

**IMPACT OF PROCUREMENT POLICIES AND PROCEDURES ON SUPPLY
CHAIN PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

BY

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DECLARATION

I declare that this research proposal is my original work and has never been submitted to any other University for assessment or award of a degree.

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This project has been submitted with my authority as the university supervisor.

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DEDICATION

This project is dedicated to: my family members, for their support and encouragement throughout this project: my friends and colleagues, I appreciate them for their guidance and support: To God almighty, thank you.

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ABSTRACT

This research was conducted to find out if Commercial Banks in Kenya had aligned their policies, processes and procedures with their modernization agenda and commitments to enhance supply chain performance. It was guided by three main objectives that sought to determine the extent of adherence of procurement policies and procedures, to determine the relationship between procurement policies and procedures on supply chain performance and to determine the challenges faced in the implementation of procurement policies and procedure in commercial banks in Kenya. The research design involved a cross sectional survey of all commercial banks in Kenya. Data was collected using a questionnaire that was administered through drop and pick later method. Percentages and frequencies were used to analyze objective one whereas regression analysis was used to analyze the relationship between business integration and supply chain performance. The findings were presented in tables and pie charts. The study established that most of the commercial banks in Kenya have in place procurement policies and procedures that have enabled them achieve transparency, efficiency and accountability in their operations. It was also clear that there was no significant relationship between procurement policies and procedures and supply chain performance represented by R^2 value of 0.449 which translates to 44.9%. Thus a large unexplained variance of 55.1% meaning there are a number of significant predictors not included in the model. It proved to be a challenge in getting respondents. Most of the respondents though agreed to participate on condition that the information will not be divulged to any other party other than for academic purposes only. Further research on the same topic can be conducted in commercial banks and other industries using more predictor to establish if procurement policies and procedures has an impact on supply chain performance. It is also recommend that in order to boost the performance of supply chains of commercial banks in Kenya, there is need to invest in various strategies. This therefore calls upon the management of various banks to come up with a procurement policies and procedures which outlines the strategies and guidelines in detail and ways of operationalization. This should be done in a consultative approach so as to smoothen the process.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Procurement Policies and procedures are crucial in all procurement activities including leasing and hiring, and may where appropriate include other activities accompanying the life cycle of goods or service contracts and the end-of-life disposal of goods which have been procured(Bartik,2009). Procurement policies applies to and binds all directors, managers and employees of the organization in any situation where they are involved in a purchasing process, whether as requisitioners or specifiers, purchasers or negotiators, or those who validate or authorize payment. Adherence to the Purchasing Policy is both an individual and a corporate responsibility (Duncan, 2009).Willful breach of the procurement policy, or unauthorized departure from the Procedures derived from the procurement Policy, may constitute a disciplinary offence. Procurement policies can be used to encourage various types of action. A review of the literature shows that procurement policies have been used to stimulate innovation and entrepreneurship, as well as social outcomes such as racial and gender equality (Charles, 2007). Procurement policies can encourage minority businesses to compete for and win contracts, and may also fuel the creation of new businesses to respond to the increase in demand, but the unintended impacts of such policies may actually create a more contentious work environment for those groups who are meant to benefit.

As guided by vertical accountability theory, procurement practices need to gain prominence in the discourse about procurement policies in institutions today.

Understanding the concept of ethics within procurement process is of greater importance in order to get a better understanding of the real cost involved with attaining any ethical procurement process. Many procurement activities suffer from neglect, lack of open competition and transparency; differing levels of corruption and most importantly various conflict of interest arising from stakeholders and personnel's involved in handling a procurement process yet are expected to manage such procurements, in a professional, timely and cost effective manner (Diamond, 2002).

1.1.1 Procurement Policies and Procedures

Procurement policies entail a set of rules and regulations put in place to govern the process of acquiring goods and services needed by an organization to function efficiently (WisegEEK, 2013). The exact process seeks to minimize expenses associated with the purchase of those goods and services by using strategies such as volume purchasing; the establishment of a set roster of vendors, and establishing reorder protocols that help to keep inventories low without jeopardizing the function of the operation (Muge, 2009).

Both small and large companies as well as non-profit organizations regularly design and apply procurement policies to guide on procurement matters. Procurement policies are thus a set of rules and regulations that are designed by organizations to govern on application of various procurement procedures (Bartik, 2009). Procurement is the process in which or private organizations buy supplies or services to fulfill various functions such as shelter, transport and need for infrastructures, among many others. Through procurement the organization facilitates the achievement of its own policy goals such as sustainable development (Talluri, 2008).

Effective procurement policies are strategies followed when making organization purchasing decisions. Implementing effective procurement policies significantly improve the effectiveness of purchasing decisions (Sobczak, 2008). In banking sector, effective procurement policies entail processes where banks meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment (Thomson, 2007).

1.1.2 Supply Chain Performance

Supply chain performance is defined as the entire chain's ability to meet end-customer needs through product availability and responsive, on-time delivery. Supply chain performance crosses both functional lines and company boundaries. (Cai et al, 2008).

Improving supply chain performance is a continuous process that requires both an analytical performance measurement system, and a mechanism to initiate steps for realizing key performance indicators (KPI) goals. The mechanism to achieve KPI goals can be referred to as "KPI accomplishment", which connects planning, and execution, and builds steps for realization of performance goals into routine daily work. To measure supply chain performance, there are a set of variables that capture the impact of actual working of supply chains on revenues and costs of the whole system. These variables as drivers of supply chain performance are always derived from supply chain management practices. After identifying KPIs, managers have to achieve improvement in them, through continuous planning, monitoring and execution. According to the results of

selected KPIs' accomplishment, managers may create current reports on KPIs, to compare multiple plans of supply chain management. In this performance management cycle, there are many challenges, both in performance measurement and its improvement (Cai et al, 2008).

Supply Chain Performance can be measured in the context of the following supply chain activities/processes: (1) plan, (2) source, (3) make/assemble and (4) delivery/customer. These activities are considered at various levels of management - strategic, tactical, and operational levels (Stewart, 1995; Gunasekaran et al, 2004).

Many metrics used in supply chain performance evaluation have been designed to measure operational performance, evaluate improved effectiveness, and examine strategic alignment of the whole supply chain management (Cuthbertson and Piotrowicz, 2011). Individual measures of supply chain performance have usually been classified into four categories: quality, time, cost and flexibility. Furthermore, they have also been grouped by quality and quantity, cost and no cost, strategic/operational/tactical focus, and supply chain processes. However, since many measurement systems lacked strategy alignment, a balanced approach and systemic thinking, they had difficulty in systematically identifying the most appropriate metrics. To address this problem, the Balanced Scorecard (BSC) and Activity Based Costing (ABC) methods have been used to evaluate supply chain performance (Shepherd and Günter, 2006).

The other model that has been developed is the Supply Chain Operations Reference (SCOR). This model has been developed to facilitate construction of a systematic supply chain performance measurement and improvement tool; it has often been recognized as a systematic approach for identifying, evaluating and monitoring supply chain performance. In the SCOR model, a balanced performance measurement system at multiple levels, covering five core supply chain processes (i.e. Plan, Source, Make, Deliver, and Return), was developed (Lockamy and McCormack, 2004). Outsourcing is also considered as one of the ways through which organizations can be able to improve their supply chain performance.

