.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Date.....

Human Resource Manager

XYZ Bank Limited

P.O Box -----

Nairobi – Kenya

Dear Sir,

RE: REQUEST FOR PERMISSION FOR DATA COLLECTION

I am a postgraduate student of the University of Nairobi pursuing a degree in procurement. I wish to conduct a research titled *factors affecting procurement performance measurement among commercial banks in Kenya*. A questionnaire has been developed to assist gathering relevant information for this study. I wish to seek your permission to be allowed access to your members of staff who will be selected randomly and issued with a questionnaire.

Your grant of permission to conduct the study in your company will be highly appreciated. I wish to guarantee you that all information will be treated with utmost confidentiality and high ethical standards will be observed.

Yours Sincerely,

Everlyn Kariuki

APPENDIX II: QUESTIONNAIRE

Introduction

This questionnaire intends to gather information your views regarding the factors affecting performance measurement in the case of commercial bank of Kenya. Your participation in this study is highly welcome and your responses and statements will be handled confidentially and ethically and your identity will be concealed in the final research report.

SECTION 1: BASIC INFORMATION

1. Gender
 - a) Male
 - b) Female
2. Highest level of education
 - a) Secondary level
 - b) College level
 - c) University level
 - d) Post graduate level
3. Number of years in current employment
 - a) Less than one year
 - b) 1 to 2 year
 - c) 3 to 5 years
 - d) More than 5 years
4. When did your bank commence its operation?
 - a) less than one year
 - b) 1 to 2 year
 - c) to 5 years
 - d) More than 5 years

Section B: Procurement Performance Measurement

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
My bank procurement systems are effective at detecting fraud					
My bank has appropriate and sufficient internal controls in place					
My bank does conduct performance appraisals at least twice in a year					
My bank conducts monthly and yearly budget variance analysis					
My bank does produce daily, weekly, monthly, quarterly and yearly financial reports					
The performance appraisals are supported by rewards					

Section C: Information Technology

To what extent do you agree with this statement? Please indicate your agreement or otherwise with the following statements using the following likert scale.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
My bank has invested heavily in information and Technology					
The system has helped in controlling the inventory stocks					
The system has added competitive advantage to the bank					
The system has reduced operation costs for the banks					
The system has helped in reducing ordering time and follow up					
The system is easy to use					

Section D: Internal processes

This section aims at determining whether internal processes affect procurement performance measurement. Please indicate your agreement or otherwise with the following statements using the following likert scale.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
My bank has put in place good internal audit functions					
My bank is transparent and accountable. It does ensure transparency by displaying performance results for all stakeholders					
My bank is transparent and accountable. It does ensure transparency by allowing its books of accounts to be audited					
My bank has a good leadership and managements structure which support corporate governance					
The number of corruption cases have reduced in my department					
There are set procedure in my department to be followed at all times during purchasing					

Section E: Staff Training

This section aims at determining whether Staff training affects procurement performance measurement. Please indicate your agreement or otherwise with the following statements using the following likert scale.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Every new employee receives Induction Training					
Learning about the duties of the job is included in the induction					

training					
Induction has improved my knowledge gap about the organization, which has helped me adjust comfortably to the work environment.					
Training programs have helped inculcating the sense of team work					
Through training programs, morale in the organization has improved.					
I receive on the job training					
The organization offers short training in form of seminars					

Section F: Culture and Ethics

This section aims at determining whether culture affects procurement performance measurement. Please indicate your agreement or otherwise with the following statements using the following likert scale.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
My bank invites tenders from all suitable suppliers, and after receiving they are evaluated					
My bank officials conducting procurement procedures are fair and equitable					
My bank procures goods in accordance with the law, agency rules and guidelines, and conditions of contract.					
Regular reviews and audits of procurement processes is done to ensure probity is being considered and achieved					
Procurement staff in my bank are ethical					
Procurement staff in my bank					

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
practice professionalism, accountability and an efficient procurement system.					
My bank invites tenders from all suitable suppliers, and after receiving they are evaluated					

Section G: Effects of Procurement Measurement on Performance

This section aims at determining the effects of procurement performance measurement on the performance of the procurement department in banks. Please indicate your agreement or otherwise with the following statements using the following likert scale.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
	1	2	3	4	5
Procurement performance measurement leads to higher profitability					
Procurement performance measurement leads to increased employee morale					
Procurement performance measurement improves cost efficiency					
Procurement performance measurement improves productivity					
Procurement performance measurement leads to overall sustainability of the firm					

Appendix III: List of Commercial Banks

	BANK
1	Equity Bank
2	Barclays Bank of Kenya
3	Kenya Commercial Bank
4	Imperial Bank Ltd
5	Standard Chartered Bank
6	Commercial Bank of Africa
7	Stanbic Bank Ltd(CFC STANBIC)
8	National Bank of Kenya
9	Co-operative Bank of Kenya
10	Bank of Baroda Ltd
11	NIC Bank Ltd
12	I & M Bank
13	Citibank Kenya Branch
14	Habib Bank AG Zurich
15	Diamond Trust Bank Ltd
16	Transnational Bank Ltd
17	Oriental Comm (Delphis) Bank
18	Housing Finance Co of Kenya
19	Bank of India Ltd
20	Fidelity Commercial Bank
21	Family bank
22	Prime Bank Ltd
23	Victoria Commercial Bank
24	Chase Bank Ltd
25	Credit Bank Ltd
26	Paramount Universal Bank
27	Giro Commercial Bank
28	Bank Of Africa Kenya
29	African Banking Corporation
30	K-Rep Bank Ltd
31	Guardian Bank Ltd
32	Consolidated Bank
33	Development Bank
34	Gulf African Bank Limited
35	Habib Bank Ltd
36	Jamii Bora Bank Ltd
37	Dubai Bank Kenya Ltd
38	Fina Bank Limited
39	Middle East Bank (K)
40	First Community
41	EcoBank K Ltd (EABS Bank)
42	Equatorial Commercial Bank
43	UBA Kenya Bank Ltd

Source: Central Bank of Kenya, 2013