

# Challenges of Implementing Procurement Policies in State Corporations in Kenya

Chalton Jillo Badaso

Department of Commerce and Economics, School of Human Resources Development, Jomo Kenyatta University of Agriculture and Technology, P.O Box 81310, Code 80100, Mombasa

Tel: +254 720-744-726 E-mail: challyb2006@yahoo.com

## Abstract

The general objective of the study is to establish the challenges of implementing procurement policies in state corporations. The relationship between the various variables of study is illustrated using the aid of a conceptual framework. To achieve the objective of the study, a well structured questionnaire was used to collect data from primary sources. Descriptive statistics was used to analyze data and comprise the use of frequencies, percentage (relative frequency) and mean. The research reveals that political interference, information technology, quality of personnel greatly undermine effective implementation of procurement policies in State Corporation. The study concludes by recommending a framework through which such challenges can be turned to opportunities for the success of state organizations.

**Keywords:** Procurement policy, Implementation challenge, State corporations

## 1.0Introduction

Public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring, rules and regulations. Public procurement refers to the acquisition of goods, services and works by a procuring entity using public funds (World Bank, 1995a). The process covers the whole lifecycle of activities beginning with identifying a need, evaluating tenders, purchasing and ongoing contract management until the end of a goods or service contract, or the end of the useful life of an asset. In these terms, a procurement policy is simply the rules and regulations that are set in place to govern the process of acquiring goods and services needed by an organization to function efficiently.

According to Roodhooft and Abbeele (2006), public bodies have always been big purchasers, dealing with huge budgets. Mahmood, (2010) also reiterated that public procurement represents 18.42% of the world GDP. In developing countries, public procurement is increasingly recognized as essential in service delivery (Basheka and 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 (Wittig, 1999; Government of Uganda, 2006) as cited in 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).

Consequently, various countries both in developed and least developed countries have instituted procurement reforms involving laws and regulations. The major obstacle however, has been inadequate regulatory compliance. This position is further supported by Gelderman et al (2006) who contend that compliance in public procurement is still a major issue. Hui et al (2011) while analyzing procurement issues in Malaysia established that procurement officers were blamed for malpractice and non-compliance to the procurement policies and procedures. Citing Yukl (1989), Gelderman et al;(2006) stipulate that compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only a minimal or average effort. However, as an organizational outcome, compliance has traditionally been understood as conformity or obedience to regulations and legislation (Snell, 2004) cited in Lisa, (2010). Many public sector regulatory bodies have identified the importance of properly conducted procurement.

A high quality procurement policy will be an ever increasing requirement in order to secure government and other funding. Good procurement practice will deliver a number of key benefits, in particular effective risk management and value for money. Examples of benefits that can be provided through procurement best practice are: A clearer governance framework, an improved control environment, reduced purchased cost, lower lifetime

costs (for example: repairs and maintenance), improved quality and life expectancy, simplified administration and availability of accurate management information.

### 1.1 Statement of the problem

Public procurement is an important function of government for several reasons. First, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10% – 30 % of GNP (Callender & Mathews, 2000). Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners.

Policy implementation involves conversion of a formulated policy into action and good results. Policy formulation and implementation depends on the identification of the organizations goals and the rational analysis of its external environment and internal resources and capabilities. Managing the implementation and the organizational issues that go with it, is so frequently the source of complexities and difficulties that characterize the policy implementation process. There are various challenges that occur during the policy implementation process. These challenges are important because they render even the best policies ineffective.

In a developed or developing country, public procurement practitioners have and will face always many challenges. Each country has its own economic, social, cultural and political environment, and each country's public procurement practitioners face different types of challenges, or the same types of challenges but at different levels from their counterparts in other countries.

