

ASSESSMENT OF DETERMINANTS OF PROCUREMENT PERFORMANCE AT KENYA PIPELINE COMPANY, KENYA

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ABSTRACT

Developing countries in one way or another have reformed their public procurement regulations. The reforms have not been limited to regulations only, included public procurement process, methods, procurement organizational structure, and the workforce. It has been attracting great attention from practitioners, academicians and researchers due to poor performance resulting from non-adherence to proper processes and procedures. Public procurement as a function of government includes decisions about the services that will be delivered to local authorities and the communities they serve (Hughes, 2005). It is utilized not only to secure goods and services required by public sector organizations for their missions and to support services provided to taxpayers, but it is also used to implement national policies and to achieve social and other objectives (Thai, 2005). Many national and international instruments have been concerned with building an effective procurement system. In this context, particular procurement issues, such as the implementation of secondary policies, the review mechanism to address complaints, provisions on electronic procurement or rules governing privately financed projects, have received an in-depth examination (De Castro, 2006). Mahmood (2010) noted that public procurement represents 18.42% of the world gross domestic product. In developing countries, public procurement is increasingly recognized as essential in service delivery (Basheka & Bisangabasaija, 2010), and it accounts for a high proportion of total expenditure. For example, public procurement accounts for 60% in Kenya (Akech, 2005), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending Basheka and Bisangabasaija (2010). This is very high when compared with a global average of 12-20 % (Frøystad et al., 2010). Due to the colossal amount of money involved in government procurement and the fact that such money comes from the public, there is need for accountability and transparency (Hui et al., 2011). The success of any given organization will depend on the strategic management of all its key sections. Procurement enhances efficiency and competitiveness among other benefits, but to realize these benefits, it is imperative to look at the strategic factors that affect the performance of the procurement function. It is against this background that the study sought to fill the existing knowledge gap.

KEY WORDS: Procurement Planning, Staff Competence, Stakeholder Influence

INTRODUCTION

Statement of the Problem

Regardless of the effort of governments in developing countries to improve performance of the procurement function, public procurement is still marred by shoddy works, poor quality goods and services. Failure to implement or delayed implementation of recommended performance standards has resulted in unnecessarily high operation costs, uncoordinated business activities, and failure to attract and retain experienced and skilled personnel in the procurement

positions, thus affecting procurement performance. According to the Auditor General's 2013/2014 report, the procurement functions of most public entities were not complying to set procurement processes and performance procedures which have led to irregular and subjective decisions. These decisions have had costly consequences for any public entity, and the country at large. In developing countries, public procurement is increasingly recognized as essential in service delivery and it accounts for a high proportion of total expenditure. For example, public procurement accounts for 60% in Kenya, 58% in Angola, 40% in Malawi and 70% of Uganda's public spending. Due to the colossal amount of money involved in government procurement, there is need for accountability and transparency. Procurement is the nerve centre of performance in every institution, whether public or private and thus needs a tight system to be followed and adopted. Many procurement activities still suffer from neglect, lack of proper direction, poor co-ordination, slow with a lot of bureaucracy, lack of open competition and transparency, differing levels of corruption and not having a cadre of trained and qualified procurement specialists who are competent to conduct and manage the procurement process in a professional, timely and cost effective manner. The effect of these variables varies across the organizations studied but notably, most of the studies point out that the key factors to be resource allocation, staff competency, procurement planning and stakeholder influence. The current study attempted to address the influence of these factors on procurement performance.

OBJECTIVES OF THE STUDY

The main objective of the current study sought to assess the determinants of procurement performance at Kenya Pipeline Company, Kenya. Specifically the study sought to:

- To determine the influence of resource allocation on procurement performance
- To evaluate the influence of staff competence on procurement performance
- To examine the influence of stakeholder influence on procurement performance
- To establish the influence of procurement planning on procurement performance

LITERATURE REVIEW

The evaluation of procurement performance has always been a vexing problem for procurement professionals in the Kenyan public practice (Odhiambo & Kamau 2003). Procurement performance is considered to be the result of two elements: procurement effectiveness and procurement performance. Performance provides the basis to assess how well public entities are progressing towards predetermined objectives and decides on future initiatives with the goal of initiating performance improvements (Gelderman, et al 2006). For the purpose of this study we present four factors hypothesized to significantly influencing effective procurement performance.