According to Kipyego (2012), Supply Chain Performance leads to a better understanding of the system and the introduction of common standards. Despite the challenges that are created, developing an effective and efficient supply chain can become a core competency or even a distinctive competency. A core competency is any function, which a firm does well at performing. Core competencies are the processes which are primary business activities that enable companies to obtain a better average degree of business success over long term. In management discipline “core competencies” refers to focusing and exploring particular strengths within the company and formulate strategies which will help in increasing market share and profits. On the other hand, a distinctive competency is a function that is performed well and is unique. Literature has shown that the basis of competition in many industries in the future will revolve around supply chain development. Procurement policies and procedures including procurement strategies and plans, composition of procurement committees and responsibility, ethics, supplier

selection management and tender evaluation must be taken in to consideration to enhance supply chain performance in the banking sector.

1.1.3 Commercial Banks in Kenya

According to Chapter 488 of Banking Act, a Commercial Bank is a company which carries on or purposes to carry on banking business in Kenya but does not include the Central Bank of Kenya. Banking business means accepting from members of the public money on demand deposit repayable on demand or at the expiry of a fixed period or after notice. The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines.

Kenya Bankers (2015) indicated that there were 46 licensed commercial banks as at April 2015. Out of the 46 institutions, 32 are locally owned and 14 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the government and state corporations which are licensed and regulated under the Central Bank of Kenya Act, cap 491. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks offer corporate and retail banking

services but a small number, mainly comprising the larger banks, offer other services including investment banking, (KBA, 2014).

The banking subsector had strong growth across all performance indicators in the year ended December 2014. Pre-tax profits grew by 16.6 percent while total net assets increased by 16 percent to Ksh 2,703.4 billion in December 2014 on account of loans and advances. Loans and advances, government securities and placements were key components of banks' balance sheet items, accounting for 56.7 percent, 21.6 percent and 6.5 percent of total net assets respectively. Net loans and advances rose by 18.2 percent from Ksh 1,296.5 billion in December 2013 to Ksh. 1,532.4 billion in December 2014. Placements increased by 42.6 percent from Ksh 124.4 billion to Ksh 177.4 billion in the year due to higher credit uptake. Total deposits held by commercial banks increased by 13.3 percent from Ksh 1,707.8 billion in 2012 to Ksh 1,935.7 billion in 2014, explained by branch expansion, agency banking, remittances and exports receipts (Kenya Financial Sector Stability Report, 2014).

1.2 Statement of the Problem

Procurement is an important function of commercial banks for several reasons. First, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10% – 30 % of GNP (Francis, 2012). Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for procurement practitioners.

Policy implementation involves conversion of a formulated policy into action and good results. Policy formulation and implementation depends on the identification of the organizations goals and the rational analysis of its external environment and internal resources and capabilities. Managing the implementation and the organizational issues that go with it, is so frequently the source of complexities and difficulties that characterize the policy implementation process.

Supply chain procedures in Kenya commercial bank have become more complex due to increased number of strategic partners within the supply chain structure. This has called for a highly integrated and co-ordinated mechanism to develop policies and procedures that help co-ordinate flow of goods, services and finances within the banking industry. Procurement policies adopted by Kenya commercial bank include procurement strategies and plans, composition of procurement committees and responsibility and ethics whereas procurement procedures include supplier selection and tender evaluation (Duncan, 2009). Various studies have been done on procurement policies and supply chain performance. However, these studies have provided contradictory and inconclusive evidence on the relationship between these variables. Internationally Kakwezi and Nyeko, (2011) found that financial and non-financial measures are equally important in indicating the supply chain performance of the procurement function. They further noted that quality of goods and services is delivered through the procurement process is the most important set target of the procurement function and safety of employees the least important of the non-financial measures. Erik & Vennstrom, (2008) found that procurement policies are intended towards optimizing operational chain performance by delivering a product or

service to the ultimate customer at minimal cost and at the required time. Hrebiniak (2006) found that procurement policies yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage.

Locally, a study by Njoroge (2012) found that professionalism in implementation of public procurement policies and procedures ensures assessment of the procurement procedures in profit making farmers' cooperative societies. On financial management, majority of the profit making farmers' cooperative societies faces difficulties in decision-making process leading to lost opportunities for financial growth. It further found out that the cooperative societies experience challenges in securing record and data. Chemoiywo (2014) found that the extent of compliance with public procurement policies and procedures, key challenges of compliance with public procurement that came out included the prices of public procurement of works and services are too high and which in effect had a significance influence on the supply chain performance. Mbaya (2014) found that consulting successful government department or experts in the procurement process would improve compliance with regulations/policies and that educating the workforce adequately in procurement policies and procedures would reduce breach to a great extent.

Although a number of studies have been done on policy implementation, a knowledge gap still exists on the relationship between policies and procedures and supply chain performance of commercial banks and challenges faced in the implementation of procurement policies in commercial banks. It is in the background of these issues that this

research study seeks to fill the gap by answering the question; what is the relationship between policies and procedures and performance of supply chain in commercial banks in Kenya?

1.3 Research Objectives

This study consisted of three objectives as follows;

- i. To determine the extent of adherence of procurement policies and procedures in commercial banks in Kenya.
- ii. To determine the relationship between procurement policies and procedures and the performance of supply chain in commercial banks in Kenya.
- iii. To determine the challenges faced in the implementation of procurement policies and procedure in commercial banks in Kenya.

1.4 Value of the Study

The findings of the study will provide important information to various groups of people; managers of commercial Banks in Kenya will gain Knowledge on the impacts and relevance of adherence to set out procurement policies and procedures; it may also be beneficial to all commercial banks in Kenya since they will enhance the realization of having in place proper policies and procedures proper aligned with overall organization widespread policies/ corporate strategies.

Other non- Banking organizations in all the industries will also benefit from the study by learning the significance of coming up with strategic guidelines (policies and procedures)

that would enhance the efficiency and effectiveness of their supply chains. Academicians and researchers may also find the study helpful to identify further areas of research built on this topic or other related topics. Future research can be done to improve limitations that will be documented in this study

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the literature review. It includes a review of the various studies that have been conducted by other researchers relating to the impacts of procurement policies and procedures on supply chain performance of commercial banks in Kenya.

2.2 Procurement Policies and Procedures

Procedures are operating instructions detailing functional duties or tasks. According to Lisa (2010), the division between public and private sectors creates two different worlds, requiring different approaches to procurement. Public ownership imposes obligations with regard to public accountability, leading to prescribed procedures and policies. All steps of the procurement cycle must be properly documented with each step being approved by the designated authority. Maiyo (2009) argued that public procurement procedures tend to be characterised by high levels of bureaucracy independent of order value; poor communications and focusing on unit price rather than long-term relations.

Muge (2009), explored whether opportunities for fraud and corruption might be reduced or increased by rules governing public procurement. They focused on specific European legislation – Procurement Directive 2004/18 on the coordination of procedures for the award of contracts for public works, public supply and public services by public bodies within all EU Member States. They concluded that fraud risks in public procurement may be summarised in terms of insider-driven specifications, low visibility of procurement

processes, and ample opportunities for renegotiation of terms. Risks may be increased by innovative procurement practices that have the effect of extending the maneuvering between renderers and public bodies, such as competitive dialogue. In Kenya, Part V of the PPDR provides for alternative procurement procedures as restricted tendering; direct procurement; request for proposal; request for quotations; low value procurement; and use of specially permitted procedures. This gives PEs room to meet needs in time during emergency, tragedy, limited sources or economic viability.

Talluri (2008) stated that every organisation develops procedures to enable its personnel implement policies and plans; designed to meet her objectives. In Kenya, Parliament prescribes a framework within which policies relating to public procurement and asset disposal shall be implemented and may provide for preferences or sanctions against contractors failing to perform according to professionally regulated procedures, contractual agreements or legislation or persons found guilty of corrupt practices. Parliament enacted the Public Procurement and Disposal Act (PPDA), 2005 and the operationalising Public Procurement and Disposal Regulations (PPDR), 2006. This law establishes procurement procedures for different methods of procurement with the aim of increasing public confidence, promoting local industry and stimulating economic development.

