PROCUREMENT PROCESSES AND ORGANIZATIONAL PERFORMANCE OF SELECTED PUBLIC INSTITUTIONS IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ENTREPRENEURSHIP AND ECONOMICS, SCHOOL OF BUSINESS AND ECONOMICS, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION WITH A SPECIALIZATION IN PROCUREMENT AT THE COOPERATIVE UNIVERSITY OF KENYA.

NOVEMBER, 2024

DECLARATION

This project is my original work and has not been presented for award of a degree in any other University.

Signature  Date 13/11/2024

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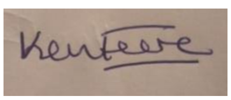
MBAC01/6529/2021

We affirm that the candidate conducted the work described in this project under our guidance, and it has been submitted with our endorsement as their university supervisors.

Signature  Date 13/11/2024

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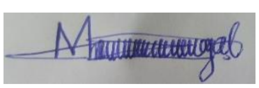
Signature  Date 13/11/2024

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DEDICATION

I dedicate this research project to my parents who have supported me financially and morally to be able to complete this project, my supervisor for his guidance throughout the project. I also dedicate this to my siblings and friends at large. May God bless you.

ACKNOWLEDGEMENT

First, I would like to acknowledge the almighty God for good health, knowledge wisdom and strength to carry out this research project, I also express my special thanks to my able supervisor for his continuous guidance and patience during my project -writing period. I also thank my entire family for their moral and financial support throughout this period.

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ABBREVIATIONS AND ACCRONYMS

CEO………………………………………. Chief executive Officer

CPO……………………………………...Chief Procurement Officer

KeNHA……………………………………. Kenya National Highways Authority

KRA…………………………………………Kenya Revenue Authority

PFM…………………………………………. Public Finance Management

PM………………………………………… Performance Measurement

PSASB………………………………………. Public Sector Accounting Standards Board

SCM…………………………………………. Supply Chain Management

TCM…………………………………………. Transactional Cost Management

VAT…………………………………………. Value Added Tax

ABSTRACT

Effective procurement processes are crucial for improving the performance of public sector organizations. The purpose of this study was to investigate the influence of procurement process on the performance of public sector organizations. It was guided by the following specific objectives: i) to establish the effect of procurement planning on performance of the public sector organizations; ii) to evaluate the effect of Supplier selection on performance of the public sector organizations; iii) to examine the effect of Contract management on performance of the public sector organizations. The study was guided by the Principal-Agent and Transaction Cost theories. The study employed a descriptive research design. 200 structured questionnaires were distributed and 188 successfully returned for data analysis, representing a response rate of 94%. The sample was drawn from top-level managers, middle-level managers, and support staff involved in procurement processes. The data were analysed using SPSS v28 and presented in tables and graphs. Data analysis, including correlation and regression, showed that procurement planning, supplier selection, and contract management all positively influenced organizational performance, with contract management having the strongest impact (16% variance in performance). Procurement planning and supplier selection had weaker but still significant effects. The study concludes that enhancing contract management and procurement processes leads to better organizational performance. It is recommended that public sector organizations invest in improving procurement planning, supplier selection, and especially contract management for greater performance. Further studies could explore additional variables such as procurement technology and the role of transparency in improving public sector procurement.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Procurement processes are highly significant in the public sector, as they typically constitute a vital element of transparent organizational expenditure. Indeche et al (2022), emphasize that procurement processes include the measures adopted by purchasing entities to manage and incorporate their operations, aiming to enhance efficiency by reducing expenses and time consumption. Procurement involves tasks such as supplier selection, strategic evaluation, defining payment terms, contract negotiation, and the actual procurement of goods (Sönnichsen & Clement, 2020). According to Nani & Ali (2020), procurement is a sequence of actions focused on securing essential goods, services, and labor for an organization's needs. On a global scale, public procurement has emerged as a subject of deliberation and discourse, prompting initiatives for reforms, organizational restructuring, and adherence to regulations (Sönnichsen & Clement, 2020). Numerous studies have thoroughly explored this topic, particularly in examining the relationship between the procurement process and the performance of public sector organizations.

1.1.1 Global Perspective

From a global perspective, Espino-Rodríguez and Taha (2022), in their study conducted in Spain, highlighted the substantial positive influence of procurement practices, such as purchasing models, on organizational performance. They emphasized the essential role of strategic procurement processes in improving efficiency and competitiveness. They found that efficient procurement practices enhance competitiveness by improving efficiency in supply chain which has a wide-reaching positive impacts on production and financial performance. Similarly, Harb et al. (2019) through their study conducted in the USA provide a broader empirical classification of procurement processes, illustrating that varied procurement processes and approaches has the power to influence performance outcomes across different organizational contexts. For instance, they argued that efficient procurement processes enhance the productivity of the organization. These studies collectively suggest that effective procurement practices are pivotal to achieving operational excellence and strategic goals, underscoring the need for a nuanced understanding and implementation of procurement strategies globally.

1.1.2 Regional Perspective

Kombe's (2020) research in Tanzania examined the impact of procurement practices on the performance of public organizations, indicating the vital role of procurement reforms in improving transparency, efficiency, and overall service delivery. The study conducted by Nangpiire, Gyebi, and Nasse (2024) investigates the relationship between sustainable procurement practices and organizational performance in small and medium enterprises (SMEs) in Ghana. It emphasizes the growing importance of sustainability in procurement processes and its potential to enhance performance metrics such as efficiency, cost savings, and overall competitiveness. The literature suggests that incorporating sustainability into procurement can lead to better resource management, reduced waste, and improved supplier relationships, which collectively contribute to enhanced organizational performance. Previous research also indicates that sustainable procurement practices can drive innovation and market differentiation, offering SMEs a strategic advantage in a competitive market (Amoako et al., 2021). However, challenges such as higher initial costs and the need for specialized knowledge may hinder the adoption of these practices. Even though the broader impacts of procurement processes on performance can be similar regardless of the region, there are some unique challenges to Africa that necessitate a look into African perspective.

1.1.3 Local Perspective

Focusing on Kenya, Mwaririe and Nyambura (2024) investigated public universities in the Nairobi Metropolitan Region and found that procurement methods, such as tendering, supplier evaluation, and purchase monitoring, have a significant impact on procurement performance regarding costs, lead times, and quality. Their findings suggest that effective procurement practices are essential for enhancing operational efficiency and achieving cost savings in public universities. Obiero and Ngugi (2024) examine e-procurement practices within Kiambu County Government, revealing that e-auction, e-tendering, e-ordering, and e-invoicing positively impact organizational performance. E-procurement practices improve efficiency, transparency, and accountability, leading to significant time and cost savings. The study emphasizes the significance of implementing technology-driven procurement processes to improve the performance of public sector entities. Muema (2021) investigates sustainable procurement practices across Kenyan county governments, finding that economic and ecological procurement practices significantly enhance organizational performance, while social procurement practices have no noticeable impact. This study underscores the value of integrating sustainability into procurement to improve cost efficiency, timeliness, and service delivery, recommending broader adoption of sustainable practices to bolster overall performance. Mungai and Ndeto (2023) investigate procurement management practices in petroleum firms within Nairobi City County, demonstrating that both procurement planning and contract management have significantly positive effects on firm performance.

Mutuku, Agusioma, and Wambua (2021) highlight that many public institutions, spanning both developing and developed countries, have enacted reforms in their procurement systems, including legal frameworks and regulations. However, a significant challenge has been the insufficient adherence to these regulations. Public institutions are notable for their substantial expenditures, often operating with substantial budgets (Wanna, et al., 2020). Furthermore, the World Bank (2020) supports the idea that public procurement comprises a significant share, ranging from 13% to 20% of the global Gross Domestic Product (GDP). The critical role of public procurement in facilitating service delivery is widely recognized, underscoring its significance.

1.1.4 Key Public Sector Organizations

Public sector organizations are parastatals or institutions that are under the governments' ownership, operations and funding with a special aim of providing public goods and services (Mlambo, 2019). These organizations encompass a wide array of entities, including ministries, departments, authorities, commissions, parastatals, and local government bodies. They operate within the framework of government policies and regulations and are accountable to the public and elected officials (Kuziemski & Misuraca 2020). Globally, these organizations are very pivotal in engancing societal growth by enhancing socio-economic development and governance of countries (Mlambo, 2019). In Kenya, public sector organizations play a crucial role in driving national development initiatives. They are also suited as government tools for policy implementation and essential services delivery to citizens (M'Mugambi et al., 2020). Since gaining independence in 1963, Kenya has witnessed significant growth in its public sector, with the establishment of numerous government agencies across various sectors.

These organizations operate at the national, county, and local levels, each with specific mandates aimed at promoting social welfare, economic growth, and good governance. As of 2023, Kenya is estimated to have over 263 public sector organizations at the national and county levels

(Mutsoli, 2023). These entities span diverse sectors, including but not limited to health, education, agriculture, infrastructure, finance, and security.

Public sector organizations in Kenya exhibit remarkable diversity in terms of size, scope, functions, and levels of autonomy. At the national level, ministries oversee policy formulation and implementation within their respective sectors, while parastatal bodies are tasked with implementing specific programs or managing state-owned enterprises. County governments, on the other hand, administer local services and development initiatives tailored to their jurisdictions, further enriching the landscape of public sector entities.

Notwithstanding the challenges, public sector organizations in Kenya have made significant contributions to the country's development trajectory. Through their efforts in infrastructure development, social services provision, policy implementation, and regulatory functions, these entities have helped improve living standards, promote economic growth, and enhance governance systems. While there are over 200 public sector organizations, this study will focus on just three for practicality reasons. The three public sector organizations include public sector accounting standards board (PSASB), Kenya Revenues Authority (KRA), and Kenya National Highways Authority (KeNHA). The choice of PSASP, KENHA, and KRA organizations is due to their critical roles in the Kenyan public sector. The Public Sector Accounting Standards Board (PSASP) is pivotal in setting and monitoring public sector accounting standards, which requires efficient procurement processes. The Kenya National Highways Authority (KeNHA) is responsible for the national road network, and its procurement processes directly impact infrastructure development. The Kenya Revenue Authority (KRA) plays a key role in revenue collection and tax administration, where effective procurement is essential for operational success. These sectors were chosen for their representative nature and significant impact on public sector performance in Kenya.