Influence of Resource Allocation on Procurement Performance

According to Thompson and Strickland (2007), to implement any strategy, necessary adequate resources must be available whether financial, physical, human or technological. These resources are limited and competed for by other projects in any organization. Strategic management enables allocation of resources as per priorities established by regularly set objectives in an organization. Annual budgetary allocation of resources towards goals is a strong indication of management's commitment to the strategic plan to achieve those goals. Typically therefore, lack of such symbolic budgetary allocation signals non-commitment to the strategy by top management and this trickle down the entire

organization thus impeaching the implementation process. Similarly, Jonhson and Scholes (2002) noted that if adequate resources are not allocated to motivate and direct the efforts and behavior of employees towards strategy implementation, the strategy may fail. According to Kamann et al., (2004), the resource dependency perspective is a reason for organizations to collaborate so as to gain more purchasing power to secure supply in a scarce market, or gain certain skills from other organizations that they do not possess themselves. Resource based theory takes a broader view of resources, focusing on the firm's competencies and capabilities of coordinating productive resources that are not transaction specific. According to the resource perspective, transaction and management costs are dependent on heterogeneous capabilities and resources of the firm (Tsang, 2000). Therefore, boundary choices should be a function of the possession and composition of rare and inimitable resources that are a source of competitive advantage.

Influence of Staff Competence on Procurement Performance

According to Banda (2009), many procuring organizations do not have staff with the right competence critical to good procurement process management. The study notes that there is need for authorities to give much greater emphasis to developing such competence and to adopt best practice more widely. A procurement function that is carried out professionally is the heart of delivery of any service on value for money principle. In the study, it was noted that most of personnel carrying out procurement functions in the local authorities in Kenya have not been sensitized on procurement regulations. In emphasis, the law requires that each procuring entity establishes a procurement unit with the professionals. This was not the case in 15 out of 27 surveyed local authorities in Kenya. According to the report, it was observed that there are serious challenges in staffing of procurement professionals in the local government institutions. Some of the personnel carrying out those duties do not have any certification in procurement and most have never been sensitized and have little knowledge if any of procurement function. In order to sustain economic growth and effective performance, it is important to optimize the contribution of employees to the aims and goals of the organizations. Technological developments and organizational change have gradually led some employers to the realization that success relies on the skills and abilities of their employees, and this means considerable and continuous investment in training and development (Sultana, 2012). There is therefore the need for extensive external training for human resources to be able to improve and also contribute to the productivity of organizations (Appiah, 2010). The study further reveals that there are clear benefits in ensuring that staff who handle suppliers are professionals and approaches are handled well. Competence can ensure that the benefits of new products and services are brought to the attention of the right person in the organization. It can protect the organization, keep work to a minimum, avoid souring relationships and add to the organization's reputation for efficiency and good management. The study noted that in procurement, it is not what you do but how you do it that matters.

Stakeholder Influence on Procurement Performance

According to Donaldson and Preston (1995), the stakeholder theory has become an indispensable part of the management literature. They classified stakeholders into internal, external, key, and secondary ones, each carrying a different level of influence to the enterprise. When analyzing from the social network perspective, a firm does not deal with one stakeholder at a time, but multiple stakeholders simultaneously, with interdependent relationships among these stakeholders. Consequently, the relationship between firms and their stakeholders are as complex as the ways to manage them. The premise of stakeholder theory is that firms are bound to have conflicts with their multiple stakeholders. The