Victor (2012) postulated that bureaucratic control mechanism is control by a comprehensive system of formal rules and standard operating procedures (SOPs) that shapes and regulates the behaviour of divisions, functions and individuals. SOPs and

rules allow employees to perform activities efficiently and effectively. Raymond (2008) held that the procurement function has a significant impact on corporate performance. Thus, traditional procedures are becoming obsolete in modern organizations. Procedures provide guidance that staffs follow in performing activities, put constraints on behaviour and show how the procurement function should work to achieve strategic objectives.

2.3 Supply Chain Performance

The two essential requirements for supply chain performance are proper integration in the partnerships with suppliers and the effective utilization of information technology. It is argued by most researchers that active involvement and support of all the supply chain entities can create competitive values. The ultimate judge of supply chain performance is the customer in terms of effective and timely responses to their ever- changing tastes and preferences. The performance of the supply chain needs similar attention as firm performance measurement. The literature on the tools that can be used is limited by the ever-increasing amount of literature addressing theories and practices of supply chain performance management which lack effective methods. Most of the supply chain performance evaluation techniques and methods are best suited to measure the value of simple SCM applications and rely on financial measures. For complex supply chain networks, the Supply Chain Operation Reference (SCOR) model with four business processes (plan, source, make and deliver) can be used to study the concept of supply chain performance within the context of operations management (Poluha,2007). According to Gunasekaran et al., (2004) the Supply Chain Operations Reference (SCOR) Model is a framework for understanding the scope of SCM based on five basic functions:

developing a strategy that balances the available organization resources with service and customer requirements for competitiveness (Plan); after developing the supply chain strategy and network, the firm procures goods and services to meet planned or actual demand (Source); the operations function then transforms the procured goods and services to a finished state to meet demand (Make); the finished products requires a number of logistical support in an effort to manage orders, transport, and distribute them to the customers (Deliver); and after delivery, there should be proper management of customer returns, maintenance, dealing with excess goods (Return). This is SCOR model is a system approach with specific measures to measure supply chain performance by allowing firms to work as partners (Poluha, 2007). Based on the SCOR model, this study borrowed greatly on the supply chain performance measures of effectiveness of enterprise distribution, range of products; order lead time, inventory flow rate, inventory turnover ratio, inventory cost, and reduction in unit costs, total average inventory and sales volume. The above measures cut across the scope of supply chain performance based on five basic functions in the SCOR model.

2.3.1 Procurement Policies and Procedures and Supply Chain Performance

Development of cross-functional teams aligns organizations with process oriented structure, which is much needed to realize a smooth flow of resources in a supply chain. As suggested by Lisa (2010), such teams promote improved supply chain effectiveness. They minimize or eliminate functional and departmental boundaries and overcome the drawbacks of specialization, which according to John (2012), can distribute the knowledge of all value adding activities such that no one, including upper level

managers, has complete control over the process. Such teams helped in the formation of modern supply chains by promoting greater integration of organizations with their suppliers and customers. The strategic, operational and tactical levels are the hierarchies in function, wherein policies and trade-offs can be distinguished and suitable control exerted (Hrebiniak, 2006).

According to Rushton and Oxley (1989), such a hierarchy is based on the time horizon for activities and the pertinence of decisions to and influence of different levels of management. The strategic level measures influence the top level management decisions, very often reflecting investigation of broad based policies, corporate financial plans, competitiveness and level of adherence to organizational goals. The tactical level deals with resource allocation and measuring performance against targets to be met in order to achieve results specified at the strategic level. Measurement of performance at this level provides valuable feedback on mid-level management decisions. Operational level measurements and metrics require accurate data and assess the results of decisions of low level managers. Supervisors and workers are to set operational objectives that, if met, will lead to the achievement of tactical objectives.

Lisa (2010) describes SCM as a collection of seven principles of SCM consisting of customer segmentation, customized logistics, demand planning, customization, strategic sourcing, supply chain strategy, and supply chain performance measurement. Inherent in both process-based definitions is the need for the internal and external players of the supply chain to coordinate to ensure that supply chain operations (demand planning,

logistics, and supply management) address specific customer requirements. The supply focus is synonymous with rationalization and streamlining of the supply base, and integration of suppliers into product development and manufacturing activities. Managing the supply chain implies reducing and streamlining the supplier base to facilitate managing supplier relationships (John 2012), developing strategic alliances with suppliers (Mason 1996), working with suppliers to ensure that expectations are met, and involving suppliers early in the product development process to take advantage of their capabilities and expertise (Raymond 2008).

2.3.2 Challenges Facing the Implementation of Procurement Policies and Procedures

Burritt (2004), argues that one of the major obstacles to the procurement system is ministerial interference with the tender process where ministers intervene and influence tender awards. The threat of being suspended or fired has in many cases intimidated officers into obeying illegal ministerial directives leading to non-compliance (Akech, 2005). In support of this, Hui et al (2011) asserted that interference from the local politicians, businesspersons, members of parliament and very influential top management individuals has interrupted the procurement processes and deterred transparency

According to Hrebiniak, (2006), if the corporate strategy drafted by the organization is a poor or a vague strategy, then it can limit the implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad policy or a poor strategic planning effort. It will be of interest to note that the need to start with a formulated policy that

involves a good idea or concept is the most crucial and critical factor, which helps promoting its successful implementation. As Allio notes, good implementation naturally starts with good policy input: the soup is only as good as the ingredients (Allio, 2005). The kind of procurement policies formulated should therefore be implementable.

For a procurement organization to operate both efficiently and effectively in such a complex environment useful structures need to be created and suitable instruments put to use. Information technology can have an important function in this regard. Used appropriately it can offer: smoother and faster process flow, efficient distribution of information, decentralization of tasks and decisions, increased transparency and better control. In addition, information technology helps not only to support internal processes, but also those involving business partners. Government officials and elected leaders have increasingly come to realize that agencies must utilize ICT in order to enhance the procurement processes in the sector. Faced with tight budgets and a retiring workforce, today's government agencies are operating in an environment defined by the need to 'do more with less'.

According to Raymond (2008), quality of personnel in procurement relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities. If the workforce is not adequately educated in procurement matters, serious consequences; including, breaches of codes of conduct occur. Raymond (2008) also linked lack of a high degree of quality of personnel in procurement to corruption, which ultimately impedes compliance. The procurement

officers must be trained and aware about all regulations in relation to procurement and related procedures (Hui et al 2011). Policies may look extremely logical on paper but if those entrusted with the responsibility of implementation are unwilling to implement, nothing will happen. Policy implementation process may fail if the policy does not achieve support and commitment by the majority of employees and the middle management. Shared understanding without commitment would result in 'counter effort' and may negatively affect the supply chain performance. The understanding between middle management and those at the operational level to that of the top management team's strategic goals is of prime importance to successful implementation.

2.4 Theoretical Review

The SCM construct can further be espoused by reviewing its theoretical foundations. To this effect, three key theories, the Agency Theory, Transaction Cost Analysis (TCA) and the Resource Based View (RBV) seek to underpin this study.

According to the agency theory (AT) based on the separation of ownership and control of economic activities between the agent and the principal, various agency problems may arise, such as asymmetric information between the principal and the agent, conflicting objectives, differences in risk aversion, outcome uncertainty, behavior based on self-interest, and bounded rationality (Diamond, 2002). The contract between the principal and the agent governs the relationship between the two parties, and the aim of the theory is to design a contract that can mitigate potential agency problems. The most efficient contract includes the right mix of behavioral and outcome-based incentives to motivate the agent

to act in the interests of the principal (Maiyo, 2009). Transaction cost analysis (TCA) theory offers a normative economic approach to determine the firm's boundaries and can be used to present efficiency as a motive for entering inter-organizational arrangements (John, 2012).