Public Sector Accounting Standards Board (PSASB)

The Public Sector Accounting Standards Board (PSASB) is a company founded by the Public Finance Management Act, 2012, underscores the importance of stringent procurement processes for public sector standards setting and monitoring (Indeche et al., 2022). Efficient, transparent procurement is essential for PSASB to function effectively (Rendon, 2019). Proper procurement planning and supplier selection are critical for resource availability and quality service provision, respectively. Conversely, challenges such as resource gaps and subpar service acquisitions pose significant risks

(Bag et al., 2020; Jahani, 2021). This study aims to explore these procurement challenges within PSASB, offering insights and practical solutions to improve procurement practices across Kenya's public sector.

Kenya Revenue Authority

The Kenya Revenue Authority (KRA), established in 1995 under the Kenya Revenue Authority Act, CAP 469, plays a pivotal role in Kenya's economy by enhancing revenue collection and tax administration efficiency (OECD, 2020). KRA's primary responsibilities include collecting various taxes and facilitating trade, critical for funding public services (Kenya Revenue

Authority, 2024). Its procurement processes, governed by the Public Procurement and Asset Disposal Act, 2015, aim for transparency and value for money, essential for operational success (Public Procurement Regulatory Authority, 2024).

Despite structured procurement policies, KRA faces significant challenges such as bureaucratic delays (Tyce, 2020), corruption risks (Omar, 2020), and resource limitations, impacting its efficiency and the integrity of procurement processes. Ensuring vendor integrity also presents difficulties, complicating efforts to maintain ethical standards in procurement (Fourie & Malan 2021). Addressing these issues is crucial for KRA to fulfill its mandate effectively, ensuring the Kenyan government can provide essential services through optimal revenue collection.

Kenya National Highways Authority (KeNHA)

Kenya boasts an extensive 161,455-kilometer road network, managed primarily by the Kenya National Highways Authority (KeNHA) established in 2008 under the Kenya Roads Act (Kenya Roads Board, 2023). KeNHA's functions include planning, designing, and constructing national highways, ensuring safety and efficient transportation, guided by the Public Procurement and Asset Disposal Act, 2015 (Kenya National Highways Authority, 2024). Challenges such as funding constraints impacting project implementation and potential shortcomings in technical expertise affecting procurement decisions persist. The study aimed to examine the procurement processes of KeNHA and the Kenya Revenue Authority, crucial contributors to Kenya's development, addressing common challenges to enhance public sector performance.

1.2 Statement of the Problem

Procurement is considered a vital aspect of management plans that aim to achieve effective performance in public institutions and contribute to the nation's growth. When properly planned and executed, procurement can serve as an economic tool that supports national development (Demircioglu & Vivona 2021). Many developing nations encounter difficulties arising from the swift evolution of procurement methods, which impact the effectiveness of procurement operations and overall performance, both internally and externally (Lysons & Farrington 2020.

Procurement processes are often fragile and susceptible to frequent disruptions (Ferreira et al. 2021)). Delays and occasional failures to provide goods to designated organizations place a strain on these institutions, resulting in a decrease in procurement and supply performance for major public organizations (Manasse, 2022). Considering that about 70% of spending is allocated to purchasing and procurement significantly contributes to an organization's profitability by over 25%, institutions need to determine how procurement practices can contribute to meeting organizational goals (Jibrin, et al, 2014).

Multiple studies have explored the relationship between procurement and organizational performance, yielding diverse findings. For example, Ekirapa-Kiracho et al., (2022) found that strategic procurement management directly affects the financial performance of Ugandan health institutions. Similar research is necessary in a different context, specifically within Kenyan public institutions, like the Public Sector Standards Board (PSASB); Kenya Revenue Authority (KRA) and the Kenya National Highways Authority (KeNHA).

1.3 Objective of the Study

The main objective of this study was to investigate the influence of procurement process on the performance of public sector organizations.

1.3.1 Specific Objectives

1. To establish the effect of procurement planning on performance of the public sector organizations.
2. To evaluate the effect of Supplier selection on performance of the public sector organizations.
3. To examine the effect of Contract management on performance of the public sector organizations.

1.3.2 Research Questions

1. What is the effect of procurement planning on performance of the public sector organizations?
2. How does Supplier selection impact performance of the public sector organizations?
3. Does Contract management impact performance of the public sector organizations?

1.4 Scope of the Study

This research concentrated on the effect of procurement processes on the performance of three governmental organizations in Kenya: the Public Sector Accounting Standards Board (PSASB), the Kenya Revenue Authority (KRA), and the Kenya National Highways Authority (KeNHA). Due to the intricate and extensive nature of procurement processes, the study focused on four key components that are essential for the success of procurement operations and have the potential to influence the performance of public sector entities. The research was carried out over a span of eight months.

1.5 Significance of the Study

The study was important for several reasons. Primarily, it aimed to deepen the understanding of how procurement processes affect the performance of the Public Sector Accounting Standards Board (PSASB), Kenya Revenue Authority (KRA), and the Kenya National Highways Authority (KeNHA). This research is particularly relevant given the increasing concerns regarding the efficiency and transparency of public sector procurement in Kenya. Recent instances of corruption in procurement and tendering processes among government entities further underscore the need for this study, as it seeks to comprehend how these practices influence overall performance. By analyzing the impact of procurement processes on the public sector's effectiveness, this research identifies potential areas for improvement. The findings will offer valuable insights for policy changes intended to enhance procurement practices not only within the three organizations studied but also throughout the broader public sector.

The study also sheds light on the broader implications of procurement processes on the functioning of public sector entities. PSASB, KRA and KeNHA are vital institutions for standard-setting, revenue collection and highway maintenance and their operational effectiveness has far-reaching impacts on the overall public sector in many sectors such as financial reporting landscape, transportation landscape and revenue collection and allocation in Kenya. Therefore, findings from this research could provide invaluable lessons for other public sector entities, thereby promoting greater efficiency and accountability in the public sector as a whole.

Furthermore, the findings of this study could provide a reference point for similar research in different regions or sectors. In this way, it adds to the wider body of knowledge regarding procurement processes in the public sector, extending beyond the context of Kenya. Additionally, the study may act as a foundation for future researchers who can build upon its insights in subsequent investigations

1.6 Operational Definition of Terms

Organizational Performance

Organizational performance means how well an institution actually does things and achieves what it aims for. In the case of this study, financial performance was used as a measure of performance of the procurement approaches employed

Procurement Processes

Procurement processes include different actions like planning what to buy, controlling how things are bought, checking if everything is going well, training the workers, and also keeping track of the things, we have. The procurement processes employed by the organization was measured by collecting data from the employees of the public sector organizations, especially those in the procurement department through structured questionnaires.

Supplier Selection

Supplier selection involves evaluating and choosing organizations based on criteria such as price, quality, reliability, and service to ensure the best value for the organization.

It was measured using questionnaires.

Procurement Planning

Procurement planning can be defined as strategic approach of the identification of organizational needs, defining specifications, and scheduling purchase activities to ensure that procurement of goods and services are cost effective and timely. This was measured using structured questionnaires.

Contract Management

Contract management encompasses the administration of contracts between an organization and its suppliers, focusing on performance monitoring, adherence to terms, and managing changes or disputes. In this study, it was one of the measures of procurement processes of a company. Contract management, being a process, can be measured through several indicators. The researcher used qualitative assessments using questionnaire such as feedback from stakeholders on contract performance to evaluate the effectiveness of contract management practices.

1.7 Limitations of the Study

This study concentrated solely on three public sector organizations in Kenya: the Public Sector Accounting Standards Board (PSASB), the Kenya Revenue Authority (KRA), and the Kenya National Highways Authority (KeNHA). This limited focus may not capture the complete range and intricacies of procurement processes in other public organizations, potentially impacting the overall applicability of the findings.

Time constraints also limited the study to an eight-month period, which may not have allowed for a thorough longitudinal analysis of procurement processes and their effects on performance.

While the study used a sample size of 200 participants, the results may not fully represent the broader population of public sector employees involved in procurement processes, especially in smaller or less prominent public institutions.

The reliance on self-reported data via questionnaires is also a limitation, as it may introduce bias due to respondents potentially providing socially desirable answers rather than truthful or accurate responses.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The main focus of this section is review of available literature on the study topic. Theoretical foundation rooted in prominent theoretical frameworks were reviewed. The chapter looked at general literature and empirical literature analysis scrutinizing research findings and identifying research gaps. The conceptual framework was also analyzed in this chapter.

2.1 Theoretical Literature Review

The Principal-Agent Theory and the Transaction Cost Theories formed the foundation of arguments in this study. The Principal-Agent Theory illustrate the relationship between the government (principal) and PSASB (agent), while the latter emphasizes the cost implications of procurement processes.

2.1.1 Principal-Agent Theory

The Principal-Agent Theory, a key concept in economics and organizational theory, sheds light on the complexities that arise in relationships where an agent is entrusted with acting in the best interest of the principal, as noted by Waterman & Meier (1998). This framework is especially pertinent for analyzing procurement processes in public sector entities such as the Public Sector Accounting Standards Board (PSASB), the Kenya Revenue Authority (KRA), and the Kenya National Highways Authority (KeNHA). At the core of this theory are the ideas of adverse selection and moral hazard, which present significant challenges in these relationships. Adverse selection refers to the principal's difficulty in evaluating the agent's abilities, while moral hazard involves the agent potentially engaging in behaviors that oppose the principal's interests, often due to challenges in oversight (Hu et al., 2023).

In practical terms, adverse selection may manifest during supplier selection, complicating the assessment of a supplier's ability to fulfill contractual obligations. Moral hazard could arise in contract management, with suppliers potentially under delivering, relying on the principal's challenges in effective oversight. The theory suggests these issues can be mitigated by aligning interests through incentives and reducing information asymmetry, thus enhancing procurement processes' transparency, accountability, and efficiency (Lapuente & Van de Walle, 2020; Bellavitis et al., 2019).

Applying these insights, public sector organizations like PSASB, KRA, and KeNHA can address the principal-agent dilemmas by implementing comprehensive procurement planning, rigorous audits, and strategies that reduce adverse selection and moral hazard. Such measures can foster trust, accountability, and value creation, benefiting the government, taxpayers, and the broader public.

