

**ORGANIZATIONAL FACTORS INFLUENCING  
IMPLEMENTATION OF PUBLIC PROCUREMENT  
PREFERENCE AND RESERVATION LAW AMONG  
KENYAN COMMERCIAL PARASTATALS**

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## DECLARATION

This project is entirely my work, and it has not been submitted to any faculty or university for degree considerations.



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## **DEDICATION**

Devoted to the hundreds of young people in my nation, Liberia, who are attempting to obtain a higher education but are unable to do so due to a lack of resources. I'd like to thank my loving mother Mrs. Jayan M. Jaleiba for her prayers as well. Finally, my three sons, Alval Martin Shan, Kofi Matthew Shan Jr. and Marvin Sankahn Shan have pushed me, and guaranteed me that by the time they are my age, they will all be working on their Ph.Ds.'

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# TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iv</b>
<b>LIST OF TABLES</b> .....	<b>vii</b>
<b>LIST OF FIGURES</b> .....	<b>viii</b>
<b>LIST OF ABBREVIATION</b> .....	<b>ix</b>
<b>ABSTRACT</b> .....	<b>x</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Organizational Factors .....	2
1.1.2 Preference and Reservation Procurement Law .....	3
1.1.3 Commercial State Corporations .....	4
1.2 Research Problem .....	5
1.3 Research Objectives.....	7
1.4 Value of the Study .....	7
<b>CHAPTER TWO</b> .....	<b>9</b>
<b>LITERATURE REVIEW</b> .....	<b>9</b>
2.1 Introduction.....	9
2.2. Theoretical Literature Review .....	9
2.2.1 Institutional Theory.....	9
2.2.2 Resource Based Theory .....	10
2.2.3 Social–Economic Theory.....	11
2.3. Organizational Factors .....	12
2.3.1 Supplier Development.....	12
2.3.2 Procurement Structure .....	13
2.3.3 Budgetary Allocations .....	14
2.3.4 Access to Finance .....	14
2.4 Empirical Literature Review.....	15
2.5 Conceptual Framework.....	21
2.6 Summary of the Literature Review.....	22
<b>CHAPTER THREE</b> .....	<b>24</b>
<b>RESEARCH METHODOLOGY</b> .....	<b>24</b>
3.1. Introduction.....	24
3.2. Research Design .....	24
3.3. Population .....	24
3.4. Data Collection .....	24
3.5. Data Analysis.....	25
3.5.2 Significance Test.....	26
<b>CHAPTER FOUR</b> .....	<b>27</b>

<b>DATA ANALYSIS, RESULTS AND DISCUSSION.....</b>	<b>27</b>
4.1 Introduction.....	27
4.2 Response Rate.....	27
4.3 Demographic Profile.....	27
4.3 Descriptive Statistics.....	28
4.3.1 Description of Supplier Development .....	29
4.3.2 Description of Procurement Structure.....	29
4.3.3 Description of Proportion of Budget Allocated .....	30
4.3.4 Description of Access to Finance .....	31
4.3.5 Description of Implementation of the Preference & Reservation Law.....	32
4.4 Regression Analysis.....	34
A multiple regression model was used to determine the impact of three factors on implementation of the preservation law: the proportion of the budget allocated, the procurement structure, and supplier development. The outcomes are shown in the paragraphs below.....	34
4.4.1 Summary of Regression Model .....	34
4.6.2 Regression Model Fitness .....	34
4.6.3 Regression Model Coefficients.....	35
4.5 Mediating effect of Access to Finance .....	36
4.6 Discussion of the Study Findings .....	40
<b>CHAPTER FIVE .....</b>	<b>43</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>43</b>
5.1 Introduction.....	43
5.2 Summary of Findings.....	43
5.3 Conclusion .....	44
5.4 Recommendations.....	45
5.5 Limitations of the Study .....	46
5.6 Suggestions for Additional Research.....	46
<b>REFERENCES.....</b>	<b>47</b>
Appendix I: Introduction Letter for Research.....	53
Appendix II: Questionnaire .....	54
Appendix III: List of commercial States Parastatals .....	59

## LIST OF TABLES

Table 2.1 Summary .....	22
Table 4.1 Type of Commercial Services.....	27
Table 4.2: Respondent’s Work Experience .....	28
Table 4.3: Description of Supplier Development .....	29
Table 4.4: Description of Procurement Structure .....	30
Table 4.6: Description of Proportion of Budget Allocated.....	31
Table 4.7: Description of Access to Finance .....	32
Table 4.8: Description of Implementation of the Preference & Reservation Law .....	33
Table 4.9: Regression Model Summary.....	34
Table 4.10: Regression Model Fitness (ANOVA).....	35
Table 4.11: Regression Model Coefficients.....	35
Table 4.12: Mediation Step One Results .....	37
Table 4.13: Mediation Step Two Results.....	37
Table 4.14: Mediation Step Three Results.....	38
Table 4.15: Mediation Step Four Results .....	39

## LIST OF FIGURES

Figure 2.1: Conceptual Framework .....	22
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## **LIST OF ABBREVIATION**

AGPO	Access to Government Procurement Opportunity
UNES	University of Nairobi Enterprise Services
PPOA	Public Procurement Oversight Authority
PPDA	Public Procurement & Disposal Act
GOK	Government of Kenya
RBV	Resource-Based View
IRP	International Reference Price
SPS	Sustainable Public Procurement

## ABSTRACT

As part of the Access to Government Procurement Opportunity program, Kenya's government passed the Public Procurement Preference and Reservation Law to make it easier for youth, women, and people with disabilities to partake in public procurement (GoK, 2013; Langat et al. 2016). In the act, this segment of the population is here referred to as special group. Organizational considerations, such as budget allocation, supplier development, and procurement structure, might, however, influence the policy's implementation (Singh, 2015). Given their demographic and contribution to the economy, the Procurement Preference and Reservation Law were enacted to ensure that the group receives at least thirty percent (30%) of all government contracts. Despite these initiatives, state parastatals averaged less than the 30% percent allocated to the special group which implies that the law is not fully been followed, thereby necessitating this research. To achieve the objectives, the study examined the proportion of budget allocated towards young people, women, and people with disabilities among Kenyan commercial state parastatals, regulate the influence of supplier development, and procurement structure on the implementation of public procurement preference and reservation Law among Kenyan commercial state parastatals as well as the mediating effect of access to finance on implementation of the Law. The institutional theory, the social economic theory and resource-based theory, as well as some empirical studies, are part of the works of literature that has influenced this project. To test the hypothesis, a descriptive research design was adopted and target population was two respondents from each of the 31 commercial state corporations in Kenya. The data collected through a structured questionnaire were analyzed through descriptive and inferential statistics. with a response rate of 77%. The study concluded that there is a positive and significant relationship between supplier development and implementation of the reservation and preference law among Kenyan commercial state corporations. In addition, the findings also indicated that organizational factors account for up to 21% of the variation in the implementation of the law. All the factors were positive and significant on implementation of the law. Finally, it was concluded that access to finance partially mediate the relationship. Given that access to finance played a role in implementation of the law as demonstrated by challenges in accessing funds, there was a need for the corporations to seek alternatives ways of funding the special groups. The study recommends and improvement in adoption of supplier development practices such as conducting training for the special group since this has been done a moderate extent. Finally, as part of the recommendation, the public procurement should establish an independent body to facilitate capacity development of special group.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background**

As part its Procurement Opportunity program, Kenya's government passed the Public Procurement Preference and Reservation Law to make it easier for youth, women, and people with disabilities to partake in public tender (GoK, 2013; Langat et al. 2016). Organizational considerations, such as budget allocation, supplier development, and procurement structure, might, however, influence the policy's implementation (Singh, 2015).

Organizations can use supplier development practices to work with their supplier base to improve the performance of selected suppliers (Busse et al., 2016). The procurement process and adherence to policies and procedures can also be determined by procurement structure (Amemba et al. 2013). The procurement framework should be adaptable and straightforward to adopt.

The public sector must follow the country's procurement legislation in order to maintain efficiency in resource allocation. Commercial state parastatals are not exempt, however compliance with the Public Procurement Preference and Reservation Law has been inadequate, with an average of 21.6 percent of the budget being used for public procurement, compared to the required 30 percent (Public Procurement Oversight Authority,PPOA, 2019; Gichio, 2015). Given this discrepancy, the goal of this study is to figure out whether low compliance is due to internal or external factors.

This study will use Institutional Theory, Resource Based Theory, and Socio-Economic Theory to regulate the connection between the study variables. The importance of an institutional framework, according to DiMaggio and Powell (1983), is to assure adherence to existing rules, of which procurement regulations and rules are a part. Penrose (1959) proposed the Resource Based View hypothesis, which highlights the importance of resources like Information Communication Technology (ICT), as well as personnel professionalism and training, in the successful application of any organizational law or policy.