A company may reduce its total transaction costs (ex ante and ex post costs of contact, contract, and control) by cooperating with external partners. The key question is: why do firms exist? In the context of SCM, this question is addressed as: which activities should be performed within the boundary of each firm, and which activities should be outsourced? SCM relationships are represented by the hybrid mode of governance between markets and hierarchies. Asset specificity (limited value in an alternative application of, for example, physical, site, human, and dedicated assets) is the most influential attribute of the transaction (Erick and Vennstrom, 2008). Mechanisms for mitigating the risk of opportunism include safeguards and credible commitments such as long-term contracts, penalty clauses if a partner fails to fulfill the contract, equity sharing, and joint investments. According to Allio (2005), trust between the parties is based on "calculated risk" and not on personal trust between individuals. TCA has often been used in make-or-buy decisions in supply chains. Examples are outsourcing of logistics activities (Obiero, 2008).

According to Raymond (2008) the RBV is an implicit assumption in many supply chain decisions. Often, outsourcing decisions are based on the idea of focusing on core competencies and outsourcing complementary competencies to external partners. TPL

and outsourcing of standard components and processes to subcontractors are examples. However, outsourcing of design, NPD, or software development is often a way to gain access to other supply members' core competencies through inter-organizational collaboration. The PAT stresses issues of inter-firm contracting and ultimately the notion of supply chain transparency. The TCA considers hybrids such as integrated supply chains as the result of a market failure, whereas the NT and the RBV see the supply chains as a means to access resources and competencies outside the focal firm (Muge, 2009).

The principle-agent theory is important to the study as it brings out the relationship between the parties in the supply chain transactions and how procurement policies and procedures can be used to enhance the relationship. Transaction Cost Analysis theory is used by the study to show how transaction costs can be minimized in the supply chain through adherence to procurement policies and procedures and the Resource Based View theory helps the study to understand how procedures can be linked to each other improve the performance of supply chain in organizations.

2.5 Empirical Review

Many studies have been done on policies, procedures and supply chain performance in different subsectors. These includes Anderson et al. (1997) on SCM as a collection of seven principles of SCM consisting of customer segmentation, customized logistics, demand planning, customization, strategic sourcing, supply chain strategy, and supply chain performance measurement, Jones and George (2009) found that bureaucratic

control mechanism is controlled by a comprehensive system of formal rules and standard operating procedures (SOPs) that shapes and regulates the behavior of divisions, functions and individuals. Moncska et al (2010) held that the procurement function has a significant impact on corporate performance. Thus, traditional procedures are becoming obsolete in modern organizations. Procedures provide guidance that staffs follow in performing activities, put constraints on behaviour and show how the procurement function should work to achieve strategic objectives. Baily et al (2005) argued that public procurement procedures tend to be characterized by high levels of bureaucracy independent of order value; poor communications and focusing on unit price rather than long-term relations.

Githui (2012) found out that the rise of supply chain management and procurement in Kenya has given rise to a number of unethical business practices that violates codes of conduct. For instance when tendering processes is not executed in a transparent manner, then suppliers may have chances and vantages to solicit for consideration by advancing bribes and other forms of corruption. According to Gray et al (1997), transparency, fair treatment in bidding and awards of tenders, accountability and responsible purchasing and supply have a positive implication on procurement processes in any organization and could thus result into increased performance and delivery. This is not possible without employing ethical theories and principles which form the basis and foundations of ethical organizations (Githui, 2012).

According to Rossi (2010), compliance with the formal elements gives an indication of knowledge of the rules. Gelderman (2006) maintained that procurement managers will comply with the rules if they perceive them as clear. Lack of clarity increases the possibilities for procurement regulations noncompliance. Eyaa and Oluka (2011) stated that lack of familiarity with procurement rules results into poor compliance levels and this leads to inefficiency which negatively affects supply chain performance.

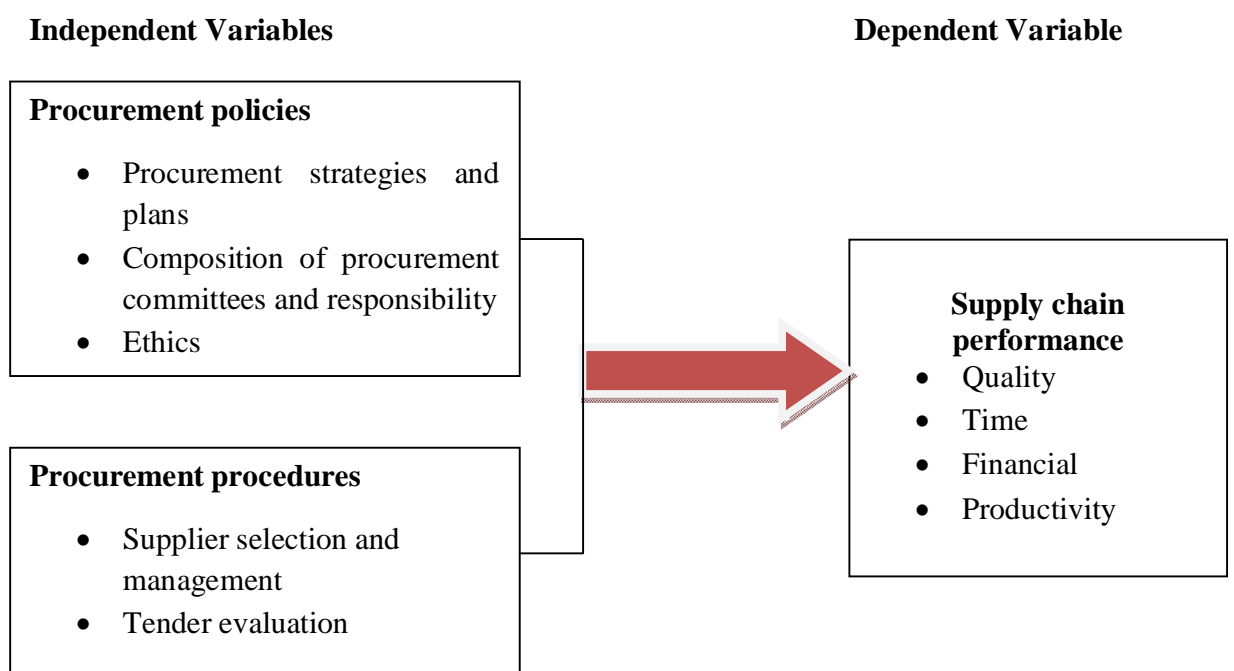
2.6 Summary of Literature and Gaps

From the literature review, it is evident that the main focus of research has so far been on procurement policies and procedures and how it affects the supply chain performance of commercial banks in Kenya. Businesses seeking profit maximization integrate their functions in order to achieve real time and efficient processes for the maximization of shareholder wealth. Commercial banks in Kenya need to also evaluate their procurement policies and procedures as well as their Supply chain activities in order be efficient in their service provision and deliver value and cost minimisation to the beneficiaries.

2.7 Conceptual Framework

The conceptual framework illustrates the relationship between independent variables and the dependent variable. The dependent variable in this study is supply chain performance in terms of customer and employee satisfaction. The independent variables being supplier selection, procurement strategies and plans, composition of procurement committees and responsibility, tender evaluation and ethics.