central issue of stakeholder research is thus how to minimize these conflicts, within the stream of stakeholder research. Frooman (1999) took the approach of deciphering stakeholder actions and developed his stakeholder influence strategy theory from a resource dependence perspective. As Frooman theorized, the type of resource relationship between the firm and its stakeholder determines where the power lies in the exchange. The level of “resource dependence” depends on the attributes of a resource, such as the relative magnitude of exchange in a resource relationship and the criticality of that resource. For example, if the firm depends on the stakeholder for a critical resource for survival, the stakeholder will have absolute power over the firm, and vice versa. Furthermore, the balance of power will determine the stakeholder’s choice of influence strategy. Two important features marked Frooman’s discussion of stakeholder influence strategies: the way the stakeholders control resources, and the path the stakeholders take to manipulate the supply of resources. If a stakeholder owns resources that a firm needs, the stakeholder can control the firm by determining whether the firm gets the resources and whether the firm can use the resources in the way it wants. Frooman called these “resource control strategies”, and differentiated between two types of resource control strategies: withholding and usage. Withholding strategies are defined as those where the stakeholder discontinues the supply of a resource to a firm with the intention of making the firm change its action. Usage strategies, on the other hand, are those in which the stakeholder continues to supply a resource, but with strings attached. Because these two strategies carry different costs to the stakeholder, cost consideration sometimes become key determinant in the choice of influence strategy. It would thus be prudent to understand the role of stakeholder influence in procurement since the procurement processes have a number of players whose influence differ and whose objectives and interests sometime s are in conflict with those of the organization.

Influence of Procurement Planning on Procurement Performance

An efficient public procurement system is vital to the advancement of African countries and is a concrete expression of the national commitment to making the best possible use of public resources (Kabaj, 2003). In Kenya, never before has there been a growing interest in the procurement planning and its management now appears on the agenda of researchers, academics, and policy makers. Poor procurement planning has been one of the major stumbling blocks to the economic development of Africa and it has been clear that a number of African countries have not paid adequate attention to the proper management of public resources (Basheka, 2004). Procurement planning is one of the primary functions of procurement with a potential to contribute to the success of public institution’s operations and improved service delivery (Basheka, 2008). Despite this importance, very limited scientific research has been done to examine the extent to which efforts in procurement planning can contribute to effective public institution’s performance. Procurement Planning entails the identification of what needs to be procured, how the organizations needs can best be met, the scope of the goods, works or services required, what procurement strategies or methods to be deployed, setting the time frames, and the accountability for the full procurement process. Kavua and Ngugi (2014) asserts that the contribution of procurement planning in facilitating an efficient and effective service delivery in public sector organizations is generally undisputed in both developed and developing countries. Its contribution can be at both central and local government levels of public sector management. Their study revealed a significant positive relationship between procurement planning and performance in local government procurement systems. In Kenya, procurement planning is a fundamental function that impacts on effective or ineffective service delivery. There is no part of the government service delivery that does not depend on procurement planning; and yet the area remains a neglected field of research. Similarly, the environment in which procurement planning is conducted may not be supported by some of the important systems such as ICT tools. The

current study therefore will attempt to address the influence of procurement planning on procurement performance at KPC, Kenya.

RESEARCH METHODOLOGY

The study employed a survey research design using quantitative approaches. The design is appropriate as survey design entails the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to detect patterns of association (Bryman, 2012). The population of the study was carefully chosen, clearly defined and specifically delimited in order to set precise parameters that ensuring discreteness to the population. The target population the study comprised all 65 employees of Kenya Pipeline Company that work or are directly involved in the procurement department. Since the population is fairly small, the study undertook a census study. This study used questionnaires in collecting data from employees of Kenya Pipeline Company that work or are directly involved in the procurement department since it is straight forward and less time consuming for both the researcher and the respondents and it enables reaching a representative number of respondents with ease. The questionnaire consisted of close-ended items. Data was collected primarily using questionnaires. Secondary data such as personnel lists were sourced from departmental documentation. The collected data was organized and accounted for in terms of categorization and analysis. After collection of data, it was processed and then analyzed. The collected data was analyzed quantitatively by first coding and then analyzing them using Statistical Package for Social Science (SPSS) Version 21 and the results presented in tables. Of the returned questionnaires, 3 were incorrectly filled and thus were not used in the final analysis. Therefore, 55 were correctly filled and hence were used for analysis representing a response rate of 84.6%.