Furthermore, Sutinen and Kuperan's (1999) Social–Economic Theory emphasizes moral obligation and social influence as the foundation for adhering to society's established norms and rules. In this setting, procurement officers' professional conduct is crucial in ensuring that procurement policies are followed.

### **1.1.1 Organizational Factors**

Operational qualities, procedures, or conditions within an organization are organizational influencing variables, according to Arinanye (2015), and might include organizational structure, team resources, administrative support, communication, and coordination mechanisms, among other things. Singh (2015) suggested that in the public sector, supplier development procedures are an important function of government since procurement expenditures have a large impact on the economy and need to be handled through better procurement methods that focus on efficiency (Busse, Schleper, Niu & Wagner, 2016).

One of the issues facing procurement legislation execution, according to Amemba et al., (2013) and Ndolo and Njagi (2014), is a shortage of required skills among public procurement staff. Serious consequences, including breaches of code of conduct, can emerge if employees aren't well-versed in procurement issues.

According to Allio (2005), a good procurement structure is necessary for the execution of public procurement policy. As a result, the procurement structure developed should be practical and adaptable (Gatere & Shale, 2014). If the procurement structure is inadequate or ambiguous, the implementation efforts will be severely hampered (Hrebiniak, 2006). Technology adoption is particularly important since e- procurement encourages shorter product development cycles by allowing for quicker exchanges of information and delivery of products as well as services (Kiage, 2013; Mambo, 2015).

### **1.1.2 Preference and Reservation Procurement Law**

The Program for Access to Government Procurement Opportunities was established to make public tendering more accessible to young people, women, and people with disabilities (GOK, 2013). As a result, in 2015, the Preference and Reservation Procurement Law was passed to solve the issues that young people, women, and people with disabilities face, like unemployment, while also contributing to the improvement of the economy (Lagat, Namusonge & Berut, 2016).

It's an affirmative action program aimed at giving additional opportunities to do business with their government. Adoption of government procurement preference 30% for special groups was expected to contribute at least 15% to Gross Domestic Product (GDP) per year (GOK, 2013; Lagat, Namusonge & Berut, 2016).

Despite the government's preferential treatment of special interest organizations, the number of public contracts won by emerging special interest groups and small businesses compared to huge corporations is still insignificant. The majority of young people believe that winning a public tender is difficult if you don't know anyone (Nduta et al., 2015).

### **1.1.3 Commercial State Corporations**

It is critical for state-owned enterprises to address market failures, achieve political and social objectives, provide education and health care, reallocate funding and develop outlying areas (Njiru, 2009) therefore they are the Centre of most public procurement activities. As a result, state corporations, just like other corporations within the public sector, are supposed to adhere to the preservations law.

However, statistics by PPOA (2019) documented that state parastatals averaged fewer than 30% allocations to the category which demonstrates the low implementation of the law, hence a need for to focus on them. The State Corporation Act, Cap 446, creates state corporations. A state corporation, according to the Act, is one that was created by a legislative act. Kenya's government establishes state-owned firms to meet the country's commercial and social goals. The State Corporation Act (Cap 446), which established commercial state corporations (Graham & Melyn, 2011).

State-owned businesses were created to achieve social and financial objectives. They're designed to fix market flaws, achieve social and political goals, and offer education, health, and income redistribution in underserved communities (Greunen et al., 2010). At independence, 34 commercial state corporations were retooled as crucial to economic growth, in accordance with Sessional Paper number 10 of 1965. The State Corporations

state that Advisory Committee report 2020, there are 31 commercial state corporations currently.

## **1.2 Research Problem**

Given their demographic and contribution to the economy, the Procurement Preference and Reservation Law was enacted to ensure that the marginalized group receives at least thirty percent (30%) of all government contracts. In 2016, only 21.6 percent of the budget was assigned to the group across the Kenyan public sector, while in 2017, an average of 18.71 percent of the budget was allocated, which is in violation of the law (PPOA, 2017). State parastatals averaged fewer than 30% allocations to the category in future years, according to PPOA (2019). Given these figures, it is clear that the Law's implementation is lacking, necessitating this research.

Studies have been done to uncover these discrepancies in light of inadequate adherence to procurement policies around the world. With an emphasis on institutional and regulatory frameworks, Placek et al., (2020) identified variables that hampered procurement performance in both the United Kingdom and Czech Republic. Asare and Prempeh (2017) investigated the factors that influence adoption of electronic procurement at technical schools in Ghana, narrowing their focus to ICT infrastructure. Mensah, CaterSteel, and Toleman (2021) investigated the role of infrastructure constraints in influencing e-government adoption in Liberia, while Ngure and Simba (2015) investigated the factors limiting disadvantaged groups' access to public procurement opportunities in Kenyan government parastatals, with a focus on the Kenya Ports Authority. While some studies

focused on specific circumstances, local research did not always focus on commercial state entities.

Other studies, such as Mburu (2012), have focused on factors like procurement strategy and external pressure that inhibit successful execution of public procurement procedures. Gatere and Shale (2014), looked at challenges Special Groups experience in securing contracts, highlighting lack of legal framework as a reason. Thairu and Chirchir (2016), on the contrary, looked into how state-owned firms in Kenya used preference and reservation policies in public procurements, focusing on 70 state-owned firms with headquarters in Nairobi, while Lagat, Namusonge, and Berut (2016) looked into the factors preventing special group from participating in procurement opportunities at the county level. Similarly, the focus spans counties and factors, with a limited reach. There has been no study that has looked into a variety of organizational issues with government commercial parastatals in Kenya. Moreover, there is no specific study establishing the implementation of the reservation law among state-owned corporations to the benefit of the special groups.

While efforts have been made to uncover the factors impacting the public sector's execution of the reservation law, the contextual focus has varied widely. Mburu (2012) examined the Nairobi County government, Ombuki, Arasa, Ngugi, and Muhwezi (2014) examined Kenya's public universities, and Lagat et al. (2016) examined the Trans Nzoia County government. Because the institutional framework of county governments differs from that of parastatals, the findings of these studies cannot be applied universally to parastatals, resulting in a contextual research gap. Case studies revealed methodological flaws that needed to be addressed by a survey. This study aimed to close these gaps by answering the



following: What is the impact of organizational characteristics on execution of Kenyan parastatals' public procurement preference and reservation laws?

### **1.3 Research Objectives**

The project overarching goal was to determine organizational factors that influencing the implementation of Kenyan commercial state parastatals' public procurement preference and reservation laws.

#### **The study's specific objectives were to:**

- i. Establish the proportion of budget allocated towards the youth, women and vulnerable groups among Kenyan commercial state parastatals
- ii. Determine the impact of supplier development on the implementation of public procurement preference and reservation Law among Kenyan commercial state parastatals
- iii. Determine the effect of procurement structure on implementation of public procurement preference and reservation Law among Kenyan commercial state parastatals
- iv. Establish the mediating effect on access to finance on the implementation of public procurement preference and reservation Law among Kenyan commercial state parastatals

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

Lawmakers, state parastatals, intellectuals, and academicians are among those who are expected to benefit from the study's conclusions. State parastatals in Kenya should also be committed to the government's law empowering youth, women, and individuals with disabilities by ensuring that young people, women, and people with disabilities participate in public procurement to the greatest extent possible.

Thereby, the research findings are expected to play a significant role in identifying factors that have a substantial impact on the implementation of the law, allowing them to work toward improvement. The study's conclusions are expected to be crucial to a variety of

public-sector stakeholders, including legislators in the National Treasury. The study's findings are likely to aid the National Treasury in streamlining procurement so that government procurement regulations may be implemented more effectively and efficiently. The study presents Law proposals for improvement after determining the primary variables of successful execution of this Law.

Scholars may profit from the findings since they may address challenges they have in their research and serve as a reference. This could provide them with information on how the Public Procurement Preference Law is being implemented and spark additional research. Despite the fact that it focuses on four factors, it may provide understanding for future research to determine additional drivers of compliance with public law.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Chapter two focuses on the literature link to the study, which is organization factors influencing implementation of preference and reservation law. First, a review of the theoretical literature is presented, followed by empirical research, and finally, a conceptual framework. After the argument, an empirical literature review is conducted, and the results are appraised.

#### **2.2. Theoretical Literature Review**

To explain the link among the study variables, this study adopted the Social Economic Resource Based and Institutional theories.

##### **2.2.1 Institutional Theory**

Meyer and Rowan (1991), DiMaggio and Powell (1983), and others are among notable proponents of institutional theory. According to the hypothesis, the environment may have a better impact on establishment of official structures in a company than market pressures. According to Kaufman (2011), organizational behaviors are one way or the other a reflection of a reaction to norms and structures in their large context.