Figure 2.1: Conceptual Framework



Source: Own Compilation (2015)

Supply chain performance will depend on procurement policies which consist of procurement strategies and plans, composition of procurement committees and responsibilities and ethics and also procurement procedures consisting of supplier selection and tender evaluation which the researcher has hypothesized of a relationship.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was applied in conducting the study. It discusses the research design, target population, sampling design and sample size, data collection procedures and instrument, determination of reliability and validity as well as data analysis techniques.

3.2 Research Design

The study involved a descriptive research design of cross sectional type. Mugenda and Mugenda (2003), asserts that a survey is a means of collecting information about a large group of elements referred to as a population. A survey has three characteristics: to produce quantitative descriptions of some aspects of the study population in which case it is concerned either with relationships between variables, or with projecting findings descriptively to a predefined population; data collection is done by asking people structured and predefined questions and data is collected from a fraction of the target population (Kothari, 2004).

3.3 The Population

The population of the study in this research was all commercial banks in Kenya. Kenya Bankers (2015) indicated that there were 46 licensed commercial banks as at April 2015. The 46 banks therefore was the target population of the study. A census was conducted given the relatively small size.

3.4 Data Collection

The researcher collected primary data from supply chain and operations managers of all the 46 commercial banks in Kenya or other persons carrying the same responsibility. Supply chain managers or their equivalents were considered appropriate since they understood better the impact of procurement policies and procedures on supply chain performance. The data was collected by use of a structured questionnaire that were administered by “drop and pick later” method. The questionnaire was in the form of Likert scale where respondents were required to indicate their views on a scale of 1 to 5. The questionnaire contained 3 sections: Section A sought data on the company profile; section B sought data on the extent of adherence of policies and procedures; section C sought to gather information on the relationship between procurement policies and policies on supply chain performance whereas section D sought data on the challenges faced in the implementation of procurement policies and procedure in commercial banks in Kenya.

3.5 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by use of descriptive statistics to generate percentages, means, standard deviations and frequencies. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. Information generated was then

interpreted and explained. General profile, extent of adherence of procurement policies and procedures and the challenges faced in the implementation of procurement policies and procedures was analyzed using descriptive statistics whereas the relationship between procurement policies and procedures and performance of supply chain was analyzed using correlation and regression analysis. Correlation analysis was used to determine the relationship between the independent variables and dependent variable whereas regression analysis was used to determine the magnitude of the relationship among the study variables.

The regression model used was as follows:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where:

Y = Supply chain performance

β_0 = Constant Term

β_1 = Beta coefficients

X_1 = Procurement strategies and plans

X_2 = Composition of procurement committee and responsibility

X_3 = Ethics

X_4 = Supplier selection and management

X_5 = Tender Evaluation

Table 3.1: Summary of Data collection and Analysis

Objective	Data collection	Analysis
General profile	Section A	Descriptive statistics
Extent of adherence of procurement policies and procedures	Section B	Descriptive statistics
Relationship between procurement policies and procedures and performance of supply chain	Section C	Correlation and regression
The Challenges faced in the implementation of procurement policies and procedures	Section D	Descriptive statistics

Source: Researcher (2015)

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This study was carried out to establish the impact of procurement policies and procedures on supply chain performance of commercial banks in Kenya. Data was collected from supply chain managers, assistant supply chain managers, supply chain officers and operation managers. The findings are presented next.

4.2 Response Rate

A total of 46 questionnaires were distributed to Commercial banks in Nairobi. Out of the 46 questionnaires, 35 were returned to the researcher. This represents a response rate of 76%. Cooper and Schindler (2003) indicated that a response rate of between 30% to 80% of the total sample size is sufficient to represent the opinion of the entire population. The 24% who never returned the questionnaires cited busy schedules as the main reason for lacking time to fill them.

4.3 General Information

The first part of the questionnaire contained general information regarding the organization and the respondent. The areas sited in this part were: the gender of the respondent, age, level of education, the duration the respondent has worked in that position and the position of the respondent in the organization.

4.3.1 Respondent Gender

Respondents were required to indicate their gender and the results are presented in Table 4.1 below.

Table 4.1: Respondent's Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	26	74.3	74.3	74.3
	female	9	25.7	25.7	100.0
	Total	35	100.0	100.0	

Source: Research data (2015)

The findings indicated that 74.3% of the respondents were male and the remaining 25.7% of them were female. This reveals that the procurement department in commercial banks is dominated by men. This illustrates that there is gender disparity as majority of the respondents are males.

4.3.2 Respondents Age

The researcher sought to find out the age of the respondents. The analysis is as presented in Table 4.2 below.

Table 4.2: Respondents Age

		Valid			
		Frequency	Percent	Percent	Cumulative Percent
Valid	18-24	1	2.9	2.9	2.9
	25—30	3	8.5	8.5	11.4
	31-34	7	20	20	31.4
	35-40	11	31.4	31.4	62.8
	41-44	7	20	20	82.8
	45-50	5	14.3	14.3	97.1
	over 51 years	1	2.9	2.9	100.0
Total		35	100.0	100.0	

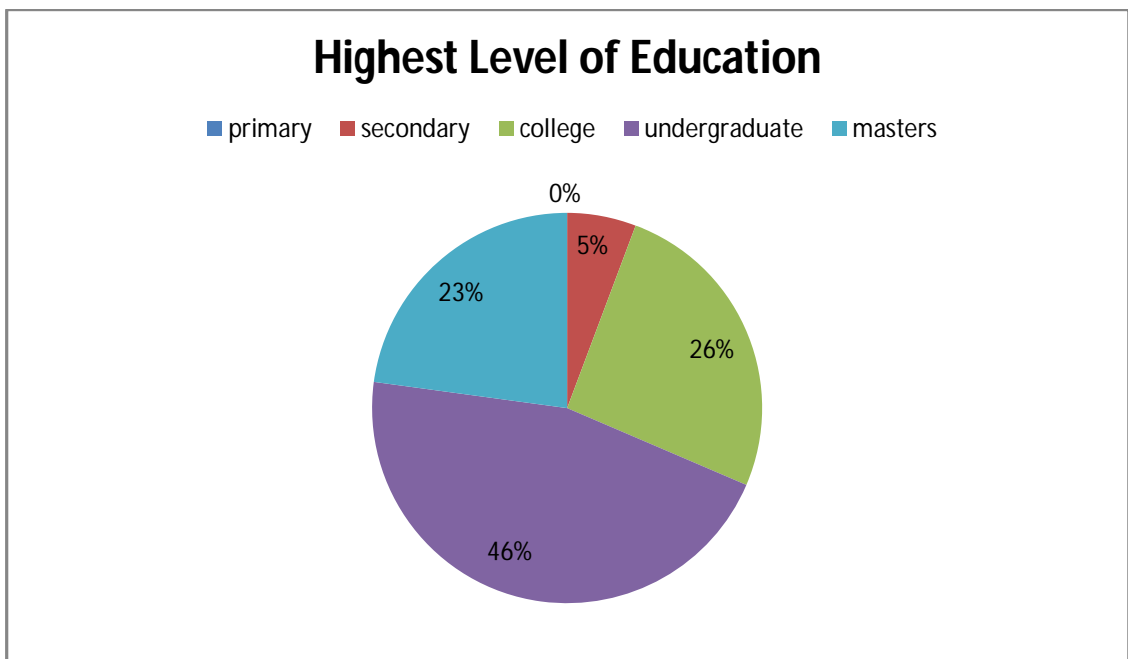
Source: Research data (2015)

Table 4.2 above shows that (2.9%) of the respondents are between 18-24 years, (8.5%) of the respondents are between the age group 25-30 years, (20%) are within the age group 31-34 years, (31.4%) of respondents are within the age group 35-40 years, (20%) are within the age group 41-44 years,(14.3%) are within the age of 45-50 and (2.9%) are over 51 years of age. This implies that most of the respondents are within the economic active age group of 31-34and 35-40 years represented by 20% and 31.4%.