2.1.2 Transaction Cost Theory

Transaction Cost Theory (TCT), initially formulated by Ronald Coase and further developed by Oliver Williamson, is integral in understanding the costs associated with organizational transactions and exchanges (Cuypers, 2021). In the realm of procurement, TCT provides insights into decision-making processes related to in-house operations versus external procurement. TCT identifies three transaction costs influencing procurement decisions: Search and Information Costs, incurred in identifying potential suppliers and gathering necessary information, can be minimized through effective procurement planning and streamlined search processes (Rindfleisch, 2020).

Bargaining and Decision Costs, associated with negotiating contracts and supplier selection, can be reduced through standardized procurement processes, fair competition, and effective contract management. Policing and Enforcement Costs, involving monitoring supplier adherence to contractual terms, can be mitigated with rigorous procurement audits and an efficient legal system

(Rindfleisch, 2020). Understanding these costs is crucial for organizations like the Public Sector Accounting Standards Board (PSASB), aiding in informed decisions about internal management or outsourcing to enhance operational efficiency. By considering transaction costs, PSASB can balance cost efficiencies with the quality of procured goods and services.

For Kenya Revenue Authority (KRA), operating in a complex tax environment, transaction costs play a vital role. Diverse tax types and compliance requirements pose challenges in procurement planning and supplier selection (Juma et al., 2020). TCT emphasizes the need for effective policing and enforcement measures to combat tax evasion and fraud. For technologies and services procurement, ongoing monitoring and audits are essential to address non-compliance and enforce contractual obligations. Kenya National Highways Authority (KeNHA), managing a vast road network, faces unique challenges. Transaction costs, including expenses related to searching for information, bargaining, and decision-making, play a significant role in the intricate procurement processes associated with road infrastructure projects. Managing technical specifications, environmental factors, and budget limitations necessitates customized strategies to enhance resource allocation and effectively fulfill project requirements.

The three government institutions, PSASB, KRA, and KeNHA, confront distinct challenges and transaction costs in their procurement processes. TCT serves as a valuable framework for analyzing and enhancing these processes, contributing to improved efficiency, transparency, and effectiveness in line with their organizational objectives of industry regulation, revenue collection, and infrastructure development.

2.2 Empirical Literature Review

This section of the research proposal reviews the existing literature relevant to the proposed study, particularly focusing on the procurement processes and their impact on the performance of public sector organizations.

2.2.1 Procurement Planning and Organizational Performance

Procurement planning plays a crucial role in simplifying the acquisition of goods and services while promoting effective resource management; therefore, it is essential for improving overall organizational performance. Onyango (2012) used the Mombasa Law Court as a case study to investigate how procurement strategy affects the operation of public institutions. Assessing the function of cost estimation, need analysis, and quality standards in procurement planning was one of the study's goals. The study found that proper procurement planning significantly contributes to the overall success and operational efficiency of public institutions. Institutions that adhered to structured procurement planning experienced improved performance due to better cost management and resource allocation.

In a similar vein, Kihara and Ngugi (2013) investigated how Nyayo Tea Zones Development Corporation (NTZDC) performance was affected by procurement planning. Their study aimed to ascertain the effects of operating costs, personnel competency, ICT adoption, and supplier participation on procurement strategy. With a sample size of 600 employees, the researchers used primary and secondary data in a descriptive study methodology. The findings revealed that supplier participation and the adoption of modern technologies, such as ICT, significantly enhanced procurement planning and, subsequently, organizational performance. Additionally, the study concluded that improving staff competency and better managing operational costs contributed to more efficient procurement planning, ultimately driving better organizational outcomes.

The literature emphasizes the vital importance of procurement planning in enhancing organizational performance. By concentrating on essential factors such as supplier management, the integration of technology, staff expertise, and the management of operational costs, organizations can optimize their procurement processes and attain improved outcomes.

2.2.2 Supplier Selection and Organizational Performance

The strategic selection of suppliers plays a crucial role in boosting operational efficiency and performance. Research by Wagner et al. (2019), Monczka et al. (2015), and Flynn et al. (2010) shows that thorough supplier selection processes lead to improved product quality, fewer disruptions in the supply chain, and enhanced organizational performance. Choosing the right suppliers is a vital decision that can greatly influence an organization’s overall success. Empirical studies highlight the significance of strategic supplier selection in attaining superior performance outcomes.

Monczka et al. (2021) emphasized the importance of supplier management in the procurement process, particularly in the case of small, non-replaceable suppliers. The authors highlighted that the increasing involvement of suppliers in company processes necessitates strategic supplier relationship management through purchasing. They found that the majority of companies work closely with non-replaceable suppliers and monitor them rigorously to quickly intervene in cases of performance deviations. Effective procurement planning with such suppliers is crucial to maintaining performance levels and addressing market fluctuations, quality concerns, and logistical challenges.

According to Wagner et al., 2019; Monczka et al., 2015). Empirical evidence suggests that supplier selection based on innovation capabilities enhances an organization's innovation potential. Collaborating with innovative suppliers leads to the introduction of new ideas, technologies, and processes, fostering competitive advantage (Wagner et al., 2019; Monczka et al., 2015).

2.2.3 Contract Management and Organizational Performance

Contract management significantly contributes to enhancing organizational performance through effective procurement processes and the establishment of robust buyer-supplier relationships. Kingoto and Ismail (2021) investigated the performance of commercial state corporations in Nairobi City County, Kenya, concerning procurement contract management. The study involved 112 leaders from 28 state-owned enterprises and employed a descriptive research methodology, gathering data from 88 respondents through questionnaires. The findings revealed a very strong correlation between contract structure and the performance of these corporations, with a correlation coefficient of $r = 0.839$ and a p-value of 0.000, indicating statistical significance. Similarly, a strong relationship was found between contract monitoring and performance, with a correlation of $r = 0.867$ and a p-value of 0.000. The model summary showed that 84.9% of the variation in performance could be accounted for by contract structure, contract monitoring, supplier evaluation, and contract risk assessment.

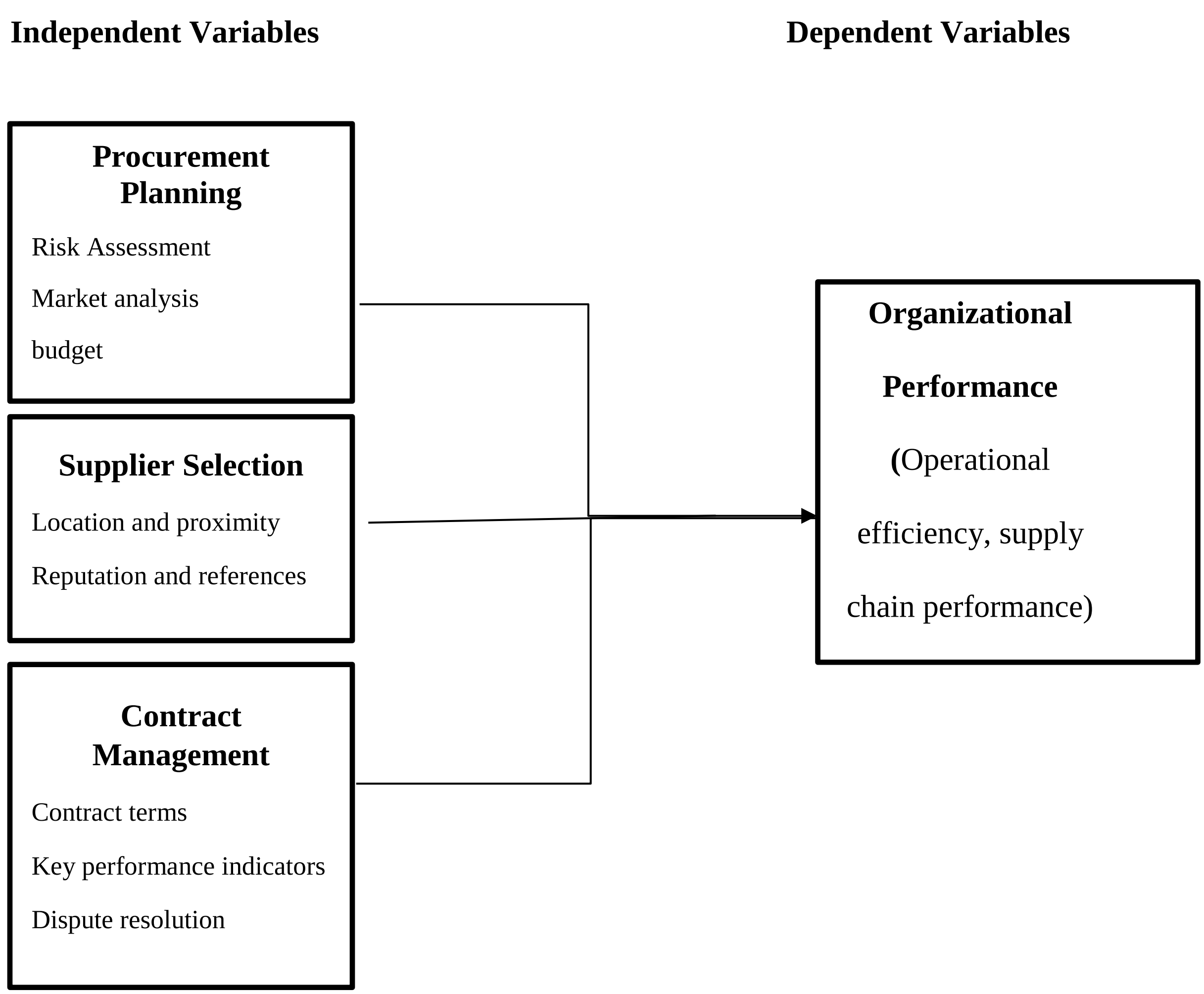
Likewise, Gamariel and Faustin (2021) evaluated the impact of contract management on the purchasing performance of the Rwanda Energy Group (REG) in Kigali. Their study, which utilized a descriptive survey design with a population of 66 respondents, found that compliance with contract conditions, contract documentation, and cost management significantly influenced purchasing performance. The study showed that 81.4% of purchasing performance was attributed to compliance with contract terms, and the authors recommended strict adherence to contract conditions and effective cost control measures to boost performance.