Institutions have three foundations, according to Scott: regulatory, prescriptive, and cultural cognition (2004). Regulatory focus on application of law and order to enforce

compliance, with the goal of ensuring obedience. The prescriptive pillar refers to socially binding standards and ideals.

Common understanding, or shared beliefs, symbols, and information, is the foundation for the cultural cognitive pillar. When it comes to public procurement, different institutions work together to meet each other's needs while following the government's norms and regulations. This theory is applicable to the research because it emphasizes the need of an institutional framework for ensuring adherence to current laws, including procurement regulations and rules.

In order to deliver, the institutional framework should be less bureaucratic and well-connected to current rules and regulations on the outside, as well as societal demands, customer demands, cultural requirements, and stakeholder interests. Organizations must decentralize their institutional frameworks in order to accommodate preference groups around the country as needed in order to deliver on procurement performance. This concept underpins the relationship between institutional structure and preference and reservation procurement practices.

### **2.2.2 Resource Based**

Penrose (1959) created firm resources, which Wernerfelt improved in 1984 before Barney (1991) introduced the Resource Based View, which was based on it. According to this theory, the corporation is made up of a variety of resources that influence its growth. Financial, human/social, and technological resources, such as ICT, are examples of these resources. According to the resource-based view, companies can perform better if they have better resources that are protected by some sort of isolating device that prevents them from spreading throughout the industry (Galbreath, 2004).

The Resource-Based (RBV) is a valuable theoretical framework for debating the importance of resources and competences in organizational success. Internal resources, capacities, and performance are all connected, according to this notion. The primary tenet of the RBV is that an institution's competitive advantage is fully reliant on its mixed resources, which are unique, treasured, and non-substitutable. An important environmental management framework (Galbreath, 2004).

The theory is vital to the study because it clarified the critical role of resources such as ICT, as well as staff professionalism and training, in the application of the law. Having a solid ICT infrastructure in place to carry out procurement functions can help improve the efficacy and efficiency of government procurement. The role of ICT infrastructure in implementing preference and reservation procurement rules has been de-mystified as a result of the resource-based perspective. Furthermore, both applicants' and procurement experts' human resource competence are critical to assuring effective delivery.

### **2.2.3 Social–Economic Theory**

Sutinen and Kuperan (1999) were two of the most well-known proponents of the social-economic theory. According to the socio-economic theory of compliance, people's decisions on whether or not to follow defined norms can be explained by combining economic theory with psychological and sociological principles. Emotional perspectives determine whether corporate compliance is successful or not (Lisa, 2010). To better understand the public procurement system, social– economic theory is concerned with the relationships that exist between an entity and society. (Tukamuhabwa, 2012). Individuals must follow the of government that govern procurement operations including the conduct of procurement professionals (Tukamuhabwa, 2012).

This theory was pertinent to the study because the Asset and Disposal Act of 2015 and the Public Procurement and Disposal (Preference and Reservations) Regulations of 2011 govern Kenya's preference and reservation procurement law. A government order issued in 2013 to all public organizations for compliance and execution guides the implementation of 30% Opportunities for procurement for young people, women, and individuals with disabilities. As a result, this concept aids in comprehending the significance of preference and reservation procurement techniques.

### **2.3. Organizational Factors influencing implementation of Public Procurement**

#### **Preference and Reservation Law**

Organizational factors which are operational attributes, processes or conditions within an organization can range from organizational structure, resources, supplier development practices, procurement structure and finance as indicated. These factors can influence implementation of the law as discussed.

#### **2.3.1 Supplier Development**

According to Gichio (2015), there are numerous elements that can influence the application of procurement law, including supplier development. Supplier development is a collaborative effort between the organization and its suppliers which help them improve their performance. This strategy might include anything from providing comments on a supplier so that they can improve their performance through technical assistance, training, and process improvement, Tran et al. (2021). Public procurement supplier development is a critical government activity since procurement expenditures have a large economic impact, and it must be managed through efficient procurement techniques (Singh, 2015).

Collaborative relationships between organizations and their suppliers are a recent trend in the business world. During much of the twentieth century, a company's relationship with its supplier may be regarded as adversarial (Yawar & Seuring, 2018). When you work with suppliers, you can often save money and increase quality control. In other circumstances, the supplier has in-depth technical knowledge of a technology and may be able to suggest product or process design changes that might result in significant cost savings (Liu et al., 2018). The key is to implement the right programs and incentive structures to encourage suppliers to discuss cost-cutting ideas (Lawson, Krause & Potter, 2015).

### **2.3.2 Procurement Structure**

The procurement structure can range from a single person who is solely responsible for purchasing to a large centralized department or organization with decentralized activities, with procurement professionals working in various sessions of a business unit. Procurement, according to Waters (2004), concealments the entire process of acquisition of goods and services, from risk assessment to looking for and evaluating alternative solutions to contract award, delivery and payment.

Procurement planning is a key activity, according to Basheka (2008) that sets the foundation for later procurement actions. The ideals of planning, according to James (2004), propose that procurement planning can be done in a completely harmonious environment. He goes on to say that procurement planning aims to address the following concerns: what do you want to procure and when, where to procure it, are the resources available, finally, what procurement methods will be used.

Procurement planning is often poor, with plans considered for assessment consisting primarily list of contracts with budget attached. They're essentially financial



plans that don't take into account scheduling, contract bundling, the right procurement method, or the interdependence of many contracts on a project's critical path (World Bank, 2003).

### **2.3.3 Budgetary Allocations**

The distribution of capital to decentralized management regions within the public sector is defined as the overall allocation of financial resources. It is carefully linked to budgeting, and concerned with precise spending plans within these comprehensive allocative ceilings. Delegated systems, in which responsibility and power are decentralized within the public sector, rely heavily on an efficient resource allocation process (Lu et al., 2010). Budgetary demand underpins the current resource allocation and budgeting system, which covers both the development and income sides of the budget.

Adequate funding for the acquisition of predicted and quantified quantities is required to keep the procurement cycle running smoothly. To avoid product stock outs and minimize emergency shipments, financing arrangements should be made well in advance of anticipated procurements. In addition to the prediction (and quantification, in cases of non-full supply products), a budget estimate for the quantities of product required is created based on prior procurement pricing data and current international reference prices (IRPs) (Frenk et al., 2010).

### **2.3.4 Access to Finance**

One of the most typical issues that national procurement systems face is financing. Special groups in Kenya, like many other developing countries on the continent, continue to confront difficulties in obtaining financing to help them achieve their business goals and

contribute to national economic development. Otieno (2020) Covid-19 has wreaked unprecedented economic damage in Kenya, with these marginalized people taking the burden.

In addition to organizational constraints, it is crucial to emphasize that a lack of monetary resources among young people, women, and people with disabilities may also play a role in effective application of public procurement preference legislation. Unpredictability in the timing and availability of finances as a major impediment to making good procurement decisions, particularly when purchasing large quantities, allowing long lead periods, or paying vendors on time (all of which can lower prices). Donors must commit to longer-term and consistent supply promises (Rao, Mellon & Sarley, 2009).

At the country level, effective government-led actions and decision-making regarding procurement are challenging to manage due to a lack of coordinated action and financing plans across donor organizations, as well as insufficient information systems to enable coordination and transparency (Lu et al., 2010). Government financing cycles can also obstruct effective procurement and the use of more transparent procurement methods like international competitive bidding (Frenk et al., 2010). For example, in Uganda, government funds typically accrue to levels sufficient for overseas purchases just before the fiscal year ends, and unspent monies must be returned at the end of the year, leaving no time to complete a successful bidding procedure (Mahoney, Krattiger, Clemens & Curtiss, 2012).

## **2.4 Empirical Literature Review**

Supplier development, information technology infrastructure, organizational culture, organizational structure, supplier development, and staff competency, among other internal

factors, have been shown to be essential in the application of procurement strategies in some research. These factors have been labeled organizational in this study. For efficient and successful service delivery, supplier development through training improves the knowledge and abilities of the team that participates in the public tendering process.

Participants develop new values and attitudes as a result of the training. Training is required to guarantee that the tendering process is carried out effectively. The tendering process will be harmed if something is missing. Tender participants must be instructed on the best ways to tender, how to comply to tendering standards, and how to prepare their paperwork in order to fulfill the requirements and be regarded, so boosting their competitiveness in bidding. Tenderers who do not receive training, on the other hand, may overlook a few key points, resulting in a loss of the tender (Busse, Schleper, Niu & Wagner, 2016).

Lack of senior management support in the institutional environment might stymie procurement rules' implementation (Mbae, 2014). Inadequate resources made available in the early stages of the procurement process can stymie implementation of public procurement legislation, resulting in important decisions being made with insufficient information and understanding of the risks involved, which can lead to massive expenditure later on. The issue of centralization or decentralization, as well as delegation of authority, must be addressed in procurement organizational structures that are insufficient at all levels and stages of the life cycle (Lagat et al., 2016).