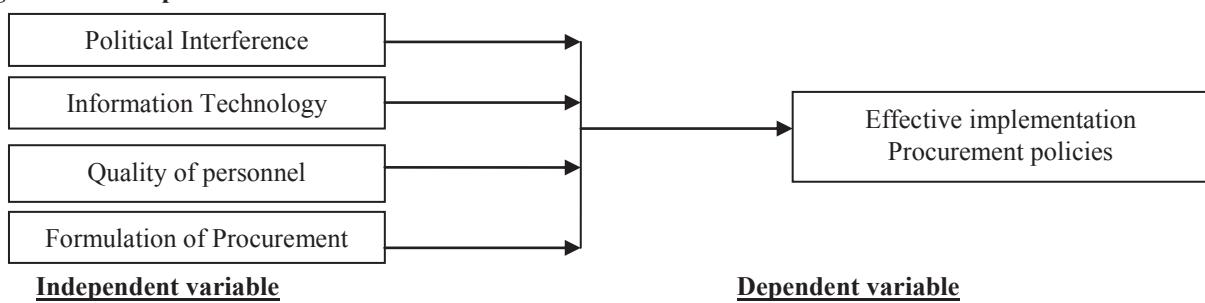
Although a number of studies have been done on policy implementation, a knowledge gap still exists on the challenges facing the implementation of procurement policies in State Corporation. It is in the background of these issues that this research study fills in the gap by answering the question; what are the challenges of implementing procurement policies in state organizations given the changing and turbulent environment it is operating in?

## 2.0 Literature Review

### Conceptual Framework

For purpose of this research the conceptual framework was illustrated with the aid of the conceptual model below.

**Figure 2.1 Conceptual Framework**



### 2.1 Political interference

Public procurement is considered an inherently a politically sensitive activity (Schapper et al; 2006). However, Pillary (2004) argues that senior officials and political leaders use public office for private gain and this has weakened the motivation to remain honest. Raymond (2008) also opined that ministers and political parties receive clandestine payments in government procurement. This ultimately interferes with the procurement process and constrains compliance. This is also re-echoed by Lodhia and. Burritt, (2004), who recognizes that social and political influences have an important bearing on public sector reform .In developing countries; one of the major obstacles to the procurement system is ministerial interference with the tender process where ministers intervene and influence tender awards. The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives leading to non-compliance (Akech, 2005). In support of this, Hui et al; (2011) asserted that interference from the local politicians, businesspersons, members of parliament and very influential top management individuals has interrupted the procurement processes and deterred transparency.

## 2.2 Information Technology

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

In order to meet today's operating challenges, regional and local governments are turning to ICT to enhance the services for residents, businesses and visitors, and improve internal efficiencies by lowering costs and increasing productivity. Public authorities are implementing scalable communication infrastructures to promote economic development, attract new businesses and residents, and above all, provide excellent service to constituents. From a business perspective, implementing scalable communication infrastructures such as wide area networks (WANs) accommodates the various types of services government agencies require on a day to day basis, including provision of broadband internet access for online services and internal collaboration, handling administrative data.

## 2.3 Quality of Personnel

According to Raymond (2008), quality of personnel in public procurement relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities. If the workforce is not adequately educated in procurement matters, serious consequences; including, breaches of codes of conduct occur. Raymond (2008) also linked lack of a high degree of quality of personnel in public procurement to corruption, which ultimately impedes compliance. The procurement officers must be trained and aware about all regulations in relation to procurement and related procedures (Hui et al 2011).

Policies may look extremely logical on paper but if those entrusted with the responsibility of implementation are unwilling to implement, nothing will happen. Policy implementation process may fail if the policy does not achieve support and commitment by the majority of employees and the middle management. Shared understanding without commitment would result in 'counter effort' and may negatively affect the organisational performance. The understanding between middle management and those at the operational level to that of the top management team's strategic goals is of prime importance to successful implementation.

## 2.4 Formulation of procurement policy

If the corporate strategy drafted by the organisation is a poor or a vague strategy, then it can limit the implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad policy or a poor strategic planning effort (Hrebiniak, 2006). It will be of interest to note that the need to start with a formulated policy that involves a good idea or concept is the most crucial and critical factor, which helps promoting its successful implementation. As Allio notes, good implementation naturally starts with good policy input: the soup is only as good as the ingredients (Allio, 2005). The kind of procurement policies formulated should therefore be implementable.