Wagner et al (2013) examined the complexities of procurement processes, emphasizing the importance of developing tailored purchasing strategies using models like the Kraljic Portfolio Matrix (KPM). They discussed how the KPM helps align external supplier resources with the internal needs of organizations by categorizing buyer-supplier relationships based on supply risk and profit impact. Wagner et al. (2013) found that procurement contract management can improve organizational performance by effectively managing supply risk and profit impact. Contract management according to Wagner et al. (2013) identified supply risks through factors like market conditions, supplier performance, and complexity, which could be addressed through strategic supplier relationships. The Kraljic Portfolio Model (KPM) was emphasized for classifying commodities and selecting appropriate procurement strategies, such as balance, exploit, and diversify, based on supply market conditions and purchasing power. Wagner et al. (2013) also advocated for a consensus-based approach among procurement experts to assess and position commodities, ensuring well-rounded decision-making which could significantly improve profitability.

2.3 Conceptual Framework

The conceptual model can be defined as a compilation of diverse principles and concepts sourced from related domains, organized to facilitate a deeper understanding. A conceptual framework is designed to depict the relationship between independent variables and the dependent variable, as illustrated in Figure 2.1.

Figure 2.1 Conceptual Framework



2.3.1 To establish the effect of procurement planning on performance of the public sector organizations

Procurement planning is the first independent variable while organization performance is the dependent variable. There are studies on procurement planning as the independent variable and organisational performance as the dependent variable. Proper procurement planning ensures that resources are allocated efficiently, risks are minimized, and costs are well-managed. For example, Onyango (2012) found that procurement planning positively influences institutional performance by enhancing cost management and resource allocation. Similarly, Kihara and Ngugi (2013) concluded that incorporating supplier participation, ICT adoption, and staff competency into procurement planning significantly improved the performance of organizations. Therefore, key procurement planning processes such as risk management, market analysis, and budget planning are critical in achieving operational efficiency, cost reduction, and improved organizational outcomes (Onyango, 2012; Kihara & Ngugi, 2013).

2.3.2 To evaluate the effect of Supplier selection on performance of the public sector organizations

Supplier selection is another independent variable that is a critical factor that affects the performance of public sector organizations as the dependent variable. Research by Monczka et al. (2021) shows that strategic supplier selection can enhance product quality and reduce supply chain disruptions, which in turn improves organizational performance. The choice of suppliers based on criteria such as location, reputation, and references ensures that organizations can maintain high-quality service levels and reduce operational inefficiencies. Wagner et al. (2013) also highlight that selecting suppliers with innovation capabilities can lead to the introduction of new technologies and competitive advantages for organizations. Consequently, the supplier selection process directly contributes to increased profitability and operational efficiency (Monczka et al., 2021; Wagner et al., 2019).

2.3.3 To examine the effect of Contract management on performance of the public sector organizations

Contract as an independent variable that significantly impacts the performance of public sector organizations (the dependent variable). According to Kingoto and Ismail (2021), aspects such as contract structure and contract monitoring greatly influence organizational performance, accounting for more than 84.9% of the variance in performance among commercial state corporations. Effective contract management, which entails clear contract terms, performance metrics, and efficient mechanisms for dispute resolution, helps organizations mitigate risks and ensure operational efficiency. Similarly, Gamariel and Faustin (2021) identified that adherence to contract terms and cost control measures substantially enhances purchasing performance. Therefore, strong contract management practices are directly linked to improved profitability and operational effectiveness in public sector organizations (Kingoto & Ismail, 2021; Gamariel & Faustin, 2021).

2.4 Summary and Research Gaps:

The impact of the procurement process on the performance of major public sector organizations is a significant and intricate issue within the realm of public financial management. The procurement process encompasses the procedures and practices used by government entities to acquire goods and services. The performance of these institutions is linked to their effectiveness in revenue collection, the establishment and enforcement of accounting standards, and infrastructural development, all of which ensure safety, service delivery, transparency, accountability, and accuracy in financial reporting in the public sector.

There is a need for research that evaluates the tangible effects of the procurement process on the performance of revenue authorities, highway authorities, and public sector accounting standards boards in various countries. Such studies should examine the roles of transparency, fairness, and competition in procurement, and how these factors influence the boards' independence and effectiveness. Additionally, research should investigate the connections between resource allocation processes, budgetary constraints, and the performance of public sector institutions. This involves understanding the budgetary autonomy of these organizations and its influence on their operational effectiveness. Such studies will offer insights into the actual impacts of procurement processes within government institutions, which often employ similar procurement strategies, while also determining whether the implementation of these strategies varies and how such differences affect public sector performance.

Investigating the procurement-related challenges in building and maintaining the technical expertise of public sectors in revenue collection, highways authority and public sector accounting standards boards is necessary. Understanding how procurement practices can support the acquisition of specialized knowledge and skills is crucial. Research could delve into how the procurement process influences stakeholder engagement in the standard-setting process. This includes assessing whether procurement practices encourage or hinder the participation of diverse stakeholders and the impact on the quality of accounting standards.

Comparative studies across different countries or regions can provide insights into how variations in procurement practices impact the performance of public sector accounting standards boards. Such analyses could highlight best practices and areas for improvement. Overall, research in this area is essential for improving the effectiveness and independence of Kenya revenue authority, Kenya national highways authorities and the public sector accounting standards boards, which play a vital role in ensuring financial transparency and accountability in the public sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter introduces the research design, target population, sampling methods, data collection instruments, pilot study, data collection procedures, data analysis and presentation techniques, as well as ethical considerations.

3.1 The Research Design

As stated by Kothari (2019), a research design refers to the framework that a researcher uses to organize and implement a study, including the methods and procedures employed to address the research problem or question. It provides a systematic approach for gathering and analysing relevant data. Research designs can be categorized into three primary types: exploratory, causal, and descriptive. Exploratory research aims to uncover new ideas and viewpoints, while descriptive research is useful for characterizing a population with respect to key variables. Causal research, on the other hand, is utilized to identify the cause-and-effect relationships between variables.

To explore the relationship between public sector performance and procurement methods, this study employed a descriptive design and adopted a quantitative approach. This design facilitates an analysis of how procurement processes influence the performance of three public sector organizations in Kenya: the Kenya National Highways Authority (KeNHA), the Kenya Revenue Authority (KRA), and the Public Sector Accounting Standards Board (PSASB). The quantitative aspect of the study involved collecting and analyzing numerical data to examine the relationship between independent factors (such as procurement planning, supplier selection, contract management, and procurement audits) and the dependent factor (the performance of KRA, PSASB, and KeNHA). Data was collected through structured questionnaires distributed to key personnel involved in the procurement processes of PSASB, KRA, and KeNHA. These questionnaires included closed-ended questions assessed on a Likert scale. The data collected underwent statistical analysis using regression techniques to ascertain the relationships among the variables.

3.2 Target Population

The term population' relates to a group of people or things that have common characteristics or features. The characteristics is typically shared by all in the population (Kothari, 2019). The target population for this study comprised the public sector organizations, specifically the Public Sector

Accounting Standards Board (PSASB), Kenya Revenues Authority, Kenya National Highways Authority. Respondents from these public sector organizations including top level managers such as the chief procurement officers; CEOs, middle level management and support staff who are directly/indirectly involve in making, overseeing an implementing procurement decision were sampled. These professionals possess the relevant knowledge and experience needed to provide insights into the Organization’s procurement processes and their impact on its performance. The choice of the three public sector organizations was informed by their accessibility where the researcher could easily access them and their vast procurement practices.

3.3 Sample and Sampling Technique

Sampling is the process of picking units from a given population (Campbell et al., 2020). The term "sample size" refers to a subset or a mixture of sampling units that do not include the entire set of sampling units known as the population of sampling units from a population (Campbell et al., 2020).

A purposive sampling method was employed for this study, as it required participants with specialized knowledge and experience. Purposive sampling, a non-probability sampling technique, involves selecting participants who possess specific characteristics relevant to the research (Obilor, 2023). Also referred to as judgmental sampling, this approach depends on the researcher's discretion to identify and choose participants, events, or incidents that can provide valuable insights to meet the study's objectives. This method is particularly suitable for the current investigation, as it seeks to encompass various levels of procurement management, including support staff, middle managers, and top-level executives. Additionally, the focus was on those individuals who have direct involvement and a comprehensive understanding of the procurement processes within the PSASB.

To determine the sample size, the researcher considered the total number of employees involved in procurement processes at the three government institutions KRA, KeNHA and PSASB. Generally, a minimum sample size of 200 is adequate for meaningful results in many research projects (Lakens, 2022). However, the exact number will depend on the total population size and desired confidence level.

The sample size was computed as follows

$$n = \frac{N}{1+(e)^2}$$ Where

n= sample size

N = study population

e = Margin of error is, 0.05

The estimated sample size was thus:

$$n = \frac{400}{1+400(0.05)^2} = 200$$

n= 200

The sample size as calculated was 200 individuals. The sample size of 100 is sufficient according to Lakens, (2022), therefore, the chosen sample size of 200 is sufficient to ensure the generalizability of the findings. The selected participants were distributed as follows:

Table 3.1 Sample Size Distribution

category	Population	Sampling method	Sample Size	**%**
Top Level Managers (CEOs, Chief Procurement Officers)	60	Purposive	30	15
Middle level management (Procurement officers)	120	Purposive	60	30
Support staff	220	Purposive	110	55

Total	**400**	**Purposive**	**200**	**100**

As shown in Table 3.1, the sample was distributed across the three levels of employment with 30 being top level managers, 60 being middle level managers and 110 being the support staff. This distribution reflects the face of employment across the three organizations with the top being few and the support staff being the majority. The support personnel were sampled in addition to top managers to ensure a comprehensive understanding of the procurement processes. While top managers provide strategic insights and overall assessments, support personnel often handle day-to-day operations and can provide detailed information about practical challenges and operational inefficiencies. This combination of perspectives ensures a more holistic view of the procurement process and helps identify gaps and areas for improvement. The samples was distributed equally among the three public sector institutions under study. The diverse distribution helped give diverse views on the procurement processes in the organization these selected participants were invited to participate in the study. If they agree, they were asked to fill out a questionnaire and possibly participate by filling in the questionnaire, depending on the needs of the research. Ensuring the sample is representative of the larger group is vital to the credibility and generalizability of the findings.