Karjalainen (2011) also claimed that implementing a centralized system would have an effect on the enforcement of public laws. In spite of this, the system has advantages, such as the ability to use economies of scale (by bundling quantities, minimalizing repetitions,

and thus, reducing transaction volume), as well as a better central agency organization structure (which has greater bargaining power, is able to attract more experienced and competent management, is able to provide higher product and service quality, is able to lower supply risks and litigation costs, and has improved access to capitals and marketplaces).

Returning to a central agency, on the other hand, has several disadvantages, including increased coordination, setup, and costs of maintenance, inability to meet exclusive requirements, loss of relations suppliers, potential elimination of small businesses, and possible lock-in phenomena, according to the literature (Thai, 2009).

According to Mutui (2014), an IFMIS program when properly built, can help minimize excessive payments, scam, and theft during the procurement processes. A few examples include the automatic detection of unusual operations, suspicious activity patterns, the cross- referencing of personal identification numbers for fraud, automated cash disbursement rules for identifying ghost workers, among other things. Priem and Butler (2012), high- speed data comparisons can assist in quickly uncovering flaws and exceptions, as well as alerting managers to suspicious activity patterns. Financial reforms have made use of IFMIS to improve efficiency, data security, and completeness of financial reporting, as stated by Wainaina (2014).

According to a study by Da Costa and Da Motta, Brazil's public sector procurement laws and regulations face significant challenges (2019). Quantitative methods were used in the study to identify and define the main obstacles to Brazil's widespread adoption of sustainable public procurement (SPP). The implementation of the SPP was hampered by

32 major roadblocks identified by an expert panel and then ranked on a five-point Likert scale. Brazilian public sector SPP implementation has been hindered by a lack of top management support, an unsupportive organizational culture, a dearth of staff training and education, and insufficient planning, say the researchers.

Placek et al. (2020) investigated the factors that contribute to interruptions in public tendering in Czechia and England. Using a comparative analysis, the study demonstrated the Czech Republic's lack of public procurement policies. This was also linked to a lack of stakeholder involvement in the process. If public procurement results are to improve, all actors, including officials, legislators, and the public, must be involved and dedicated if public procurement results are to improve.

Asare and Prempeh (2017) conducted an empirical study in Ghana to assess the factors influencing the adoption of electronic procurement at technical universities. From the Technical Universities, a total of one hundred (100) respondents were selected at random. Factor analysis, descriptive analysis, and correlations were used to examine the information. According to the survey, the ICT infrastructure at technical universities is inadequate. According to the survey, Ghanaian technical universities should make investments in their information and communication technology (ICT) infrastructure to fully benefit from e-procurements.

To assess the determinants impacting electronic government adoption in Liberia, Mensah, CaterSteel, and Toleman (2021) employed a quantitative technique. With individuals who were explicitly chosen to participate, a Key Informant interview was held. Mistrust, aversion to change, digital divide, a lack of a political champion, and infrastructure

limitations were identified as Liberia's barriers to electro government adaptation, according to findings of the theme analysis. Combining human, sociocultural, political, and infrastructure factors resulted in four (4) distinct obstacles.

Mburu (2012) did a study in the North of Kajiado county to determine the obstacles that limit the implementation of public procurement rules and regulations. Using a case study research method, seven persons of the procurement committee were interview, each with their own professional background and several years of district experience. The data was acquired using interview guidelines designed to aid the researcher in determining factors hindering the execution of the Disposal Act of 2005 and its guidelines. Budgetary limits, external burdens, project endorsement, professionalism, record possession, donor requirements, and procurement planning were among the issues that inhibited the district's implementation of the PPDA, according to the findings of the study.

In Kenya, Gatere and Shale (2014) looked into the challenges that Special Interest Groups confront when it comes to government contract chances. The study took a descriptive research approach, with 500 procurement professionals from various government entities in Nairobi County serving as the target population. We used random sampling to collect both primary and secondary data. The legislative framework, financial access, training, and information availability all influenced Special Interest Groups' access to government procurement possibilities in Kenya, according to the study. Kenya's legal system owes it to Special Interest Groups to make government procurement opportunities more accessible to them. The legal framework helps to the public benefit through defending, preserving, and advancing human rights. Training improves the ability of people with disabilities, women, and minorities to participate in AGPO.

Thairu and Chirchir (2016) looked into how state-owned enterprises in Kenya employed preference and reservation policies in public procurement. A descriptive survey design was used to conduct a count of all 70 state-owned companies with headquarters in Nairobi. The investigations revealed that the law on young people have not been properly applied. In public procurement, institutional constraints had a statistically insignificant impact on implementing the preference law. The data also reveal that legislation has a negative but significant impact on how the Law is implemented in government procurement.

According to the research, the government should increase its Law awareness crusade with stakeholders in procurement and budget holders, institutionalize monitoring and training with businesses, and involve practitioners in the examination of public procurement lawmaking. Ngure and Simba (2015) looked into the variables that limit disadvantaged groups' access to public tendering in Kenyan government agencies.

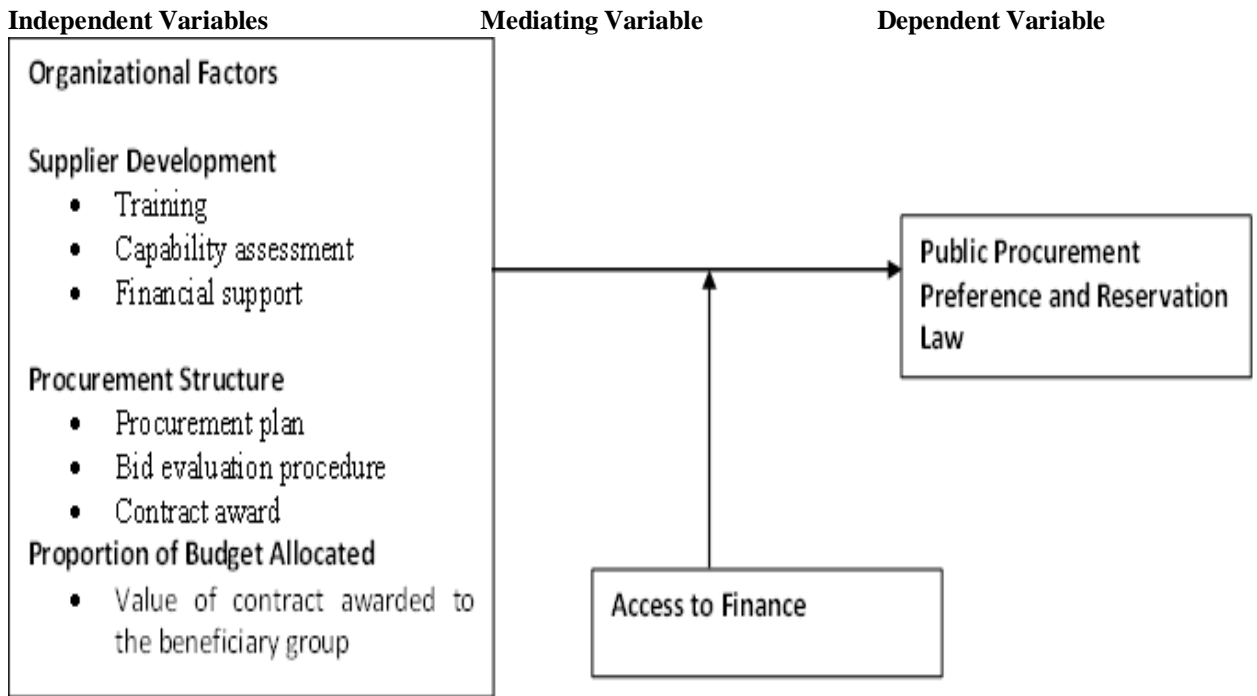
According to the study, access to government procurement opportunities in Kenyan public organizations was influenced by information, money, the tendering process, and AGPO training which are disadvantage to many of the disadvantaged groups. According to the report, firms' procurement structures matter and can help Special Interest Groups in Kenya access government procurement opportunities.

Lagat, Namusonge, and Berut (2016) looked into the barriers that youth, women, and people with disabilities face when it comes to procuring goods and services in Transzoia County Government. The study targeted procurement practitioners in the Transzoia County Government's supply chain department, as well as businesses operated by the

special groups using a descriptive research technique. Cash resources, procurement procedures and enforcement, information availability, and compliance all help Transzoia County Government access procurement opportunities, according to the report.

## 2.5 Conceptual Framework

It demonstrates the relationship between the study's independent variables, organizational factors and dependent variable, public procurement preference and reservation law.