4.3.3 Respondent Highest Level of Education

Respondents were further required to indicate the highest education level they had attained. This is of great importance as it depicts respondent's knowledge and ability to perform with respect to the achievement of the organization common goal. The analysis is as presented in Figure 4.1

Figure 4.1: Highest Level of Education



Source: Research data (2015)

Figure 4.1 indicates 23% had attained masters level, 46% of the respondents had attained degree level another 26% of them had attained college qualification and higher national

diploma. The remaining 5% of them had attained secondary education. This indicates that the respondents had the relevant knowledge to respond to the questions under study.

4.4.4 Respondent Years of Service/Experience

The respondents were asked to indicate the number of years they have worked in their respective organizations and the results are as in Table 4.3 below.

Table 4.3: Respondent Years of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5 years	5	14.3	14.3	14.3
	6-10 years	21	60	60	74.3
	over 10 years	9	25.7	25.7	100.0
Total		35	100.0	100.0	

Source: Research data (2015)

From the table above, most of the respondents (60%) had worked for 6-10 years, 25.7% for over 10 years (14.3%) had less than 5 years of service. This confirms that the respondents had worked in their respective banks for a long period to thus deemed well conversant with the impacts of procurement policies and procedures on the supply chains performance. Since supply chain concept is relatively new in Kenya, this probably explains the reason why most of the respondents had served as supply chain managers for less than 10years.

4.3.5 Respondent Position in the Organization

The study sought to establish the designation of the respondents who participated in the survey. The study targeted supply chain managers, their assistants or their equivalents in commercial banks in Kenya.

Table 4.4 Position in the Organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Supply chain/Procurement manager	18	51.4	51.4	51.4
	Asst. Supply chain/Procurement manager	9	25.7	25.7	77.10
	Finance/Admin manager	3	8.6	8.6	85.7
	Operations manager	5	14.3	14.3	100.0
Total		35	100.0	100.0	

Source: Research data (2015)

The findings as illustrated in table 4.4 above confirms that 51.4% of the respondents who participated in the study are supply chain/procurement managers while 25.7% were assistant supply chain/procurement managers. This confirms that the researcher was able to access a large number of supply chain managers who are considered more knowledgeable on matters related to supply chain management practices in their organizations.

4.4. Extent of adherence to procurement policies and procedures

The study sought to establish the extent to which licensed commercial banks in Kenya adhere to procurement policies and procedures a number of questions were fronted to the respondents who gave their responses on a scale of 1-5 where 1 represents does not occur and 5 very large extent. Table 4.4 shows the mean and standard deviation of factors that were used by the researcher to show the extent to which large commercial banks had embraced procurement policies and procedures. A mean ranging from 1-3, shows the responding organizations that have adopted the factor in question to a small extent, while a mean range of 4-5 shows the organizations that have adopted that factor to a large extent.

Table 4.5 Extent of adherence to procurement policies and procedures

EXTENT OF ADHERENCE TO PROCUREMENT PROCEDURE & POLICIES	MEAN	STANDARD DEVIATION
Vetting is clearly documented and communicated for authenticity	4.46	0.812
fairness is upheld in procurement resulting to supplier confidence	4.43	0.728
prequalification publicity to all stakeholders for transparency	4.25	0.884
adherence to procurement process in the organization	4.17	1.096
Objectives are considered in procurement process	4.02	1.139
penalties for non-adherence clearly spelt to avoid malpractice	2.69	1.334

Source: Research data (2015)

Table 4.4 shows that the following factors had been adopted by many banks to a large extent: adherence to procurement process in the organization, Objectives are considered in procurement process, fairness is upheld in procurement resulting to supplier confidence, prequalification publicity to all stakeholders for transparency, Vetting is clearly documented and communicated for authenticity. All of the above factors had a mean of above 4. Meaning they have adapted to these factors to a large extent. However, the study showed a mean of 2.69 on penalties for non-adherence clearly spelt to avoid malpractice. This showed that for many banks, this factor was adapted to a small extent. Table 4.4 therefore shows that most banks in Kenya had embraced the use of procurement policies and procedures in trying to improve/streamline their supply chain operations.

4.5 Relationship between procurement policies and procedures and supply chain performance

The study sought to determine the relationship between procurement policies and procedures and the performance of supply chain in commercial banks in Kenya. The study conducted a regression analysis to assist elucidate this relationship. A linear regression model was adopted to depict the relationship between the variables: $Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + b_5 x_5$ Where: Y= Supply chain Performance which was measured using the responses on procurement policies and procedures variables. ; a= the Y intercept that is the value of Y when x is zero; b_1, b_2, b_3, b_4 and b_5 , are regression coefficients of the following variables respectively; x_1 = Procurement strategies and plans; x_2 = Composition of procurement committees and responsibility; x_3 = Ethics; x_4 =

Supplier selection and management; x_5 = Tender Evaluations. All the five independent variables were also measured using the responses on each of the variables obtained from the respondents. The results are summarized in Table 4.6

Table 4.6 Overall regression model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.029	.822		4.903	.000
	Procurement plans and strategies	.403	.211	.406	1.909	.066
	Composition procurement committees and responsibility	-.312	.234	-.185	-1.330	.194
	Ethics	-.388	.165	-.432	-2.355	.025
	Supplier selection and management	.564	.192	.419	2.935	.006
	Tender evaluation	-.507	.277	-.316	-1.831	.077

Dependent Variables: Supply chain performance

Source: Research data (2015)

Thus, the regression model equation for the impact of procurement policies and procedures on supply chain performance of commercial banks is:

$$Y = 4.029 + 0.403x_1 - 0.312x_2 - 0.388x_3 + 0.564x_4 - 0.507x_5$$

Where: y = Supply chain Performance

b_0 = Constant

$\beta_1 \dots \beta_5$ = regression coefficients for the predictor variables

x_1 = Procurement Plans and Strategies

x_2 = Composition of Procurement Committees

x_3 = Ethics

x_4 = Supplier selection and Management

x_5 = Tender Evaluation.

The regression results in Table 4.6 shows; procurement plans and strategies $\beta_1 = 0.403$ has a positive relationship on supply chain performance and with a P-value of 0.066 which is greater than $\alpha = 0.05$ implies that it is not statistically significant as a measure of supply chain performance.

The Table also shows that $\beta_2 = -0.312$ indicates that composition of procurement committee has a negative relationship on supply chain performance and with a P-value of 0.194 which is greater than $\alpha = 0.05$ has non significant effect on supply chain performance.

The finding also shows that $\beta_3 = -0.388$ which implies that Ethics has a negative relationship on supply chain performance and P-value of 0.025 which is less than $\alpha = 0.05$ means it's statistically significant.

The findings further revealed that $\beta_4 = 0.564$ implied that supplier selection and management had a positive relationship on supply chain performance and P-value of 0.066 which is greater than $\alpha = 0.05$ implies it has no statistical significance on supply chain performance.

Last but not least, the findings also shows that $\beta_5 = -0.507$ implies that tender evaluation had a negative relationship while on the other hand having a P-value of 0.077 which is greater than $\alpha = 0.05$ implying it is not statistically significant. In conclusion therefore X_3 , and X_4 are good predictors and can be used in the estimation of supply chain performance while X_1 , X_2 and X_5 are not good predictors.