3.4 Data Collection Instrument

This research employed quantitative data collection methods and this involves the use of structured questionnaires. These questionnaires contained a set of standardized questions related to the procurement processes, designed to quantify the respondents' experiences and perceptions. The questionnaires were organized into four sections with the first section covering the demographic information. This involved the managerial level, level of education etc. The next three sections included testing the three specific objectives with the last section being on the performance. The participants were presented with statements on the objectives and firm performance and they were expected to answer them as per their feelings on the Likert scake (Sd-strongly disagree, D-disagree, N-neutral, A- agree, SA-strongly agree). The questionnaires were administered in-person or through electronic means, depending on the most convenient and efficient method for respondents.

3.5 Pilot Study

Six respondents participated in a pilot study that was conducted to evaluate the questionnaires' accuracy. The responders were not included in the sample itself. This ensured that the tools used to collect the information were reliable. The questionnaire underwent the requisite modifications in response to the input provided by the six respondents, and the completed version was ready for data collection. I was given an authorization from the three institutions that is the Kenya Revenues Authority, the Kenya national highways authority and the Public Sector Accounting Standards Board to carry out the research, and the university provided an introductory letter outlining the reason for the research collection. After the questionnaires were approved, they were distributed to the respondents with the aid of research support, which accelerated the pace at which the data was gathered. Two days were provided to the respondents to finish the questionnaire, and a reminder sent.

3.4.1 Validity Test

To guarantee the questionnaire’s validity, a thorough method was followed. Consulting specialists in cooperative management and organizational research reviewed and assessed the relevance, clarity, and suitability of the questionnaire items to demonstrate content validity. Their feedback guided the refinement of the questionnaire to ensure that it effectively captures the intended constructs and research objectives. Additionally, a pilot study was carried out with a small group of participants who were excluded from the primary sample. Their feedback and responses were analysed to identify any potential issues with item wording, clarity, or ambiguity. Necessary adjustments were made based on the insights gained from the pilot study.

3.4.2 Reliability Test

The questionnaire's dependability was evaluated to verify that it consistently measured the target constructs across time and among various respondents. This entailed employing internal consistency measurements like Cronbach's alpha coefficient for Likert-scale questions. A high Cronbach's alpha score suggests that the measurement is very reliable and consistent. Furthermore, a test-retest reliability analysis was carried out by presenting the questionnaire to a group of individuals on two different dates. The responses were compared over time to determine the stability and consistency of the questionnaire. By employing these methods, the research aimed at establishing a reliable instrument that consistently captures the participants' perceptions and insights related to the influence of strategy leadership, organizational culture, and stakeholder involvement on strategy implementation within the cooperative context.

3.6 Data Analysis

Descriptive statistics, including mean, median, mode, and standard deviation, were calculated to summarize the data. The relationship between the independent factors (procurement processes) and the dependent variables (performance of KRA, KeNHA, and PSASB) was analysed using inferential statistics, specifically regression analysis.

After being transcribed, the qualitative information from the interviews was thematically analysed. To do this, the data must be coded in order to find any recurrent themes or patterns. Following that, these motifs were analysed in light of the study's goals.

This combination of data collection and analysis methods provided a comprehensive understanding of the impact of procurement processes on the performance of KRA, KeNHA and PSASB. The analysis was guided by the following regression equation.

OP = $\alpha + \beta 1PP + \beta 2SS + \beta 3CM + \beta 4PA + \varepsilon$ where α is constant, β is regression coefficient, PP is procurement planning, SS is supplier selection, CM is contract management, and ε is error term.

It is essential to take into account and test a number of assumptions when using regression analysis as a statistical technique to investigate the relationship between independent variables (procurement processes) and the dependent variable (performance of PSASB, KRA, and KeNHA) in order to guarantee the validity and reliability of the findings. The researcher evaluated normality, linearity, and multicollinearity as the primary diagnostic statistics.

3.6.1 Normality

The residuals, or the variations between the expected and observed values, are assumed to follow a normal distribution. Statistical tests were used to determine if the residuals were normal, including visual assessment with a normal probability plot. The Probability Plot was drawn to determine the normality of the distribution. If normality was violated, transformation techniques (e.g., logarithmic or square root transformations) were applied to the dependent or independent variables.

3.6.2 Linearity

The assumption is that the relationship between the independent and dependent variables is linear. To ensure that this assumption was met, the researcher examined the scatterplots of the observed versus predicted values and residuals to have a visual check for linearity. The residuals was expected to exhibit a random pattern around zero, indicating a linear relationship. If linearity was not met, the researcher explored non-linear transformations of variables or polynomial regression.

3.6.3 Multicollinearity

The assumption underlying this analysis is that the independent variables are not highly correlated with one another. To assess this assumption, the researcher reviewed the correlation matrices to identify any strong relationships among the independent variables. In cases where multicollinearity was present, the researcher either combined highly correlated variables or employed dimensionality reduction techniques, such as principal component analysis. By systematically testing and addressing these assumptions, the regression analysis yielded trustworthy insights into the relationship between procurement processes and the performance of PSASB, KRA, and KeNHA. Tackling any violations of these assumptions ensured the accuracy and validity of the results, thereby strengthening the overall reliability of the research findings.

3.7 Ethical Consideration

Informed Consent: Prior to starting the research, all participants must be informed about the study's objectives, methods, potential risks and benefits, as well as their right to withdraw from participation at any time without facing negative consequences. Participation should be voluntary, and consent must be obtained before data collection commences.

Confidentiality and Anonymity: The researcher should assure participants that their identities will remain confidential. Any information collected during the research should not be linked to specific individuals. In reporting the results, the researcher should ensure that it's not possible to identify participants from the information presented. This can be done by using codes or pseudonyms instead of actual names.

Data Handling: The researcher should ensure that the data collected is securely stored and only accessible to the research team. Additionally, data should be used solely for the purposes stated in the consent form and should be disposed of appropriately once the research is completed.

Approval from Relevant Authorities: The researcher obtained necessary approvals from relevant institutional review boards or ethical committees before commencing the study. Additionally, permission was also obtained from KRA, KeNHA and PSASB to conduct the study within their organization.

CHAPTER FOUR

RESULTS AND ANALYSIS

4.1 Introduction

This section analyses the data collected and presents the results in graphs, tables and other forms of data presentation. In it, the researcher looked at the response rate, the demographic composition of the respondents including their gender, age, experience in the company and the position held within the public sector organization.. Each specific objective was analyzed and summarized, to achieve the overall objective.

Response Rate

The study focused on a sample of 200 employees from public sector organizations in Nairobi, specifically those at KeNHA, KRA, and PSASB. A total of 200 questionnaires were distributed to potential participants via Google Forms. Out of these, 188 questionnaires were completed and returned, resulting in a response rate of 94%, which is considered adequate according to Mugenda and Mugenda (2013). Consequently, the researcher analyzed the data and drew conclusions based on the 188 completed questionnaires. The response rate results are presented in Table 4.1.

Table 4.1 Response Rate

Response Rate

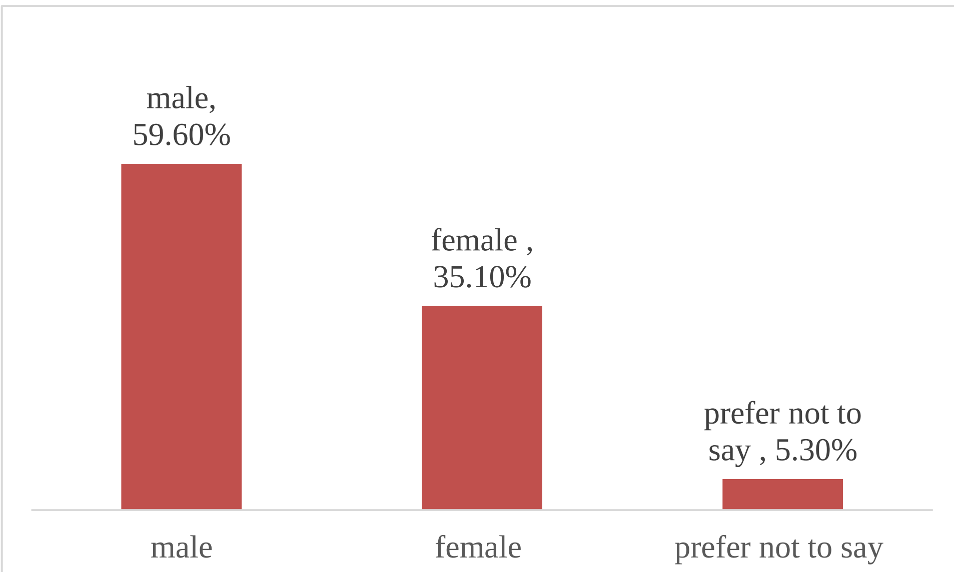
Category	Number	Percentage
Distributed questionnaires	200	100%
Questionnaires returned	188	94%

4.2 Demographic Information

Gender

Using the sample of 188 returned questionnaires, 112 were male representing 59.6%%, 66 were female, representing 35.1% and 10 responded “prefer not to say” representing 5.3%. The gender representation is presented in Figure 4.1

Figure 4.1 Gender Representation

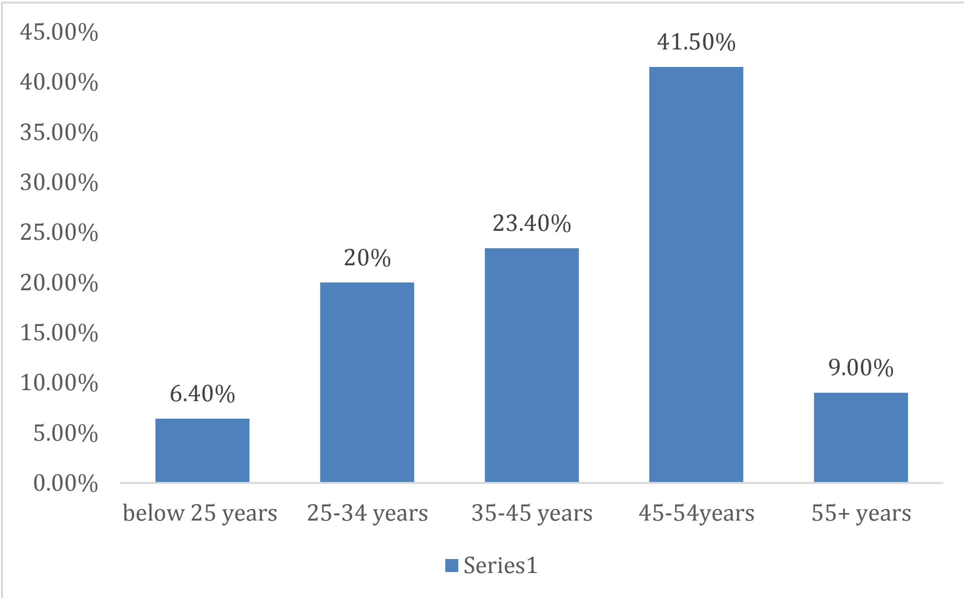


In Figure 4.1, the male were generally more than the female.