Source Author (2021)



Figure 2.1: Conceptual Framework

## 2.6 Summary of Literature Review

Table 2.1 Summary

Researcher(s)	Study Aims	Methodology	Key Findings	Research Gaps
Da Costa and Da Motta (2019)	Procurement law and regulation implementation challenges in the Brazilian public sector	Primary quantitative data	Lack of top management support, poor organizational culture, and poor procurement planning are all major challenges in Brazil with regards to the enforcement of procurement rules and laws.	The study was conducted in Brazil thus it has contextual research gaps
Placek et al. (2020)	Contributing Factors to delays in public procurement in England the Czechia	Comparative Study	Major factor that contributes to interrupt in public tendering in England & Czech Republic was stakeholder involvement.	The study was conducted in Czech Republic and UK thus it has contextual research gaps
Asare and Prempeh (2017)	The factors influencing the adoption of e-procurement at technical universities in Ghana	Factor & correlation analysis	In Ghana's technical universities, a lack of ICT infrastructure influenced the adoption of electronic procurement.	As a result of the emphasis on e-procurement implementation, there is a conceptual research gap.
Mensah, CaterSteel, and Toleman (2021)	Determinants impacting e-government adoption in Liberia	Qualitative analysis through KII	The determinants of e-procurement implementation are human, sociocultural, political, and infrastructure factors.	The study was conducted in Liberia thus it has contextual research gaps
Mburu (2012)	Challenges to the implementation of public procurement rules and regulations in Kajiado North	Primary quantitative data	Budgetary constraints, external pressures, project approval, professionalism, record keeping, and donor requirements were all challenges.	The study was conducted in Kajiado County thus it has contextual research gaps
Gatere and Shale (2014)	Challenges that Special Interest Groups confront when it comes to government procurement chances	Mixed methodology	The legislative framework, financial access, training, and information availability all influenced Special Interest Groups' access to government procurement possibilities	The study was conducted through mixed methodology thus, it has a methodological research gap

<b>Researcher(s)</b>	<b>Study Aims</b>	<b>Methodology</b>	<b>Key Findings</b>	<b>Research Gaps</b>
Thairu and Chirchir (2016)	How state-owned enterprises in Kenya employed preference and reservation policies in public procurement	Primary quantitative data	The law on young preference and reserves in public procurement had not been properly implemented	Emphasis was on the extent to which the law had been implemented hence it presented a conceptual research gap

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter explains how the chosen method was used to attain the study objectives. As a result, the section discusses research design, sample size, population focus, and data collection and analysis.

#### **3.2. Research Design**

A descriptive survey was applied. This technique makes use of variety of units to express the current state and issues (Flick, 2015). The design is pertinent to this study since it encourages the gathering of primary data in an effort to characterize and response the research question. A survey of the entire set of commercial state parastatals was conducted, hence the suitability of the design.

#### **3.3. Population**

According to the State Corporation Advisory Committee Report 2020 (Appendix I), Kenya has 31 commercial state corporations, which served as the study's units of analysis. Because the population is so small, the information needed was gathered through a census survey.

#### **3.4. Data Collection**

The reserach was based on primary data sourcing through questionnaire that is semi-structured. Likert five-point scale was utilized to ask the questions. Information regarding the respondents was filtered in section one. Section one of the questionnaire included information about the respondents, the second section included questions about organizational factors, and the third section included questions about the mediating

variable, access to finance, and the fourth dependable variable, Public Procurement Preference and Reservation Law.

The researcher targeted two senior level employees from each state corporation working in their respective procurement department as the respondents of the study. Since the study wanted to establish some of the organizational factors that influence the preference and reservation law, the best choice of respondents who have information about procurement in their firms are procurement professionals.

### 3.5. Data Analysis

Descriptive statistics were employed to analyze quantitative data collected. The study used mean, standard deviation, and percentages. Furthermore, regression model was used. The data for the analysis was gathered using questionnaire and then entered into the SPSS version 24 tool. The outcome of the independent variable in the study, organizational factors, on the dependent variable, preference and reservation law implementation, was determined using a regression model.

**The model is indicated:**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots\dots (3.1)$$

Where Y denotes the implementation of the Preference and Reservation Procurement Law; X1 denotes supplier development; X2 denotes procurement law; X3 denotes budgetary allocation;  $\varepsilon$ - Is the error term and  $\beta$  -predictor variable; coefficients.

The four steps outlined by Baron and Kenny (1985) will be followed in order to test the mediating effects of access to finance.

**Step 1:**  $Y = \beta_0 + \beta_1 X_1 + \varepsilon \dots\dots\dots (3.2)$

Where Y – Implementation of the Law; X<sub>1</sub> - Combined Organization Factors; ε - Is the error term and β – Predictor variables coefficients.

**Step 2:**  $Y = \beta_0 + \beta_2 X_2 + \varepsilon$  ..... (3.3)

Where Y – Access to Finance; X<sub>2</sub> - Combined Organizational Factors; ε - Is the error term and β – Predictor Variables Coefficients.

**Step 3:**  $Y = \beta_0 + \beta_3 X_3 + \varepsilon$  ..... (3.4)

Where: - Y – Implementation of the Law; X<sub>3</sub> - Access to Finance; ε - Is the error term and β – Predictor Variables Coefficients.

**Step 4:**  $Y = \beta_0 + \beta_4 X_4 - \beta_5 X_5 + \varepsilon$  ..... (3.5)

Where Y – Implementation of Preference and Reservation Procurement Law; X<sub>4</sub> - Organizational Factor; X<sub>5</sub> – Access to finance; ε - Is the error term and β – Predictor variables Coefficients.

### 3.5.2 Significance Test

To establish the significance, the study tested at 95% level of confidence which is equivalent to 5% level of significance. When the P-value is less than alpha default of 0.05 the regression is considered to be significant

## CHAPTER FOUR

### ANALYSIS OF DATA, RESULTS AND DISCUSSION

#### 4.1 Introduction

The chapter contains a presentation of results, findings, and discussions on data gathered. The section includes both descriptive and inferential statistics. Findings will guide development of conclusion and recommendations in the next chapter.

#### 4.2 Response Rate

High level employees working in their respective procurement departments from each of the 31 state corporations were engage as the respondents of the study. Therefore, a total of 62 questionnaires were given out of which 48 were fully responded to. This resulted to a 77% rate of respondent which is satisfactory due to argument by Flick (2015) 60% and above is considered satisfactory.

#### 4.3 Demographic Profile

Respondent's demographic profile was established. The type of commercial services conducted by the commercial parastatals was established.

Table 4.1 Type of Commercial Services

<b>Type of Commercial Service</b>	<b>Frequency</b>	<b>Percentage</b>
Telecommunication and Communication	6	13%
Manufacturing	14	29%
Energy	5	10%
Transport	3	6%
Others	20	42%
<b>Total</b>	<b>48</b>	<b>100%</b>

Results in Table 4.1 indicated that majority of the parastatals that participated in the study deal with other services other than manufacturing (29%), energy (10%), transport (6%) and communication and telecommunication (13%). This demonstrated a representative sample.

The study also described the respondent’s experience of work. The frequency and percentage response are presented in Table 4.2.

Table 4.2: Respondent’s Work Experience

<b>Work Experience</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 4 Years	7	14%
4 to 7 Years	14	30%
7 years and above	27	56%
<b>Total</b>	<b>48</b>	<b>100%</b>

The results in Table 4.2 indicated that majority of them, 56%, had a work experience above seven (7) years, 30% had a work experience between four (4) to seven (7) years while 14% had work experience of less than three (3) years. This implies that the respondents had a high institutional knowhow which was important to provide information required in the study.

### **4.3 Descriptive Statistics**

This section displays descriptive statistics in terms of mean and standard deviation. The responses, where 1 = Very Small Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = High Extent and 5 = Very High Extent have been established and presented per variable.

### 4.3.1 Description of Supplier Development

Supplier development was described using likert scale. The mean and standard deviation for the likert scale responses is as shown in Table 4.3. The scale was 1 = Very Small Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = High Extent and 5 = Very High Extent.

Table 4.3: Description of Supplier Development

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
Organization conducts training for the disadvantaged groups	2.63	1.23
The organization sensitization forum for the disadvantaged groups	4.42	0.50
The organization conducts vetting of the suppliers to determine their capacity to supply	4.38	0.49
The organization supplier appraisal of quality of goods and services provided by the disadvantaged groups	4.40	0.49
<b>Average</b>	<b>3.95</b>	<b>0.68</b>

Table 4.3 Shows that the organizations conduct training for the special groups to a moderate extent (M = 2.63; SD = 1.23), the organizations have developed sensitization forums for the special groups at high extent (M = 4.42; SD = 0.50), the organizations conduct vetting of the suppliers to determine their capacity to supply to a high extent (M = 4.38; SD = 0.49) and also conduct supplier appraisal of quality of goods and services provided by the special groups also to high extent (M = 4.40; SD = 0.49). This demonstrated that the commercial state corporations had implemented supplier development practices to high extent (M =3.95; SD =0.68)

### 4.3.2 Description of Procurement Structure

Procurement structure was described using a five-point likert scale. The mean and standard deviation for Likert scale as revealed in Table 4.4. The likert scale was 1 = Very Small Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = High Extent and 5 = Very High Extent.