In respect to the T values for X_1 , X_2 and X_5 are generally smaller for the positive values and larger for the negative values with respect to those of X_3 , and X_4 . This is compatible with the P-Values as discussed above.

4.6 Coefficient of determination (R^2)

Coefficient of determination measures that proportion of the response variable which is explained by the predictors in the model. The results are depicted in Table 4.7.

Table 4.7 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.670 ^a	.449	.354	.683	.449	4.722	5	29	.003

Source: Research data (2015)

Table 4.7 above illustrates the model summary of multiple regression models, the results showed that all the five predictors (Procurement plans and strategies, composition of procurement committee and responsibility, ethics, supplier selection and management and tender evaluation) explained 44.9 percent variation of supply chain performance. This showed that using the five tested variables supply chain performance can only be predicted by 44.9% ($R^2 = 0.449$). There is thus a large unexplained variance of 55.1% meaning there are a number of significant predictors not included in the model.

4.7 Analysis of Variance (ANOVA) Source

ANOVA provides techniques used in testing the significance of the entire regression model. Results from ANOVA are shown in Table 4.8

Table 4.8 ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	11.027	5	2.205	4.722	.003 ^a
Residual	13.544	29	.467		
Total	24.571	34			

Source: Research data (2015)

Results of ANOVA shows:

- (a) Using the P-Value the regression is statistically significant since the P-Value $0.003 < 0.05$ (level of significance).
- (b) Using the F Test Statistics

The critical F test statistics of $\alpha = 0.05$ with the degree of freedom in the numerator $df=K-1$ thus $6-1=5$ and degree of freedom in the denominator, $df=n-k$ thus $35-6=29$ is 2.01

It is thus evident that the regression model is significant since $4.772 > 2.01$

In conclusion, the model is fairly good and can be used in the estimation of supply chain performance.

4.8 Challenges faced in the implementation of procurement policies and procedures

The challenges faced in the implementation of procurement policies and procedures were analyzed in this section. Statements were outlined in the questionnaire and the

respondents were required to agree or disagree with the statements. The statements were in relation to the issues that are likely to pose a challenge in the implementation of procurement policies and procedures. The following table illustrates the mean and

CHALLENGES FACED IN THE IMPLEMENTATION OF PROCUREMENT POLICIES AND PROCEDURES	Mean	Std. Deviation
Expensive to share procurement information across subunits	3.56	1.22
Top management interference makes it difficult to implement	3.45	0.78
Organizational culture makes it difficult to apply procedures	2.78	0.87
No full reliance on procurement policies procedures to cut cost.	2.58	0.98
Difficult to integrate procurement policies procedures	2.56	1.34
Procurement function still under operations department	2.46	0.87
Changes in environment and market difficult to implement	2.45	0.88
Inadequate resources to implement the policies and procedures	2.45	0.99
Flexibility on operation for effective procurement policies	1.96	0.78
Difficult to implement due to nature of work and number of projects	1.89	0.67

standard deviations of the results.

Source: Research data (2015)

A scale was used to show the extent to which the respondent thought the statement affect implementation of procurement policies and procedures was true. 1=strongly Agree 2= Agree 3= Undecided 4=Disagree 5=Strongly Disagree. Therefore a mean of between 1-2 shows an agreement that the statement affects implementation of procurement policies and procedures. A mean of 3-4 shows that the respondent is undecided. A mean of between 4 -5 Shows that the respondent doesn't agree that the factor affects implementation of procurement policies and procedures. Our research

shows that the majority of our respondents agreed that almost all the mentioned factors affects implementation of procurement policies and procedures. This is because their mean was between 1- 2. This therefore means that the above factors pose a challenge in the implementation of procurement policies and procedures. The research showed that most respondents were undecided on the notion of the implementation process being expensive for subunits to share information as well as perception of interference by top management as its mean were at 3.56 and 3.45.

4.9 Discussions of Findings

The study established that most commercial banks in Kenya have adopted /adhered to the laid down procurement policies and procedures in their day to day operations. The study confirmed that most commercial banks in Kenya had created a purely independent and autonomous procurement department as opposed to the old structure where banks/organization had procurement as a function under operations. This finding is in line with Moncska et al (2010) who held that the procurement function has a significant impact on corporate performance. Thus, traditional procedures are becoming obsolete in modern organizations. Procedures provide guidance that staffs follow in performing activities, put constraints on behaviour and show how the procurement function should work to achieve strategic objectives.

The research also found out that most respondents were of the opinion that penalties for non-adherence to set procurement policies and procedures were not being enforced as was evident in most of the banks. This finding is in line with Gelderman (2006) who maintained that procurement managers will comply with the rules if they perceive them

as clear. Lack of clarity increases the possibilities for procurement regulations noncompliance.

It was evident that very some respondents were of the view that interference by top management and board in procurement process makes it difficult to implement the policies and procedures. These findings are the same as Hui et al (2011) asserted that interference from the local politicians, businesspersons, members of parliament and very influential top management individuals has interrupted the procurement processes and deterred transparency. Baily et al (2005) who also argued that public procurement procedures tend to be characterized by high levels of bureaucracy independent of order value; poor communications and focusing on unit price rather than long-term relations.

Some respondents also were of the opinion that sharing procurement policies and procedures information across the various business sub-units was expensive.

It was also clear from the study that there was no significant relationship between the procurement policies and procedures variables and supply chain performance; however, ethics and supplier selection and management had the highest variance since they have a sig. value that is less than 5%. This study confirms an earlier study carried out by Gray et al (1997), transparency, fair treatment in bidding and awards of tenders, accountability and responsible purchasing and supply have a positive implication on procurement processes in any organization and could thus result into increased performance and delivery. This is not possible without employing ethical theories and principles which form the basis and foundations of ethical organizations (Githui, 2012).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study was carried out to establish the impact of procurement policies and procedures on supply chain performance of commercial banks in Kenya. The study had three objectives, to determine the extent of adherence of procurement policies and procedures, to determine the relationship between procurement policies and procedures and the performance of supply chains and to determine the challenges faced in the implementation of procurement policies and procedure in commercial banks in Kenya. This chapter presents the summary of findings for the three objectives mentioned above, the conclusions, recommendations made based on findings and the suggestions on areas that need to be researched as far as this concept is concerned.

5.2 Summary of Findings

The research sought to answer three objectives from the study;

On Extent of adherence to procurement policies and procedures, the findings revealed that the extent of adherence to procurement policies and procedures was positively related to supply chain performance. Most respondents rated the same at a mean of 4. This therefore shows that most banks in Kenya had embraced the use of procurement policies and procedures in trying to improve/streamline their supply chain operations.

On the relationship between procurement policies and procedures and supply chain performance, the research found out that ethics and supplier selection and management had a significant effect on supply chain performance while composition of procurement committees, procurement plans and strategies and tender evaluation did not have a significant effect on supply chain performance.

The research also looked into the challenges facing implementation of procurement policies and procedures among commercial banks in Kenya. The research confirmed that it was difficult for procurement policies and procedures to integrate with the overall organizations vision and mission, procurement policies and procedures cannot be relied on to cut costs for the organization, bank's operations not being flexible enough to allow for effective procurement policies and procedures, The cultural set up of most banks viewed as an hindrance to the implementation of procurement policies and procedures, the number of projects and the nature of work being done has made it difficult for the implementation of procurement policies and procedures, lack of adequate resources (financial/human) to implement procurement policies and procedures, Procurement function still being under Operations department has made it difficult to fully implement procurement policies and procedures and Changes in the environment and the market have made it impossible to implement procurement policies and procedures.