Research Findings and Discussions

The researcher sought to find out the distribution of the respondents according to their gender, age bracket, education level and their working experience at Kenya Pipeline Company. The aim was to deduce any trend from the respondent's profile that was directly linked to the variables of the study. Previous studies have noted some relationship between these demographic factors and procurement performance (Barsemoi et al., 2014). According to the findings, majority of the respondents were male (61.8%) while the female respondents were 38.2%. The study attributed this trend to the existing gender gap in employment in the public sector in Kenya which is predominantly dominated by the male gender. Majority of the respondents in the organization were of the age group 46 - 55 years (52.6%) while the least age group was between 26 – 35 years (7.3%). This was attributed to the general stagnation of the public sector in creating new employment opportunities and thus majority of the employees have been within the public sector for a while. The study found that majority of the respondents (58.2%) had a university degree qualification which was attributed to the higher entry requirements in the organization. Further, over 89% of the respondents had either a bachelors or masters degree further indicating the high entry requirements in the organization. In terms of working experience, most of the respondents (41.8%) had between 5 – 10 years working experience. Cumulatively, more than 72% had more than 5 years of experience while only 7.3% had less than 2 years working experience. The study attributed this trend to the fact that the public sector in the past two decades has been stagnating in terms of creating new job opportunities and thereby minimizing new job entrants to the organization.

Influence of Resource Allocation on Procurement Performance

The study presents various aspects touching on resource allocation and procurement performance and the findings are depicted in Table 1. Majority of the respondents agreed that budgetary allocations were implemented strictly and without external interference (3.82), that tenders were awarded based on resource availability (4.16) and that resources allocated directly influenced procurement performance (4.37). Further, majority of respondents disagreed that resources were allocated on time thereby enhancing procurement performance (2.12) and that they often carried out budget reviews to cater for change in the business environment (2.27). The respondents were however unsure when asked whether resources allocated to the procurement department were adequate to address all its needs (3.16).

Table 1: Influence of Resource Allocation on Procurement Performance					
	n	Min	Max	Mean	Std. Dev.
Resources allocated to the procurement department are adequate to address all its needs	55	2	5	3.16	.837
Budgetary allocations are implemented strictly and without external interference	55	2	5	3.82	.881
Resources are allocated on time thereby enhancing procurement performance	55	1	5	2.12	.984
Tenders are awarded based on resource availability	55	1	5	4.16	.812
We often carry out budget reviews to cater for change in the business environment	55	1	5	2.27	.977
Resources allocated directly influences procurement performance	55	3	5	4.37	.811

Influence of Staff Competence on Procurement Performance

In this section the researcher presents various aspects touching on staff competence and procurement performance and the findings are depicted in Table 2.

Table 2: Influence of Staff Competence on Procurement Performance					
	n	Min	Max	Mean	Std. Dev.
Our organization values employee skills and experiences	55	1	5	4.18	.813
The organization deploys staff based on relevant skills	55	1	5	3.87	.947
There is consideration on procurement negotiation skills and creativity when deploying employees	55	1	5	2.42	.962
The organization has a well-defined calendar of employee training on procurement practices	55	1	5	2.45	.971
All staff in the procurement section understand procurement regulations and procedures	55	1	5	3.19	.933
Our organization motivates and promotes all procurement staff based on merit and professional skills	55	1	5	3.22	.897

From the findings in Table 2, it was established that majority of the respondents agreed that their organization valued employee skills and experiences (4.18) and that the organization deployed staff based on relevant skills (3.87). Further, the respondents disagreed that there was consideration on procurement negotiation skills and creativity when deploying employees (2.42) and that the organization had a well-defined calendar of employee training on procurement practices (2.45). The respondents were however unsure when asked whether all staff in the procurement section understood procurement regulations and procedures (3.19) or whether their organization motivated and promoted all procurement staff based on merit and professional skills (3.22). The study further found that all responses had a standard deviation of <1.00 which indicated smaller dispersion from the mean which was interpreted to mean convergence of responses on the

particular propositions.