Table 4.4: Description of Procurement Structure

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
The procurement department has put in place a comprehensive procurement plan to accommodate all procurement needs	4.50	0.51
The bid evaluation procedure is transparent	4.42	0.50
The formation of evaluation committee procedure is transparent	4.38	0.49
The contract award procedure is transparent	4.33	0.48
The tendering procedure is transparent	4.38	0.49
The procurement procedures adhere to the preference and reservation law	4.42	0.50
<b>Average</b>	<b>4.40</b>	<b>0.49</b>

Results in Table 4.4 Show that the procurement departments for commercial state corporations in Kenya had put in place a comprehensive procurement plan to accommodate all procurement needs to high extent (M = 4.50; SD = 0.51), had a bid evaluation procedure which was transparent to a high extent (M = 4.42; SD = 0.50) and formed evaluation committee transparently also an extent high (M = 4.38; SD = 0.49).

It was also demonstrated that the state corporations had a transparent contract award procedure to a high extent (M = 4.33; SD = 0.48). Results showed that they had a transparent tendering procedure to a high extent (M = 4.38; SD = 0.49) and adhered to the preference and reservation law to a high extent (M = 4.42; SD = 0.50). This implies that there was availability of an effective procurement structure among the state corporations in Kenya to a high extent (M= 4.40; SD = 0.49)

### **4.3.3 Description of Proportion of Budget Allocated**

Proportion of budget allocated was described using a five-point likert scale. The mean and standard deviation for the likert scale responses is as shown in Table 4.5. The likert scale

was 1 = Very Small Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = High Extent and 5 = Very High Extent.

Table 4.6: Description of Proportion of Budget Allocated

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
The organization sets aside a budget equal to 30% of the procurement budget for the preference group	4.42	0.50
The organization ensures that the budget set aside for the reservation groups fulfill its mandate	4.25	0.44
The organization ensures that up to 30% of the value of contracts awarded is to the preference groups	4.33	0.48
There is no bias in budgetary allocation against the disadvantaged group	4.48	0.50
<b>Average</b>	<b>4.37</b>	<b>0.48</b>

Table 4.6 shows that majority of commercial entities in Kenya, set aside a budget equal to 30% of the procurement budget for the preference group to a high extent (M = 4.42; SD = 0.50), ensure that the budget set aside for the reservation groups fulfills its mandate to a high extent (M = 4.25; SD = 0.44), ensure that up to 30% of the value of contracts awarded to the preference groups to a high extent (M = 4.33; SD = 0.48) and also don't have a bias in budgetary allocation against the special groups to a high extent (M = 4.48 ; SD = 0.50). Therefore, the findings imply that the commercial state corporations in Kenya allocate to a high extent (M = 4.37; SD = 0.48) up to 30% of the budget to the special groups as the law demands.

#### **4.3.4 Description of Access to Finance**

Access to finance was described using a likert scale. The mean and standard deviation for the likert scale responses is as shown in Table 4.7. The scale was 1 = Very Small Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = High Extent and 5 = indicating Very High Extent.

Table 4.7: Description of Access to Finance

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
Most of the disadvantaged suppliers struggle to deliver quality services and goods due to lack of funds	4.27	0.45
Most of the special group/suppliers forfeit their contracts because unavailability of finance	4.21	0.50
Most of the special group/suppliers are short of capacity to deliver as required due to financial challenges	4.23	0.42
Most of the special group/suppliers don't fulfill their LPOs due to financial challenges	4.21	0.54
<b>Average</b>	<b>4.23</b>	<b>0.48</b>

The result in Table 4.7 Indicate that most disadvantage suppliers struggle to deliver quality services and goods due to lack of funds indicating high extent (M = 4.27; SD = 0.45), forfeit their contracts because unavailability of finance to a high extent (M = 4.21; SD = 0.50), short of capacity to deliver as required due to financial challenges to high extent (M = 4.23; SD = 0.42) and also don't fulfill their LPOs due to financial challenges (M = 4.21; SD = 0.54). From the results above, it is believed that majority of the disadvantaged suppliers have challenges in regard to accessing finance representing high extent (M= 4.23; SD 0.48)

#### **4.3.5 Description of Implementation of the Preference & Reservation Law**

Implementation of the Preference & Reservation Law was described using a five-point likert scale. Table 4.8 shows the mean and standard deviation for Likert scale responses. 1 = Very Small Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = High Extent, and 5 = Very High Extent were the likert scale values.

Table 4.8: Description of Implementation of the Preference & Reservation Law

<b>Statement</b>	<b>Mean</b>	<b>Standard Deviation</b>
Appropriate budget allocation for procurement opportunities for disadvantaged groups	4.35	0.48
Adherence to quarterly reporting requirements on procurement opportunities available to disadvantaged groups	4.44	0.50
The frequency with which the authority's suppliers' performance is evaluated	4.48	0.50
Suppliers' development of underserved groups through training and the organization of sensitization forums	3.02	0.86
The frequency of supplier complaints about unfair procurement opportunity distribution and the existing feedback mechanism	2.19	0.76
<b>Average</b>	<b>3.70</b>	<b>0.62</b>

The results in Table 4.8 showed that most of the commercial state corporations conducted appropriate budget allocation for procurement opportunities for disadvantaged groups to a high extent (M = 4.35; SD = 0.48), adhered to quarterly reporting requirements on procurement opportunities available to disadvantaged groups to a high extent (M = 4.44; SD = 0.50) and also evaluated the suppliers' performance more frequently to a high extent (M = 4.48; SD = 0.50).

However, most corporations conducted suppliers' development of underserved groups through training and the organization of sensitization forums to a moderate extent (M = 3.02; SD = 0.86) and received supplier complaints about unfair procurement opportunity distribution and the existing feedback mechanism to a small extent (M = 2.19; SD = 0.76).

Overall, the findings imply that the preference law had been implemented by the state corporations to high extent (M = 3.70 SD = 0.62)

#### 4.4 Analysis of Regression

Multiple regression model was adopted to determine the impact of three factors on implementation of the preservation law: the proportion of the budget allocated, the procurement structure, and supplier development. The outcomes are shown in the paragraphs following below.

##### 4.4.1 Summary of Regression Model

The model summary results showing the coefficient of determination and correlation was shown in Table 4.9.

Table 4.9: Regression Model Summary

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
0.458	0.21	0.156	0.23361
Predictors: (Constant), Proportion of budget allocated, Supplier Development, Procurement Structure			

Table 4.9 demonstrates that the three predictor variables (budget allocated, procurement structure, and supplier development) account for up to 21% of the variation in preference and reservation law implementation among Kenyan commercial state corporations (R Square = 0.21). This implies that the three factors are significant in explaining how the preference and reservation law is being implemented among Kenyan commercial state corporations, while other factors account for the remaining percentage.

##### 4.6.2 Regression Model Fitness

In ordinary Least Squares regression model, ANOVA is applied to assess model fitness. The ANOVA results are shown in Table 4.10.

Table 4.10: Regression Model Fitness (ANOVA)

	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.638	3	0.213	3.897	0.015
Residual	2.401	44	0.055		
Total	3.039	47			

Dependent Variable: Implementation of Preference and Reservation Law  
 Predictors: (Constant), Proportion of budget allocated, Supplier Development, Procurement Structure

The results Table 4.10 indicate that the model was significant since the significance value is less than 0.05 (Smith, 2015). As shown in table 4.10, the regression model predicting the influence of organizational factors (budget allocated, procurement structure, and supplier development) on Preference and Reservation Law Implementation among commercial state corporations in Kenya was a good fit (Sig < 0.05) implying that it was closer to the actual model hence a good predictor.

#### 4.6.3 Regression Model Coefficients

Coefficients of the regression model were also determined as shown below. The model coefficients show the magnitude and significance of the study.

Table 4.11: Regression Model Coefficients

	<b>Unstandardized</b>		<b>Standardized</b>	<b>t</b>	<b>Sig.</b>
	<b>Coefficients</b>		<b>Coefficients</b>		
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	1.158	0.76		1.523	0.135
Supplier Development	0.179	0.089	0.271	2.02	0.049
Procurement Structure	0.176	0.104	0.228	1.696	0.097
Proportion of Budget allocated	0.241	0.11	0.294	2.185	0.034

Dependent Variable: Implementation of Preference and Reservation Law

From the Table, it can be demonstrated that supplier development had a positive and significant influence on implementation of the law among commercial state corporations in Kenya ( $\beta = 0.179$ ; P-value  $< 0.05$ ). It implies that supplier development increase can significantly lead to an increase in implementation of the reservation and preference law among commercial state corporations by 0.179 units.