Age

The participants were also asked to present their age which would be in range. The result of age range is presented in Figure 4.2

Figure 4.2 Age Distribution



The results showed that 12 people were below 25 years, 37 were between 12-34 years 44 were between the age of 35-44 years, 78 were between 44-55 years and 17 were above 55 years. The results were converted to percentages and presented in figure 4.2. It shows that the largest proportion was those within 44-55 years while the smallest was those below 25 years at 41.5% and 6.4% respectively.

Level of Education

The participants were asked to mention the highest level of education attained. The results are presented in table 4.2.

Table 4.2 Education level

Education Level	Participants	%
Doctorate Degree	28	14.9%
Masters Degree	47	25%
Bachelor's Degree	71	37.8%
Diploma	37	19.7%
Certificate	5	2.7%

Table 4.2 shows the education level of the participants and the majority of them have attained bachelors degree at 37.8%. A substantial number have diploma and masters degree. Those who only have certificate were the lowest at 5%.

Experiences at the company

Experience at the company determines the position the employee holds, and also knowledge on the procurement activities within the company. As such, it was crucial for the researcher to understand the number of years worked with the company. Table 4.3 represents the results on body weight.

Table 4.3 Weight Range

Years at the company	Participants	%
Less than 1 year	3	1.6%

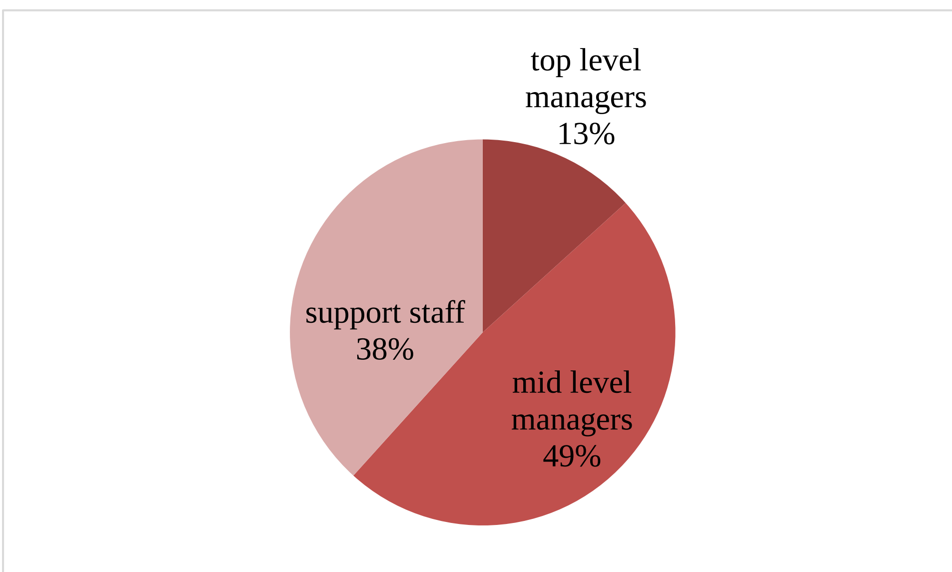
1-3 years	25	13.3%
4-6 years	79	42%
7-9 years	74	39.4%
10+ years	7	3.7%

The findings in Table 4.3 indicate that 42% of the participants had worked for the company for 4-6 years, and those who had worked for 7-9 years were significant at 39.4%. The lowest percentages of participants had worked for less than a year and 0.6% and 3.7%, respectively.

Position at the company

The participants were asked to mention their position or level of management within their respective public sector organization and there were 25 top level managers, 91 middle level managers and 72 support staff. The results are presented in figure 4.3 in terms of percentages

Figure 4.3 Position Held



4.3 Organizational Performance

Organizational performance was the dependent variable, which could be affected by different procurement processes and how the organization handles these processes. As such, the research instrument was used to gauge the employee's perception of how the organization was performing. They were asked various questions regarding organizational performance and the results are presented in table 4.4.

Table 4.4 Post on social media

ORGANIZATIONAL PERFORMANCE	Average	Standard Deviation
The institution achieves its mission and vision of setting and promoting high-quality public sector accounting standards	3.8351	0.9561
The institution delivers its products and services to its customers and stakeholders in a satisfactory and timely manner	3.8617	0.8304
The institution utilizes its resources and funds efficiently and effectively	4.0904	0.6501
The institution fosters a culture of innovation and continuous improvement.	4.0159	0.7472
The institution adheres to the ethical and professional standards and values.	3.9681	0.6834

When asked on whether their respective public sector organizations, achieved their mission and vision of setting a high-quality public-sector accounting standard, the average response was 3.8351. This indicate that majority of the respondents agreed. While there are a few who's showed strong disagreement, the standard Deviation of 0.9561 shows that the Responses were majorly similar and evenly spread. When asked whether the services and products were delivered in a timely and satisfactory manner, the average response was 3.8617, which is a relatively positive feedback, showing that the participants believed that the public sector organization delivered their products in a timely and satisfactory manner. The participants were further asked on whether there was efficient utilisation of resources in the public sector organization, the average response was 4.0904, and with a standard deviation of 0.7472, it showed that the public sector organizations effectively and efficiently utilized their resources and funds. Tied to this, the participants were asked how they perceived the organization in terms of promoting innovation culture and continuous development and improvement, and with an average response of 4.0159 and a standard deviation of 0.7472, the public sector organizations promotes culture of innovation and continuous improvement. When asked on whether the organization adheres to ethical and professional standards and values, the average response was 3.9681 with a standard deviation of 0.6834, showing that the pic sector organizations adhered to ethics and professional standards as perceived by their staffs

4.4 To establish the effect of procurement planning on performance of the public sector organizations

Determining the impact of procurement strategy on public sector organizations' performance was the first specified goal. Employee perceptions of the public sector organization's purchase planning process were recorded using the instrument. Table 4.5 presents the findings.

Table 4.5 Procurement Planning

PROCUREMENT PLANNING	Average	Standard Deviation
The institution has a clear and comprehensive procurement plan that aligns with its strategic objectives	3.4652	0.9308
The procurement plan is regularly reviewed and updated to reflect the changing needs and priorities of the institution.	3.7181	0.8444
The procurement plan considers the availability of funds, resources, and time for the procurement activities.	3.8723	0.8087
The procurement plan considers the availability of funds, resources, and time for the procurement activities.	3.7181	0.7924
The procurement plan ensures the quality, quantity, and specifications of the goods and services to be procured.	3.75	0.6812

Table 4.5 displays the average responses of participants regarding various procurement planning questions. The responses were measured on a Likert scale from 1 to 5, where 1 indicates strong disagreement and 5 indicates strong agreement. When participants were asked whether the strategic objectives of the public sector organization were aligned with the comprehensive procurement plan, the average response was 3.4652, with a standard deviation of 0.9308. This suggests that employees were generally neutral, with a notable portion agreeing that the procurement plan aligned with the organization's strategic objectives.

Participants were also queried about the regular reviews of their comprehensive procurement plan, with an average response of 3.7182 and a standard deviation of 0.8444, indicating that most participants agreed, although a significant number remained neutral. Regarding adherence to the availability of funds and resources in the procurement plans, the average response was 3.8723 with a standard deviation of 0.8087, indicating that the majority of public sector organizations considered the availability of resources and funds in their planning process.

When asked if procurement planning ensured the quality, quantity, and specifications of the goods and services purchased, the average response was 3.75, with a standard deviation of 0.6812, reflecting that participants rated the procurement plans highly in terms of quality, quantity, and specifications of the purchased goods and services.

Correlation analysis between Procurement Planning and Organization Performance

The correlation analysis was done using SPSS v28 and the results presented in table 4.6

Table 4.6 Correlation Analysis

	Organizational Performance	Procurement Planning

Organizational Performance	Pearson Correlation	1	.193**
	Sig. (2-tailed)		.000
	N	188	188
Procurement Planning	Pearson Correlation	.193**	1
	Sig. (2-tailed)	.000	
	N	188	188

**. Correlation is significant at the 0.01 level (2-tailed).

The results presented in Table 4.6 reveal that procurement planning (independent variable) and organizational performance (dependent variable) exhibit a positive but weak correlation coefficient of ($r=0.193$, $p<0.001$). This indicates that, although procurement planning does have an effect on organizational performance in public sector organizations, this impact is relatively weak. The correlation coefficient's significance level of less than 0.001 signifies that the relationship is statistically significant at the 0.001 level.

Regression Analysis

The regression analysis was also carried out using SPSS v28 and the results presented in table 4.7

Table 4.7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.193[a]	.037	.032	.43279051923

a. Predictors: (Constant), Procurement Planning

Table 4.7 illustrates the model summary results, indicating that procurement planning accounts for 3.7% of the variance in organizational performance (R Square = .037). When adjusting for other influencing factors, procurement planning accounts for only 3.2% of the performance in public sector organizations, as indicated by the adjusted R Square of .032. This suggests that while procurement planning has a statistically significant impact on organizational performance, it remains relatively weak. The standard error of the estimate (.4328) represents the average deviation between the observed values and the regression line, highlighting some variability in the model's predictions.

Table 4.8 ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	0.9667	1	0.9667	7.1449	.000[b]
	Residual	26.1598	186	.1353		
	Total	26.1265	187			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Procurement Planning

The results presented in Table 4.8 support the regression model examining the influence of procurement strategy on the performance of public sector organizations. The findings indicate that procurement planning is a strong predictor of organizational performance, highlighted by an F-value of 7.1449 and a p-value of less than 0.001 (Sig. = 0.000). The analysis shows a regression sum of squares of 0.9667 and a mean square of 0.9667, indicating that while procurement planning has a positive effect on organizational performance, this effect is weak but statistically significant at the 0.001 level (p = 0.000).