5.3 Conclusions

Based on the study findings it can be concluded that most commercial banks in Kenya have in place procurement policies and procedures that have enhanced the performance of their supply chains and in the long run has also lead to improved financial

performance. This is supported by the results from a regression analysis conducted that indicated that there is a relationship between procurement policies and procedures and supply chain performance.

5.4 Recommendations

The study has revealed that procurement policies and procedures are applied to varying degrees by commercial banks in Kenya in enhancing its supply chain performance. It will be important /advisable to urge commercial banks in Kenya and other organization to adopt laid down procurement policies and procedures in order to enhance performance.

It is also recommend that in order to boost the performance of supply chains of the commercial banks, there is need to invest in various strategies. This therefore calls upon the management of various banks to come up with a procurement policies and procedures which outlines the strategies and guidelines in detail and ways of operationalization. This should be done in a consultative approach so as to smoothen the process.

5.5 Limitations of the Study

The findings of this study and application therefore are limited to banks in Kenya. They may not be applicable directly to other organizations operating outside the Kenyan banking industry. It is therefore important to note that they can only be used for comparative purposes and not any direct application in another industry or country.

It was such an uphill task for the researcher to convince the respondents to participate in the study. Banks being very busy organizations; it proved to be a challenge in getting

respondents. Most of the respondents agreed to participate on condition that the information will not be divulged to any other party other than for academic purposes only.

5.6 Suggestions for Further Research

The researcher recommends further research on the same topic be conducted in commercial banks using more predictor to establish if procurement policies and procedures has an impact on supply chain performance.

Also further research on the same topic but in other organizations other than banks, both locally and internationally. This will help to establish whether the same effects will be found. This will thus assist in providing concrete facts upon which reliable conclusions can be made.

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APPENDICES

Appendix I: Research Questionnaire

Introduction

This questionnaire has been designed for academic use only, with the sole purpose of collecting data to determine the relationship between procurement policies and procedures and the performance of Supply Chain in commercial banks.

Please note that the data you provide will be treated with utmost confidentiality.

Your response is highly appreciated.

Instruction: Please Mark X where necessary.

Section A: General Information

1. Gender

Male [] Female []

2. Your age bracket (Tick whichever appropriate)

18 – 24 Years [] 25 - 30 Years [] 31 - 34 years [] 35 – 40 years []

41 – 44 years [] 45 – 50 years [] Over 51 years []

3. What is your highest education level? (Tick as applicable)

Primary [] Secondary [] College [] Bachelors' degree [] Masters degree []

Others-specify.....

4. Years of service/working period (Tick as applicable)

Less than 5 years [] 6-10 years [] Over 10 years []

6. What is your position in this organization?

a) Supply chain Manager / Logistics Manager /Procurement Manager

b) Supply Chain officer/ Logistics Officer /Procurement Officer

c) Others (please specify) _____

Section B: Extent of adherence of procurement policies and procedures

Please indicate the extent to which you agree with the following statements concerning the level of adherence to procurement policies and procedures within your organization.

Use the scale of:

1= does not occur 2= small extent 3= medium extent 4= large extent 5= very large extent

No	Statement	1	2	3	4	5
1.	There is adherence to the procurement process in my organization leading to enhanced supply chain performance.					
2.	The primary objectives of procurement requirements are considered in the procurement process/cycle in my organization resulting to an enhanced supply chain performance.					
3.	Fairness and equal opportunity is upheld in the procurement process/cycle resulting to supplier confidence.					
4.	A prequalification criterion is made well known to all stakeholders thus enhancing transparency and accountability.					
5.	Key documents required for supplier selection/vetting is clearly documented and communicated therefore leading to supplier credibility and authentication.					
6.	Penalties are clearly spelt out for non-adherence to procurement policies and procedures leading to reduced procurement malpractices.					

Any other; (please specify) _____

Section C: Relationship between procurement policies and procedures and supply chain performance

Please indicate the extent to which you agree with the following statements concerning the relationship that exists between your procurement policies and procedures and the supply chain performance of your organization.

Use the scale of:

1= does not occur 2= small extent 3= medium extent 4= large extent 5= very large extent

No	Statement	1	2	3	4	5
1.	Tender evaluation committee composition is interdepartmental in my organization leading to enhanced transparency and accountability.					
2.	There is enhanced integrity and professionalism in my organization which translates to enhanced performance.					
3.	Sourcing decisions are easily made due to the existence of procurement policies resulting to a better supply chain performance.					
4.	Procurement plans and strategies are clearly understood by departmental heads and their assistants leading to an efficient supply chain.					
5.	Supplier relationships have been enhanced as a result of existence of procurement policies leading to better SCM.					
6.	There is fairness in the supplier selection process resulting to supply of high quality goods and services					
7.	Quality of goods, works and services rendered has been improved as a result of procurement policies and procedures.					
8.	There is enhanced transparency in procurement process in my organization leading to stakeholder/supplier confidence.					
9.	In general, procurement policies and procedures have enhanced the performance of our supply chain.					

Any other; (please indicate below)

Section D: The Challenges faced in the implementation of procurement policies and procedures

Please indicate the extent to which you agree with the following statements on the challenges faced in the implementation of procurement policies and procedures in your organization.

The scale below will be applicable:

1= strongly Agree 2= Agree 3= undecided 4= disagree 5= strongly disagree

No	Statement	1	2	3	4	5
1.	It is difficult for procurement policies and procedures to integrate with the overall organizations vision and mission.					
2.	It is expensive to share procurement policies and procedures information across the various business sub-units.					
3.	We cannot fully rely on procurement policies and procedures to cut costs for the organization.					
4.	Our operations are not flexible enough to allow for effective procurement policies and procedures					
5.	The cultural set up (the way we do things in our organization) has made it difficult for procurement policies and procedures to be applied.					
6.	The number of projects and the nature of work has made it difficult for the implementation of procurement policies and procedures					
7.	We do not have the adequate resources (financial/human) to implement procurement policies and procedures					
8.	There is interference by top management and board in procurement process making it difficult to implement procurement policies and procedures					
9.	Procurement function still being under Operations department has made it difficult to fully implement procurement policies and procedures.					
10.	Changes in the environment and the market have made it impossible to implement procurement policies and procedures.					

Please state any other challenges;

Appendix II: Licensed Commercial Banks in Kenya

	LICENSED COMMERCIAL BANKS IN KENYA
1	ABC Bank
2	Bank of Africa
3	Bank of Baroda
4	Bank of India
5	Barclays Bank Kenya
6	Cfc Stanbic Holdings
7	Chase Bank Kenya
8	Citibank
9	Commercial Bank of Africa
10	Consolidated Bank
11	Co-operative Bank of Kenya
12	Credit Bank
13	Development Bank of Kenya
14	Diamond Trust Bank
15	Dubai Bank Kenya
16	EcoBank Kenya
17	Equatorial Commercial Bank
18	Equity Bank
19	Faulu bank
20	Family Bank
21	Fidelity Commercial Bank
22	First Community Bank
23	Giro Commercial Bank
24	Guaranty Trust Bank
25	Guardian Bank
26	Gulf African Bank
27	Habib Bank
28	Habib Bank AG Zurich
29	Housing Finance company of Kenya
30	I&M Bank
31	Imperial Bank Kenya
32	Jamii Bora Bank
33	Kenya Commercial Bank
34	Kenya Women Finance Trust
35	K-Rep Bank
36	Middle East Bank

37	National Bank of Kenya
38	NIC Bank
39	Oriental Commercial Bank
40	Paramount Universal
41	Post bank
42	Prime Bank Kenya
43	Standard Chartered Kenya
44	Trans National Bank
45	United Bank for Africa
46	Victoria Commercial Bank