## 3.0 Methodology

This section entailed, research design, target population, sample size, sampling procedure, and data collection instruments and data analysis techniques. The study adopted descriptive research design. Cluster sampling techniques were used to select 50 employees from a target population of 198. The sampling procedure that was used to select the subjects to be included in the sample was cluster sampling. The goal of this procedure was to achieve desired representation from various subgroups in the population; (Mugenda and Mugenda 2003). The subjects were selected in such a way that the existing subgroups in the population were more or less reproduced in the sample. The sample consisted of five sub-groups. These sub-groups formed the clusters. Primary sources of data came from the field by using questionnaires. Descriptive statistics was used to analyze data and comprise the use of frequencies, percentage (relative frequency) and mean.

#### **4.0 Data Analysis and Presentation of Findings**

The following sections show how the objectives were measured by analyzing specific items which were targeting particular variables in the study

##### **4.1 Political Interference**

###### **4.1.1 Extent to which political interference affects procurement policy implementation**

The findings show that majority of the respondents 50% believe that political interference affect effective implementation of procurement policies to a great extent while 30% have the view of a moderate extent.

###### **4.1.2 Components of politics and how they affect procurement policy implementation**

The results revealed that the components of politics affected the implementation of procurement policies in public sector to a great extent and they include Political interference ensures equitable distribution of resources in neglected areas as shown by a mean of 3.34; Development of relevant regulation regarding procurement policies can be fastened by engaging in both internal and external politics which was indicated by a mean of 2.78; Political interference interrupts procurement process and deters transparency which was indicated by a mean of 2.66 and Political interference in implementing procurement policies weakens the motivation of public officers to remain honest as shown by a mean of 2.23

###### **4.1.3 Level of agreement of political interference in implementing procurement policies**

According to the findings, the respondents strongly agreed that procurement officials should be given autonomy to make independent decisions as indicated by a mean of 2.18. Political interference in implementing procurement policies creates opportunities for corruption. This was indicated by a mean of 2.27. The respondents also agreed that regular reviews can be done to ensure probity is being considered and achieved and Professional and job-related responsibilities are placed before political interests or individual interests as indicated by a mean of 2.52 and 2.66 respectively.

##### **4.2 Information Technology**

###### **4.2.1 Extent to which Information Technology Affects Procurement Policy Implementation**

The findings show that majority of the respondents 41% believe that information technology greatly affects the implementation of procurement policies in state organization. A relative small number of respondents 9% are of the opinion that it affects to a little extent. Some respondents believe at affects to a very great extent and moderate extent as indicated by 18% and 32% respectively.

###### **4.2.2 Level of agreement to information technology in implementing procurement policies**

On the effects of IT on procurement policy implementation in the public sector, the study revealed that the respondent's strongly agree that public authorities are expected to provide excellent services to their constituencies in an effective and transparent manner. This was shown by a mean of 1.98; the respondents also agreed that government officials have increasingly come to realize that public agencies must utilize ICT in order to enhance procurement process in the public sector as indicated by a mean of 2.02. The study also revealed that African nations are lagging severely in ICT adoptions despite the benefits from ICT experienced by others as indicated by a mean of 2.54. The respondents agreed that public authorities are implementing scalable communication infrastructures to enhance service delivery as indicated by a mean of 2.61.

##### **4.3 Quality of Personnel**

###### **4.3.1 Extent to which quality of personnel affects procurement policy implementation**

The study shows that majority of the respondents 64% are of the view that quality of personnel affect implementation of procurement policies to a very great extent. 27% and 4% of the respondents believe it affect to a great and moderate extent respectively.

###### **4.3.2 Components of Quality of Personnel that Affects Procurement Policy Implementation**

The results revealed that the components of quality of personnel affected the implementation of procurement policies in public sector to a great extent and they include the level of education and qualification of personnel areas as shown by a mean of 2.02; Professional approach in the conduct of business activities which was indicated by a mean of 2.48; Lack of willingness of staff to implement procurement laws which was indicated by a mean of 2.82 and Ignorance of personnel in regard to existing procurement laws and regulations as shown by a

mean of 2.86.