It implies also that proportion of the budget allocated has a positive and significant influence on implementation of the reservation and preference law among commercial state corporations in Kenya ( $\beta = 0.241$ ; P-value  $< 0.05$ ). This implies that an increase in the proportion of the budget allocated can significantly lead to an increase in implementation of the reservation and preference law among commercial state corporations in Kenya by 0.241 units.

The result showed that the procurement structure has a positive but not significant influence on implementation of the reservation and preference law among commercial state corporations in Kenya ( $\beta = 0.176$ ; P-value  $> 0.05$ ). This implies that even though an effective procurement structure can increase implementation of the reservation and preference law among commercial state corporations in Kenya, the effect is not significant.

#### **4.5 Mediating effect of Access to Finance**

In order to test the mediating effects of access to finance, the four steps outlined by Baron and Kenny (1985) were followed. The steps are presented and explained, along with the corresponding results.

**Step 1:**  $Y = \beta_0 + \beta_1 X_1 + \varepsilon$  where Y – Implementation of the Law;  $X_1$  - Combined Organization Factors;  $\varepsilon$  - Is the error term and  $\beta$  – Predictor variables coefficients. The results for this step are shown further.

Table 4.12: Mediation Step One Results

<b>Model Summary</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>		<b>Std. Error of Estimate</b>	
.464a	0.216	0.199		0.22765	
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.655	1	0.655	12.644	.001
Residual	2.384	46	0.052		
Total	3.039	47			
<b>Coefficients</b>					
	<b>Non-standardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	2.87	0.235		12.237	0.000
Organizational Factors	0.011	0.003	0.464	3.556	0.001

Dependent Variable: Implementation of the law  
Predictors: (Constant), Organizational Factor

The results of the mediation in step one indicated that the combined effect of organizational factors on implementation of the law was positive and significant ( $\beta = 0.011$ ; P-value < 0.05). This necessitated to proceed to step two.

**Step 2:**  $Y = \beta_0 + \beta_2 X_2 + \varepsilon$  where Y – Access to Finance;  $X_2$  - Combined Organizational Factors;  $\varepsilon$  - Is the error term and  $\beta$  – Predictor Variables Coefficients. The results for this step are shown in Table 4.13.

Table 4.13: Mediation Step Two Results

<b>Model Summary</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>		<b>Std. Error of the Estimate</b>	
.355a	0.126	0.107		0.38933	
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	1.007	1	1.007	6.642	.013
Residual	6.972	46	0.152		



Total	7.979	47			
<b>Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	3.206	0.401		7.992	0.000
Organizational Factors	0.013	0.005	0.355	2.577	0.013
Dependent Variable: Implementation of the law Predictors: (Constant), Organizational Factors, Access to Finance					

Step two mediation results showed that the combined effect of organizational factors on access to finance was positive and significant ( $\beta = 0.013$ ; P-value < 0.05). This necessitated moving on to step three.

**Step 3:**  $Y = \beta_0 + \beta_3 X_3 + \varepsilon$  where: - Y – Implementation of the Law;  $X_3$  - Access to Finance;  $\varepsilon$  - Is the error term and  $\beta$  – Predictor Variables Coefficients. The results for this stage are shown in Table 4.14.

Table 4.14: Mediation Step Three Results

<b>Model Summary</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
.385a	0.148	0.13	0.23723		
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.45	1	0.45	8.004	.007
Residual	2.589	46	0.056		
Total	3.039	47			
<b>Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	2.691	0.357		7.542	0.000
Access Finance	0.238	0.084	0.385	2.829	0.007
Dependent Variable: Implementation of the law Predictors: (Constant), Organization Factors Access to Finance					

The mediation results in step three indicated that access to finance has a positive and significant on the law implementation ( $\beta = 0.238$ ; P-value < 0.05). This necessitated moving on to step four.

**Step 4:**  $Y = \beta_0 + \beta_4X_4 - \beta_5X_5 + \varepsilon$  where Y – Implementation of Preference and Reservation Procurement Law;  $X_4$  - Organizational Factor;  $X_5$  – Access to finance;  $\varepsilon$  - Is the error term and  $\beta$  – Predictor variables Coefficients. The results for this phase are shown in Table 4.15.

Table 4.15: Mediation Step Four Results

<b>Model Summary</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>		<b>Std. Error of the Estimate</b>	
.521a	0.271	0.239		0.22189	
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	0.824	2	0.412	8.365	.001
Residual	2.215	45	0.049		
Total	3.039	47			
<b>Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	2.372	0.353		6.714	0.000
Access to Finance	0.155	0.084	0.252	1.85	0.071
Organizational Factors	0.009	0.003	0.375	2.753	0.008
Dependent Variable: Implementation of the Law					
Predictors: (Constant), Organizational Factors, Access to Finance					

In the last step of mediation, it was indicated that introduction of a mediation, access to finance, does not render insignificant the effect of organizational factors on implementation of the law ( $\beta = 0.009$ ; P-value < 0.05). Therefore, based on the interpretation provided by Baron and Kenny, this is a partial mediation. A partial mediation is where the path from X to Y has a reduction by absolute size.

#### **4.6 Discussion of Study Findings**

The findings demonstrated that the development of supplier skills has a positive and significant influence on the implementation of the reservation and preference law among Kenyan commercial state corporations. This means the implementation of supplier development can significantly increase the implementation of the reservation and preference law among Kenyan commercial state corporations. Supplier development ensures that the special groups will be able to understand the procurement process as required by the procuring entities. This is consistent with the findings by Singh (2015) who argued that public procurement supplier development is a critical government activity to manage costs and enhance delivery.

The findings are consistent with Yawar and Seuring (2018), both mentioned that supplier development helps the firms to manage costs and increase quality control. Liu et al. (2018) similarly supported supplier development claiming that when the supplier has in-depth technical knowledge of a technology, they may be able to suggest product or process design changes that might result in significant cost savings. In so doing, it is easier to comply to procurement rules. In addition, Gatere and Shale (2014) who looked into the challenges that Special Interest Groups confront when it comes to government procurement chances also established that supplier development through training improved the ability of people with disabilities, women, and minorities to participate in AGPO.

Secondly, the study established that the proportion of the budget allocated significantly influenced the implementation of reservation and preference laws among Kenyan commercial state corporations. This means that increasing the proportion of the budget

allocated can significantly increase the implementation of reservation and preference laws among Kenyan commercial state corporations.

The findings are consistent with those of Frenk et al. (2010) who established that adequate funding for the acquisition of predicted and quantified quantities is required to keep the procurement cycle running smoothly. Also in line with Mburu (2012) who did a study in Kajiado North to determine the obstacles that limit the implementation of public procurement rules and established that one of the factors was budgetary limits whereby when the county government limited the amounts being allocated to the special groups, it significantly affected compliance to the rule.

Thirdly, the findings also showed that the procurement structure has a positive but insignificant impact on the implementation of the reservation and preference laws among commercial state corporations in Kenya. This means that while an effective procurement structure can increase procurement efficiency and effectiveness, this increase is not significant since other factors matter more. The findings are consistent with those of Basheka (2008) who claimed that procurement structure is key in setting the foundation for later procurement actions.

The findings are also consistent with that of Thairu and Chirchir (2016) who looked into how state-owned enterprises in Kenya employed preference and reservation policies in public procurement and established that the strength of compliance lied in the arrangements procurement processes as well as the institutional set up. Similarly, a study by Lagat, Namusonge, and Berut (2016) who looked into the barriers that youth, women, and people with disabilities face when it comes to procuring goods and services in Transzoia County

Government also cited procurement procedures and enforcement among other factors as critical in determining the compliance to procurement law. Lastly, it was documented that access to finance partially mediates the relationship. This shows that even though it's not a strong factor, access to finance determines whether the law will be complied to because while the special interest groups may be able to get the tenders, lack of finance may hinder their delivery which in turn disadvantage compliance to the law.

This is consistent with Ngure and Simba result (2015) who looked into the variables that limit disadvantaged groups' access to public tendering in Kenyan government agencies, with a focus on the Kenya Ports Authority and established that access to finances was an important factor since it facilitated delivery of quality products. Elsewhere, the findings remain consistent with th of a study by Lagat, Namusonge, and Berut (2016) who looked into the barriers that youth, women, and people with disabilities face when it comes to procuring goods and services in Transzoia County Government and showed that finances were among the other important factors that hindered the special groups from delivering qual

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter summarizes the research findings, recommendations and conclusions.

Future areas of research was recommended and some limitations highlitheted.

#### **5.2 Summary of Findings**

The intent of the research was to identify organizational factors that influencing implementation of government procurement reservation laws among state owned entities in the country. The study determined the proportion of budget allocated to youth, women, and special groups among Kenyan commercial state parastatals, as well as the influence of supplier development on the implementation of public procurement preference and reservation laws among Kenyan commercial state parastatals.