Influence of Stakeholder Influence on Procurement Performance

The study presents various aspects touching on stakeholder influence and procurement performance and the findings are depicted in Table 3. From the findings in Table 3, it was established that majority of the respondents agreed that complexity in managing diverse stakeholder interest influenced performance of their procurement department (3.97), that their organization had developed strategies to minimize stakeholder conflicts in procurement matters (4.42) and that their organization was always in control of all costs related to issues arising from stakeholder management (3.75). The respondents however disagreed that stakeholders interest were aligned to the organizations interest thus enhanced procurement performance (2.18), that all their stakeholders were aware of organizations policies on unethical practices in procurement (2.16) and that their organization controlled flow of resources and ensured no manipulation occurs (2.08). An analysis of the standard deviations showed that all responses had a standard deviation of <1.00 which indicated smaller dispersion from the mean which was interpreted to mean convergence of responses on the particular propositions.

Table 3: Influence of Stakeholder Influence on Procurement Performance					
	n	Min	Max	Mean	Std. Dev.
Stakeholders interest are aligned to the organizations interest thus enhancing procurement performance	55	1	5	2.18	.891
The complexity in managing diverse stakeholder interest influences performance of the procurement department	55	1	5	3.97	.848
The organization has developed strategies to minimize stakeholder conflicts in procurement matters	55	1	5	4.42	.661
The organization is always in control of all costs related to issues arising from stakeholder management	55	1	5	3.75	.973
All our stakeholders are aware of organizations policies on unethical practices in procurement	55	1	5	2.16	.633
The organization controls flow of resources and ensures no manipulation occurs	55	1	5	2.08	.844

Influence of Procurement Planning on Procurement Performance

The study presents various aspects touching on procurement planning and procurement performance and the findings are depicted in Table 4.

Table 4: Influence of Procurement Planning on Procurement Performance					
	n	Min	Max	Mean	Std. Dev.
Our organization carries out need identification and prioritization on all procurement matters	55	1	5	4.13	.724
The planning process in our procurement department is always participatory and involves all staff	55	1	5	3.81	.987
We often carry out frequent formulation of procurement plans for our department	55	1	5	4.32	.698
The organization always adheres to these procurement plans	55	1	5	2.35	.921
Planning provides focused and efficient utilization of available resources	55	1	5	4.31	.842
Procurement planning has enhanced the departments budgeting process	55	1	5	2.17	.759
Procurement planning has enabled our departments to always have timely procurements	55	1	5	2.33	.876

The results in Table 4 indicate that most of the respondents agreed that the organization carried out need identification and prioritization on all procurement matters (4.13), that the planning process in their procurement department was always participatory and involved all staff (3.81), that they often carried out frequent formulation of procurement plans for their department (4.32) and that planning provided focused and efficient utilization of available resources (4.31). The respondents however disagreed that their organization always adhered to procurement plans (2.35), that procurement planning had enhanced the departments budgeting process (2.17), and that procurement planning had enabled their departments to always have timely procurements (2.33). Further, all responses had a standard deviation of <1.00 which indicated smaller dispersion from the mean which was interpreted to mean convergence of responses on the particular propositions.

Procurement Performance

The findings in this section involve the measurement of the dependent variable and are depicted in Table 5. From the findings in Table 5, majority of the respondents were in agreement that the organization offers timely deliveries of requisitions out of its efficient procurement process (4.23), that there are minimal complaints on the procurement due to its efficiency (3.99) and that wastage and damages have been reduced due to the efficiency of the procurement process (4.19). The respondents however disagreed that the organization offers enhanced quality services because efficient and effective procurement processes (2.19) and that the efficiency of the procurement process has led to cost reduction in the organization (2.33). Further, all responses had a standard deviation of <1.00 which indicated smaller dispersion from the mean which was interpreted to mean convergence of responses on the propositions on procurement performance.

	n	Min	Max	Mean	Std. Dev.
The organization offers timely deliveries of requisitions out of its efficient procurement process	55	1	5	4.23	.933
There are minimal complaints from our customers on procurement matters due to its efficiency	55	1	5	3.99	.957
The organization offers enhanced quality services because efficient and effective procurement processes	55	1	5	2.19	.877
Wastages and damages have been reduced due to the efficiency of the procurement process	55	1	5	4.19	.812
The efficiency of the procurement process has led to cost reduction in the organization.	55	1	5	2.33	.986

The study carried out a regression analysis to test the significance of the study variables and model summary is depicted in Table 6.