#### **4.3.3 Level of Agreement of Quality of Personnel that Affects Procurement Policy Implementation**

According to the findings, the respondents strongly agreed that officials conducting procurement need to be able to demonstrate that their decisions are fair and equitable, and made in accordance with the law, agency rules and guidelines, and conditions of contracts as indicated by a mean of 1.38. Employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions. This was indicated by a mean of 1.41. The study shows that the respondents strongly agree that employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions as shown by a mean of 1.45. The respondents also agreed that regular employees in procurement entities must not make improper use of their position and separation of key internal functions contributes to professionalism, accountability and an efficient procurement system as indicated by a mean of 1.52 and 1.89 respectively.

#### **4.4.1 Formulation of procurement policies**

##### **4.4.1 Extent to which formulation of policies affect procurement policy implementation**

The study shows that majority of the respondents 38% are of the view that formulation of procurement policies affect implementation of procurement policies to a great extent while 27% to a moderate extent. 21% of the respondents believe it affects to a very great. However, 14% of the respondents believe it affects to a little extent.

##### **4.4.2 Elements of policy formulation that affects procurement policy implementation**

The findings revealed that the elements of formulating procurement policies affects the implementation of procurement policies in public sector to a great extent and they include Involvement of various stakeholders in formulating the policies as shown by a mean of 2.32; Interpretation and applicability of the policies which was indicated by a mean of 2.52; Relevance of procurement policies which was indicated by a mean of 2.57; Flexibility of the policies to adapt to the fast changing and turbulent environment operating in which was indicated by a mean of 2.70 and Possible conflict with other existing policies from other statutory bodies as shown by a mean of 3.50.

##### **4.4.3 Level of Agreement to policy formulation that affects procurement policy implementation**

According to the findings, the respondents strongly agreed that when formulating procurement policies for state organization there is need to align them with those of other existing statutory bodies that may impact directly during implementation as indicated by a mean of 1.73. The study shows that the respondents strongly agree that factors which influence the selection of policies must be analyzed before selecting a policy as shown by a mean of 2.0. Policy formulation includes planning and decision making involved in developing organizational goals and plans. This was indicated by a mean of 2.25. The respondents also agreed that Lack of sound execution plan will render the best procurement policies useless and Policy formulation requires coordination among few individuals as indicated by a mean of 2.36 and 3.0 respectively.

## **5.0 Recommendation**

This study recommends that,

- 1) In order to ensure effective procurement policy implementation, head of procurement entities need to negotiate with the policymakers with regard to aligning public procurement policies with the functions of public organizations by being responsive to their needs and challenges in order to be sustainable in the long term.
- 2) Accord procurement officials and those all involved in the procurement cycle autonomy to make independent and professional decisions and be accountable to any decisions they make. This will eliminate or minimize political interference when implementing procurement policies.
- 3) To identify, procure and implement technologies that will help departments accomplish their goals in the most effective and efficient manner.
- 4) Develop an inclusive code of conduct that will streamline and guide not only procurement professionals, but also all other stakeholders involved in the procurement process in state corporation.
- 5) Ensure that adequate training is provided for all employees and stakeholders involved in implementing procurement policies. Lack of training can act as a powerful restraint to effective policy implementation and

overall organizational success. Training issues include: resistance to change, fear of technology, rapidly changing technology, retaining quality employees, work ethics, decision-making and individual/organizational IT expertise.

- 6) It is advisable that the policymakers revisit the manner in which public procurement policies are structured in order to make them clearer and more connected for better application by the relevant stakeholders.
- 7) Develop a framework upon which procurement policies are aligned with other existing statutory policies so that they are not only in conflict at any one time but also allow for flexibility in its application whenever need arise.
- 8) The study also recommends monitoring, evaluation and regular review of the procurement policies and its implementation for the purpose of appraising the process to ensure the desired objectives is achieved.

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