It also examined the influence of procurement structure on implementation of public procurement preference and reservation laws among Kenyan commercial state parastatals. Structured questionnaires were gathered through primary data from commercial state corporations. From the analysis, it was indicated that supplier development was implemented to a high extent, apart from conducting training for the special group which has been implemented to a moderate extent. Additionally, it was established that commercial state cooperation's has put in place effective procurement structures. The

results also indicated that commercial state entities in Kenya allocate up to 30% of the budget to the disadvantaged groups as the law demands.

It was also found that majority of the disadvantaged suppliers have challenges in regard to access to finance. The inferential findings showed that organizational factors account for up to a fifth of the variation in implementation of the preference and reservation law among Kenyan commercial state corporations. All the factors had a positive effect on the law implementation. However only supplier development and budget allocated had a significant impact.

On the contrary, procurement structure had a positive but less significant influence on implementation of the reservation and preference law among commercial state corporations in Kenya. Additionally, it was demonstrated that access to finance partially mediated the relationship between the organizational factors and implementation of the law.

### **5.3 Conclusion**

The study concludes that some supplier development exercises, such as capacity building for underserved groups, has not been adopted by commercial state corporations. It was also concluded that the procurement structure among state owned commercial corporations was effective, with honest bid evaluation procedures, contract award and tendering procedures as required by law. It is also possible to conclude that the majority of the state-owned commercial corporations in Kenya, set aside a budget equal to 30% of the procurement budget for the preference group (as required by law).

Furthermore, it was ascertained that majority of the disadvantaged suppliers have challenges in regard to access to finance. Another conclusion is that the most critical factors that affect implementation of the law are supplier development and budget allocation. However, procurement structure has an insignificant effect. In addition, access to finance played a role in implementation of the law.

#### **5.4 Recommendations**

On the basis of the results, the study suggests an improvement in adoption of supplier development practices such as conducting training for the special groups since these have been implemented to a moderate extent. Even though procurement structures among the commercial state corporations was transparent especially the bid evaluation procedure, contract award procedure as well as tendering procedure as required by law, its effect on implementation of the law was not significant hence a need to further improve its implementation.

Given that access to finance played a role in implementation of the law as demonstrated by challenges in accessing funds, there was a need for the corporations to pursue alternatives ways of funding the special groups. National Government should devise intervention strategies or policies to ensure that special groups have easy access to funds in order to participate in public procurement. Finally, as part of the recommendation, the Public Procurement Authority should establish an independent body to facilitate capacity development of special groups.



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

Low response rate, this was attributed to COVID-19 pandemic which demanded that some employees work from home especially those above 50 years. Therefore, there was absence of most of the targeted respondents. However, efforts were put in place to improve the response rate by using both emails and physical means. The respondents were also allocated more additional time to respond to the questionnaire.

### **5.6 Suggestions for Additional Research**

The paper only examined commercial state corporations. Further research should be conducted on all state corporations in order to compare findings and strengthen policy recommendations. There is also a need for additional research to look at organizational factors other than the three examined in this study. This will aid in the discovery of finer details. For comparison purposes, other public sectors, such as Institutions and Ministries, should also be considered.

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## Appendix I: Letter for Research



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15 November 2021

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

**INTRODUCTORY LETTER FOR RESEARCH**  
**SHAN MATTHEW KOFI – REGISTRATION NO.D61/17828/2018**

This is to confirm that the above named is a bona fide student in the Master of Business Administration degree program in this University, He is conducting research on "*Organization Factors Influencing Implementation of Public Procurement Preference & Reservation Law Among Kenya Commercial Parastatals.*"

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your assistance will be highly appreciated.

Thank you.



For: MSc. Human Resource Management Co-Ordinator,  
Faculty of Business



**Appendix II: Questionnaire**

**Introduction:**

Please check the following boxes as appropriately: Information provided will be used and kept confidential for the study intend.

**Section A: Information on Demographic**

**1. Please specify the type of commercial services provided by the organization.**

-----  
-----

**2. When was the Parliamentary Act that established the Organization passed?**

-----  
-----

**3. Kindly state how old is the organization now.**

-----  
-----

**4. How frequent the organization prepare a procurement plan?**

Annually

Semi-annually

Is there another time period? .....

**5. Please state how long you have been in the position you currently hold.**

Less than three (3) Years

Four (4) to Seven (7) Years

Seven (7) years and above

**Section B: Organizational Factors**

This section contains questions about organizational factors such as supplier development, procurement structure, budget allocation proportion, and access to finance. Please indicate your level of agreement or disagreement with the statement on a scale of 1 to 5, with 1 indicating very small extent (VSE), 2 indicating small extent (SE), 3 indicating moderate extent (ME), 4 indicating high extent (HE), and 5 indicating very high extent (VHE).

No.	Statement	1	2	3	4	5
<b>Supplier Development</b>						
4	The organization conducts training for the disadvantaged groups					
5	The organization sensitization forum for the disadvantaged groups					
6	The organization conducts vetting of the suppliers to determine their capacity to supply					
7	The organization supplier appraisal of quality of goods and services provided by the disadvantaged groups					
<b>Procurement Structure</b>						
8	The procurement department has put in place a comprehensive procurement plan to accommodate all procurement needs					
9	The bid evaluation procedure is transparent					
10	The formation of evaluation committee procedure is transparent					

11	The contract award procedure is transparent				
12	The tendering procedure is transparent				
13	The procurement procedures adhere to the preference and reservation law				
<b>Proportion of Budget Allocated</b>					
14	The organization sets aside a budget equal to 30% of the procurement budget for the preference group				
15	The organization ensures that the budget set aside for the reservation groups fulfills its mandate				
16	The organization ensures that up to 30% of the value of contracts awarded is to the preference groups				
17	There is no bias in budgetary allocation against the disadvantaged group				
<b>Access to Finance</b>					
18	Most of the disadvantaged suppliers struggle to deliver quality services and goods due to lack of funds				
19	Most of the special group/suppliers forfeit their contracts because unavailability of finance				
20	Most of the special group/suppliers are short of capacity to deliver as required due to financial challenges				
21	Most of the special group/suppliers don't fulfill their LPOs due to financial challenges				

**22. Kindly explain the frequency of training and sensitization forum on the disadvantaged groups in a year.**

Less than 3 times

Between 4 and 7 times

More than 7 times

**23. How often is the procurement plan reviewed?**

Semi Annually

Annually

**Kindly indicate the Proportion of Allocated Budget to Target Group for the last 4 years.**

Year	Proportion of Allocated Budget (%)
2017/2018	
2018/2019	
2019/2020	
2020/2021	

**Please indicate the number of special group’s suppliers who have not completed their contracts due to financial difficulties.**

Year	Number
2017/2018	
2018/2019	
2019/2020	
2020/2021	

**Section C: Implementation of the Preference & Reservation Law**

To which extent has your organization achieved the following in terms of preference and reservation law implementation? Using a scale where 1 denotes a very small extent, 2 denotes a small extent, 3 denotes a moderate extent, 4 denotes a high extent, and 5 denotes a very high extent.

No.	Comment	1	2	3	4	5
26	Appropriate budget allocation for procurement opportunities for disadvantaged groups					

27	Adherence to quarterly reporting requirements on procurement opportunities available to disadvantaged groups					
28	The frequency with which the authority's suppliers' performance is evaluated					
29	Suppliers' development of underserved groups through training and the organization of sensitization forums					
30	The frequency of supplier complaints about unfair procurement opportunity distribution and the existing feedback mechanism					

### **Appendix III: List of commercial States Parastatals**

1. UNES
2. National Oil Corporation of Kenya
3. Nzoia Sugar Company
4. Telkom Kenya Limited
5. Pyrethrum Board of Kenya
6. National Water Conservation and Pipeline Corporation
7. Postal Corporation of Kenya
8. Numerical Machining Complex
9. South Nyanza Sugar Company
10. Agrochemical and Food Company
11. School Equipment Production Unit
12. National Housing Corporation
13. Chemilil Sugar Company
14. National Cereals & Produce Board
15. Kenya Literature Bureau
16. Kenya Airport Authority
17. East African Portland Cement Co.
18. Kenya Wine Agencies
19. Kenya Safari Lodges Hotels
20. Gilgil Telecommunication Industries
21. Kenya Electricity Generating Company
22. Kenya Power & Lightning Corporation

23. Kenyatta International Conference Center
24. Kenya Port Authority
25. Kenya Seed Company Limited
26. Kenya Medical Supplies Agency
27. Jomo Kenyatta Foundation
28. Kenya Broadcasting Corporation
29. Kenya Railways Corporation
30. Kenya Pipeline Company Ltd
31. Kenya Ordnance Factories Corporation

**This information was derived from the 2020 State Corporation Advisory Committee Report.**