Table 4.9 Regression Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	1.6783	.108		9.787	.000
	Procurement planning	1.067	.3749	.193	2.847	.000

a. Dependent Variable: Organizational Performance

Table 4.9 presents the coefficients that reflect the relationship between procurement planning and organizational performance. With a standard error of 0.3749 and an unstandardized coefficient (B) of 1.067 for procurement planning, organizational performance increases by 1.067 units for each unit increase in procurement planning. The relationship between procurement planning and organizational performance is characterized as weak but positive, as indicated by the standardized coefficient (Beta) of 0.193. This association is statistically significant, demonstrated by a t-value of 2.847 and a p-value of less than 0.001. Additionally, the constant (B = 1.6783) indicates the expected level of organizational performance when procurement planning is absent.

4.5 To establish the effect of Supplier Selection on performance of the public sector organizations

The second specific objective was to determine the effect of supplier Selection on the performance of public sector organization. The instrument captured the employee perceive supplier selection of public sector organization. The results are presented in table 4.10

Table 4.10 Procurement Planning

SUPPLIER SELECTION	Average	Standard Deviation
The institution has a transparent and fair supplier selection process that follows the procurement laws and regulations.	3.5904	0.8489
The institution has a diverse and competitive pool of potential suppliers that meet the required criteria and standards.	3.7979	0.7451
The institution evaluates and compares the bids and proposals from the suppliers based on the best value for money principle.	4.0585	0.7159
The institution negotiates and finalizes the terms and conditions of the contract with the selected supplier in a timely and efficient manner.	3.9149	0.7809
The institution maintains a good relationship and communication with the selected supplier throughout the procurement process.	3.8883	0.7532

Table 4.10 presents a summary of the average responses from participants regarding various supplier selection questions. The responses were measured on a Likert scale from 1 to 5, where 1 indicates strong disagreement and 5 indicates strong agreement. When participants were asked if the supplier selection processes adhered to procurement laws and guidelines, the average response was 3.5904, with a standard deviation of 0.8489, suggesting that employees were primarily neutral, although many agreed that the supplier selection process complied with procurement regulations.

Participants were then asked whether the organizations maintained a diverse and competitive pool of potential suppliers who met the necessary criteria and standards. The average response to this question was 3.7979, with a standard deviation of 0.7451, indicating that most participants agreed, while a notable number remained neutral. Regarding the evaluation and comparison of bids and proposals from suppliers based on the principle of best value for money, the average response was 4.0585, with a standard deviation of 0.7159, demonstrating that most companies actively evaluated and compared bids to ensure they received the best value for their supplies. Finally, when asked if the company effectively negotiates and finalizes the terms and conditions of contracts with selected suppliers in a timely manner, the average response was 3.9149, with a standard deviation of 0.7809, indicating that considerations of quality, quantity, and timeliness were central to the companies' supplier negotiations.

Correlation analysis between Supplier Selection and Organization Performance

The correlation analysis was done using SPSS v28 and the results presented in table 4.11

Table 4.11 Correlation Analysis

		Organizational Performance	Supplier Selection
Organizational Performance	Pearson Correlation	1	.223**
	Sig. (2-tailed)		.000
	N	188	188
Supplier Selection	Pearson Correlation	.223**	1
	Sig. (2-tailed)	.000	
	N	188	188

**. Correlation is significant at the 0.01 level (2-tailed).

According to the findings in figure Table 4.11, there was a positive and moderate connection between the independent variable of supplier selection and the dependent variable of organization performance ($r=0.223$, $p<0.001$). This demonstrates that there is a modest association between supplier selection and organizational performance in public sector enterprises. The correlation coefficient has a relatively small significance level of less than 0.001 meaning that it is statistically significant at 0.001 level

Regression Analysis

The regression analysis was also carried out using SPSS v28 and the results presented in table 4.12

Table 4.12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.223[a]	.0497	.0445	.24363783636

a. Predictors: (Constant), Supplier Selection

Table 4.12 shows the results for the model summary which indicate that 4.97% variance in organization performance could be explained by supplier selection (R Square = .0497). When adjusted for other factors, supplier selection could only explain 4.45% of performance in public sector organizations as shown by the adjusted R Square of .0445. This shows a significant but a relatively weak impact of supplier selection on organizational performance. The mean distance between the values that were observed and the regression line is shown by the standard error of the estimate (.2456), which reflects some variation in the model's predictions.

Table 4.13 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.3990	1	1.3990	9.722	.000[b]
	Residual	26.7673	186	.1439		
	Total	28.1563	187			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Supplier Selection

The ANOVA results presented in Table 4.13 support the regression model examining the impact of supplier selection on the performance of public sector organizations. Supplier selection serves as a strong predictor of organizational performance, as indicated by an F-value of 9.722 and a p-value of less than 0.001 (Sig. = 0.000). The analysis reveals a regression sum of squares of 1.399 and a mean square of 1.399, suggesting that while supplier selection positively influences organizational performance, the effect is moderate yet statistically significant at the 0.001 level (p = 0.000).

Table 4.14 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.0562	.2462		8.3517	.000
	Supplier Selection	1.1484	.2456	.223	4.6759	.000

a. Dependent Variable: Organizational Performance

Table.14 displays the coefficients reflecting the relationship between supplier selection and organizational performance. The unstandardized coefficient (B) for supplier selection is 1.1484, with a standard error of 0.2456, indicating that organizational performance increases by 1.1484 units for each unit increase in supplier selection. There exists a modest but positive correlation between supplier selection and organizational performance, as evidenced by the standardized coefficient (Beta) of 0.223. The t-value of 4.6759 and a p-value of less than 0.001 indicate that this relationship is statistically significant.

4.6 To establish the effect of contract management on performance of the public sector organizations

Determining the impact of contract management on public sector organizations' performance was the third specified goal. The tool recorded how employees felt about a public sector organization's supplier selection. The results are presented in table 4.15

Table 4.15 Contract Management

CONTRACT MANAGEMENT	Average	Standard Deviation
The institution has a well-defined and documented contract management process that covers all the stages of the procurement cycle.	3.8351	0.9564
The institution monitors and controls the performance and delivery of the supplier according to the contract specifications and expectations.	3.8617	0.7384
The institution identifies and manages the risks and issues that may arise during the contract	4.090	0.6501

execution and implementation.		
The institution evaluates and measures the outcomes and impacts of the contract on the institution's objectives and performance.	4.0159	0.7572
The institution conducts feedback and learning session with the supplier and other stakeholders at the end of the contract.	3.9680	0.6834

Table 4.15 presents the findings regarding contract management. When participants were asked if the company has a clearly defined and documented contract management process that encompasses all phases of the procurement cycle, the average response was 3.8351, with a standard deviation of 0.9564, indicating that employees view the contract management process as thorough and well-structured.

The participants were also inquired whether the organizations monitor and control supplier performance and delivery based on the contract specifications and expectations; the average response was 3.8617 with a standard deviation of 0.7384, suggesting that most participants agreed, although a significant number remained neutral.

Regarding the identification and management of risks and issues that may arise during contract execution and implementation, the average response was 4.090, with a standard deviation of 0.6501, indicating that most companies take proactive measures to manage risks during contract execution. Finally, when asked whether the company evaluates and assesses the outcomes and impacts of contracts on institutional objectives and performance, the average response was 4.0159 with a standard deviation of 0.7572, demonstrating that the organizations prioritize their objectives and goals in their contract management practices.

Correlation analysis between Contract Management and Organization Performance

The correlation analysis was done using SPSS v28 and the results presented in table 4.16

Table 4.16 Correlation Analysis

		Organizational Performance	Contract Management
Organizational Performance	Pearson Correlation	1	.400**
	Sig. (2-tailed)		.000
	N	188	188
Contract Management	Pearson Correlation	.400**	1
	Sig. (2-tailed)	.000	
	N	188	188

**. Correlation is significant at the 0.01 level (2-tailed).

According to the data presented in Table 4.16, there is a positive and moderate correlation between contract management (independent variable) and organizational performance (dependent variable), with a correlation coefficient of ($r=0.400$, $p<0.001$). This suggests a somewhat beneficial relationship between contract management and the performance of public sector organizations. The correlation coefficient is statistically significant at the 0.001 level, reflecting a low significance threshold of less than 0.001.

Regression Analysis

The regression analysis was also carried out using SPSS v28 and the results presented in table 4.17

Table 4.17 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400[a]	.160	.157	.3482694928

a. Predictors: (Constant), Contract Management

The model summary results presented in Table 4.17 reveal that contract management accounts for 16.0% of the variation in organizational performance (R Square = 0.160). The adjusted R Square of 0.157 indicates that, after accounting for the number of predictors in the model, contract management explains approximately 15.7% of the variability in organizational performance. This suggests that contract management has a moderate impact on company performance. The standard error of the estimate (.3483) indicates the average deviation between the observed values and the regression line, reflecting some variability in the model's predictions.

Table 4.18 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.1802	1	4.1802	35.3655	.000b
	Residual	21.9823	186	.1182		
	Total	26.1265	187			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Supplier Selection

The ANOVA results, which are displayed in Table 4.18, validate the regression model that looks at how contract management affects public sector organizations' performance. A p-value of less than.001 (Sig. =.000) and an F-value of 35.3655 suggest that contract management is a significant predictor of organizational performance in public sector organizations. The research shows a substantial beneficial impact of contract management on organization performance at the 0.001 significance level (p=0.000), with a regression sum of squares of 4.1802 and a mean square of 4.1802.

Table 4.19 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.8964	.3262		8.8792	.000
	Contract Management	1.0098	.3418	.400	2.955	.000

a. Dependent Variable: Organizational Performance

Table.19 displays the coefficients reflecting the relationship between contract management and organizational performance. The unstandardized coefficient (B) for contract management is 1.0098, with a standard error of 0.3418, indicating that a one-unit increase in contract management results in an increase of 1.0098 units in organizational performance. The standardized coefficient (Beta) is 0.400, which indicates a moderate positive correlation between contract management and organizational performance. Furthermore, the t-value of 2.955 and a p-value of less than 0.001 demonstrate that this relationship is statistically significant.

4.7 Chapter Summary

This chapter presents the analysis and reporting of the collected data. Both descriptive and inferential statistics were employed to detail the characteristics of the participant demographics. The findings include data on contract management, supplier selection, and procurement planning, as well as insights into how these elements influence organizational performance. Additionally, regression and correlation analyses were performed to evaluate the direction and strength of the relationships between the dependent and independent variables. The results will be summarized in the following chapter, which will also address discussions, conclusions, and relevant recommendations.