Table 6: Regression Model Summary

Model	R	R ²	Adjusted R ²	Std Error of the Estimate
1	0.8174	0.6681	0.6372	0.3844

The R² value of 0.6681 implies that 66.8% of the variations in procurement performance can be explained by the variations in independent variables. This therefore means that other factors not studied in this study contribute 33.2% of procurement performance at Kenya Pipeline Company. The researcher further conducted a multiple regression analysis and

the findings of the multiple regression model is depicted in Table 7. From the multiple regression models, holding resource allocation, staff competence, stakeholder influence and procurement planning constant, procurement performance at Kenya Pipeline company would increase by 4.012. It was established that a unit increase in resource allocation would cause an increase in procurement performance by a factor of 0.338, a unit increase in staff competence would cause an increase in procurement performance by a factor of 0.597, a unit increase in stakeholder influence would cause an increase in procurement performance by a factor of 0.292 and a unit increase in procurement planning would cause an increase in procurement performance by a factor of 0.545.

Table 7: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	p
		B	SE	B		
1	Constant	4.012	1.392		3.448	0.078
	Resource Allocation	0.338	0.109	0.213	2.541	0.039
	Staff Competence	0.597	0.178	0.389	2.907	0.012
	Stakeholder Influence	0.292	0.123	0.203	1.718	0.044
	Procurement Planning	0.545	0.139	0.388	2.711	0.018

From the findings on Table 7, it was established that both staff competence and procurement planning had the most influence on procurement performance while stakeholder influence had the least influence on procurement performance. The un-standardized beta coefficients in Table 7 were then used to obtain the overall relationship of the independent variables and the dependent variable and model was formulated as:

$$Y = 4.012 + 0.338X_1 + 0.597X_2 + 0.292X_3 + 0.545X_4$$

Where Y = Procurement Performance, X_1 = Resource Allocation, X_2 = Staff Competence, X_3 = Stakeholder Influence, X_4 = Procurement Planning. From the model it was established that all the independent variables positively related to procurement performance and were statistically significant at the 5% significance level. Furthermore, since all the p-values had values less than 0.05, all the null hypotheses were rejected and the alternative hypotheses confirmed to be true. The findings are in agreement with those of Kavua and Ngugi (2014) who established a similar trend in their study on determinants of procurement performance of rural electrification projects in Kenya.

CONCLUSIONS

The study concluded that budgetary allocations were implemented strictly and without external interference and that tenders were awarded based on resource availability. Further, it was concluded that that resources were not allocated on time thereby did not enhance procurement performance. Since resource allocation was found to have significant influence on procurement performance, it was concluded that the organization should enhance resource allocation systems in order to enhance procurement function performance. Secondly, the study concluded that the organization valued employee skills and experiences and that the organization deployed staff based on relevant skills. Further, it was concluded that since competence was one of the key factors influencing procurement performance the organization must work towards enhancing staff competence through staff training schemes, consistent motivation and merit based performance measures. It was concluded that the complexity in managing diverse stakeholder interest influenced performance of their procurement department. It was further concluded that that stakeholders interest were not aligned to the organizations interest thus did not enhance procurement performance. The study further concluded that the organization did not always

adhere to procurement plans, that procurement planning had not enhanced the departments budgeting process, and that procurement planning had not enabled their departments to always have timely procurements. Therefore the organization must not only enhance their planning component but also ensure that procurement plans are adhered to, that the budgeting process follows the procurement plans and that procurement planning should be geared towards achieving timely procurements.

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