CHAPTER FIVE
DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter mainly dissected the data analyzed and presented in chapter four. The data were summarized, discussed and conclusions based on the objective results were presented. The chapter had four sections, summary of the results, discussions, conclusions and recommendations.

5.2 Summary of the Results

This study's primary goal was to ascertain the relationship between public sector organizations' organizational performance and their procurement procedures, with a particular emphasis on KRA, KeNHA, and PSASB. Determining the impact of procurement strategy on public sector organizations' performance was the first of the three particular goals in this respect. The findings demonstrated that staff members of these public sector companies had a favorable opinion of procurement strategy. Despite some participants' neutral opinions, the majority of participants thought that the procurement planning procedures within the three public sector organizations were strong and successful in accomplishing the organizations' goals and missions, with an average score of 3.7064 and a standard deviation of 0.4756. The correlation analysis revealed that procurement planning had a positive but weak relationship with firm performance ($R=0.193$, $p<0.01$). This shows that while procurement planning impacted performance positively, the impact was minimal. The Regression analysis also revealed that procurement planning predicted 3.7% variance in organization performance as revealed by the adjusted R Square value of 0.037. The adjusted R Square value of 0.32 also showed that procurement planning predicted 3.2% of organization performance when other factors are adjusted or factored in.

The second particular goal was to ascertain how supplier selection affected public sector companies' performance. The summary of employees' perception of supplier selection was summarized in Table 4.9. The responses showed that the institution's supplier selection process was largely seen as transparent and compliant with procurement laws (average 3.5904, SD 0.8489). Participants agreed that there was a diverse and competitive pool of suppliers (average 3.7979, SD 0.7451) and that the organization evaluated bids for the best value for money (average 4.0585, SD 0.7159). Additionally, a moderately favorable association between supplier selection and organizational performance was shown by the correlation analysis ($r=0.223$, $p<0.001$), indicating a statistically significant, though moderate, impact of supplier selection on performance. After adjusting for other factors, the regression analysis showed that supplier selection had a small but significant influence, explaining 4.97% of the variance in organizational performance (R2=0.0497). Analysis of variance results further supported this, with a significant F-value of 9.722 ($p<0.001$), confirming that supplier selection is a significant predictor of organizational performance. The Regression Coefficients demonstrated that a one-unit increase in supplier selection would lead to a 1.1484 unit increase in organizational performance ($B=1.1484$, $p<0.001$), although the relationship remained relatively weak (Beta=0.223).

The third specific objective focused on determining the effect of contract management on the performance of public sector organizations. The majority of employees perceived that their organizations had a well-documented and effective contract management process covering all procurement stages (average 3.8351, SD 0.9564). The organizations were also seen as effectively monitoring supplier performance (average 3.8617, SD 0.7384) and managing risks during contract execution (average 4.090, SD 0.6501). Additionally, most participants agreed that organizations evaluated the outcomes of contracts based on their objectives (average 4.0159, SD 0.7572) and conducted feedback sessions with stakeholders (average 3.9680, SD 0.6834). When the correlation analysis was done, it was revealed that there is a moderate positive relationship between contract management and organizational performance ($r=0.400$, $p<0.001$), indicating that effective contract management positively impacts organizational performance. The Regression analysis also showed that contract management explained 16.0% of the variance in organizational performance ($R^2=0.160$), with an adjusted R^2 of 0.157 after accounting for other factors. This indicates a moderate impact of contract management on performance. The standard error of the estimate (.3483) reflects some variability in the model's predictions. This was further confirmed by the analysis of variance that revealed that contract management significantly predicts organizational performance, with an F-value of 35.3655 and a p-value of less than 0.001. According to the regression sum of squares (4.1802), contract management improved performance. According to the Regression Coefficients, organizational performance would rise by 1.0098 units for every unit increase in contract management ($B=1.0098$, $p<0.001$). The t-value of 2.955 validated the statistical significance of the moderately significant connection shown by the standardized coefficient (Beta=0.400).

5.3 Recommendations

Public sector organizations should strengthen their procurement planning by integrating advanced forecasting tools and involving key stakeholders in the planning process to enhance accuracy. Continuous training on procurement planning best practices should also be provided to employees to improve overall efficiency. Regular evaluations should be conducted to align procurement plans with organizational goals and adjust for any unforeseen changes in supply chains.

Organizations should implement more rigorous supplier selection criteria, focusing on supplier innovation and long-term partnerships. Establishing supplier performance tracking systems will ensure compliance and help maintain high-quality standards. Additionally, periodic audits of the supplier selection process should be conducted to ensure transparency and alignment with procurement laws.

Organizations should enhance contract management by implementing automated systems for contract monitoring, risk management, and supplier performance evaluation. Continuous feedback mechanisms involving suppliers and stakeholders should be institutionalized to ensure smooth contract execution and the identification of improvement areas. Strengthening post-contract evaluations will further drive performance improvements.

5.4 Recommendations for Future Studies

Future studies could investigate the role of technology in optimizing procurement processes and its impact on performance in public sector organizations. Additionally, research on external factors, such as policy changes or economic conditions, could provide a more comprehensive understanding of their influence on procurement and performance.

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Appendices

Appendix I

Questionnaire:

Questionnaire on the Influence of Procurement Process on the Performance of institution (KRA, PSASB, KeNHA)

Section A: Demographic Information

Please provide the following information by ticking the appropriate box or filling in the blank space.

1. What is your gender?

   [ ] Male

   [ ] Female

   [ ] Prefer not to say

2. What is your age group?

   [ ] Below 25 years

   [ ] 25-34 years

   [ ] 35-44 years

   [ ] 45-54 years

   [ ] Above 54 years

3. What is your highest level of education?

[ ] Certificate

[ ] Diploma

[ ] Bachelor’s degree

[ ] Master’s degree

[ ] Doctoral degree

[ ] Other (please specify) ____________

4. What is your position in the **institution (KRA, PSASB, KeNHA)**?

   [ ] Top level manager

   [ ] Middle level manager

   [ ] Support staff

   [ ] Other (please specify) ____________

5. How long have you been working in the **institution (KRA, PSASB, KeNHA)**?

   [ ] Less than 1 year

   [ ] 1-3 years

   [ ] 4-6 years

   [ ] 7-9 years

   [ ] 10 years or more

Section B: Procurement Planning

Please indicate the extent to which you agree or disagree with the following statements regarding the procurement planning process in the **institution (KRA, PSASB, KeNHA)**. Use the following scale: 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

Statement	1	2	3	4	5

6. The institution has a clear and comprehensive procurement plan that aligns with its strategic objectives.					
7. The procurement plan is regularly reviewed and updated to reflect the changing needs and priorities of the institution.					
8. The procurement plan is communicated and shared with all the relevant stakeholders, both internal and external.					
9. The procurement plan considers the availability of funds, resources, and time for the procurement activities.					
10. The procurement plan ensures the quality, quantity, and specifications of the goods and services to be procured.					

Section C: Supplier Selection

Please indicate the extent to which you agree or disagree with the following statements regarding the supplier selection process in the **institution (KRA, PSASB, KeNHA)**. Use the same scale as above.

Statement	1	2	3	4	5
11. The institution has a transparent and fair supplier selection process that follows the procurement laws and regulations.					
12. The institution has a diverse and competitive pool of potential suppliers that meet the required criteria and standards.					

13. The institution evaluates and compares the bids and proposals from the suppliers based on the best value for money principle.					
14. The institution negotiates and finalizes the terms and conditions of the contract with the selected supplier in a timely and efficient manner.					
15. The institution maintains a good relationship and communication with the selected supplier throughout the procurement process.					

Section D: Contract Management

Please indicate the extent to which you agree or disagree with the following statements regarding the contract management process in the institution (KRA, PSASB, KeNHA). Use the same scale as above.

Statement	1	2	3	4	5
16. The institution has a well-defined and documented contract management process that covers all the stages of the procurement cycle.					
17. The institution monitors and controls the performance and delivery of the supplier according to the contract specifications and expectations.					
18. The institution identifies and manages the risks and issues that may arise during the contract execution and implementation.					
19. The institution evaluates and measures the outcomes and impacts of the contract on the institution’s objectives and performance.					

20. The institution conducts feedback and learning session with the supplier and other stakeholders at the end of the contract.					

Section E: Performance

Please indicate the extent to which you agree or disagree with the following statements regarding the performance of your institution (KRA, PSASB, KeNHA). Use the same scale as above.

Statement	1	2	3	4	5
21. The institution achieves its mission and vision of setting and promoting high-quality public sector accounting standards.					
22. The institution delivers its products and services to its customers and stakeholders in a satisfactory and timely manner.					
23. The institution utilizes its resources and funds efficiently and effectively.					
24. The institution fosters a culture of innovation and continuous improvement.					
25. The institution adheres to the ethical and professional standards and values.					

Thank you for your participation. Your responses will be treated with confidentiality and used for academic purposes only.

Appendix II: Budget

Item	Budget Cost (Ksh)
Travel	7,500
Research Assistants	15,000
Acquiring SPSS 28.0 Licenses	1,000
Consultations	15,000
Printing Costs	2,000
NACOSTI Approval	1,000
Total	41,500

Appendix III: Research Timeline

Time ACTIVITY	January	February	March	April	May	June	July	August	September
Preliminary Activities									
Chapter 1									
Chapter 2									
Chapter 3									
Thesis Proposal Defense									
Field Chapters 4 & 5									
Presentation and Submission of the Project									

Appendix iii

THE CO-OPERATIVE UNIVERSITY OF KENYA
P. O. Box 24814-00502 Karen, Kenya
Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410
www.cuk.ac.ke
BOARD OF POSTGRADUATE STUDIES

26th August, 2024

To whom it may Concern
Dear Sir/Madam
REF: ROSELINE ACHIENG - MBAC01/6529/2021

This is to introduce the above named Master of Business Administration student in the School of Business and Economics at The Co-operative University of Kenya.

She has successfully completed her course work and is currently undertaking research as a partial requirement for the award of the degree. She is required to collect data from the Public Sector in Kenya. The title of her research project is ***"Procurement Processes and Organizational Performance of the Public Sector in Kenya."***

Kindly accord her the necessary assistance.

Yours Sincerely,

D. K. Muthoni,
Director, Board of Postgraduate Studies.

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