Challenges Affecting Public Procurement Performance Process in Kenya

Cyrus Saul Amemba   Pamela Getuno Nyaboke   Anthony Osoro   Nganga Mburu

PhD Students

Jomo Kenyatta University of Agriculture and Technology,School of Human Resource and Development

PO Box 62000-00200, Nairobi, Kenya

Abstract

The world over, challenges affecting procurement performance has been attracting attention from scholars, practitioners, academicians and researchers due to poor performance resulting from non-adherence to proper processes and procedures. This paper aims at identifying the challenges facing public procurement performance in the Kenyan public sector. Literature highlights, procurement process, ICT adoption, Ethics and supplier relationship management as some of the key challenges that affects public procurement performance. Legislations to regulate public procurement process in Kenyan have been implemented, through enactment of The Public Procurement and Disposal Act (2005) and Public Procurement and Disposal Regulations (2006). The challenges faced by public procurement have been propagated due to the fact that existing legislations do not foster use of technology in procurement process and formation of long term buyer-supplier relations. Maintenance high ethical standards in the procurement process has also been a nagging challenge, this is exhibited by the poor ranking by Transparency International Corruption Perception Index 2012 at position 139 out of 174 economies in the world. The paper concludes that public procurement performance in Kenya can only be improved through review of existing legislations to encourage extensive use of technology in the management of the procurement process, fostering of long term buyer-supplier relations and stakeholder involvement through trainings and sensitization on practicing ethical behavior when conducting procurements.

Key words: Challenges of Public of Procurement Performance in Kenya, Procurement Process.

1.0 Introduction

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).

One of the basic rules of procurement is that in the end, it is important to think in terms of the total cost of ownership. This includes not only the purchase price, but also time and resources that are expended in the pursuit of the ownership. By understanding the steps involved with procurement, it is possible to get a better understanding of the real cost involved with attaining any good or service (Baily et al 2004).

Procurement encompasses the whole process of acquiring property and/or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters 2004).

According to Thai (2001), the basic principles of good procurement practice include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation.

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 (Hagén, and Zeed, 2005).

According to Wee (2002) ethics are the moral principles or values that guide officials in all aspects of their work. Ethical behavior encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency. Ethical behavior includes avoiding conflicts of interest, and not making improper use of an individual's position.

1.1 Statement of the Problem

Public procurement operates in an environment of increasingly intense scrutiny driven by technology,

programme reviews, and public and political expectations for service improvements (Bolton, 2006; Eyaa & Oluka, 2011). Procurement is central to the government service delivery system, and promotes aims which are, arguably, secondary to the primary aim of procurement such as using procurement to promote social, industrial or environmental policies (Cane, 2004).

In the past years, the public procurement system in Kenya has undergone significant developments and institutional strengthening. The system has moved from lack of a legal framework and regulations in the 1960s to a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s, to the introduction of the Public Procurement and Disposal (PPD) Act in 2005, Public Procurement and Disposal Regulations of 2006, the Public Procurement and Disposal (Amendment) Regulations, 2009, The Public Procurement and Disposal (Public Private Partnerships) Regulations, 2009, The Public Procurement and Disposal (Preference and Reservations) Regulations, 2011 and The Public Procurement and Disposal (County Governments) Regulations, 2013. These set of legislations have brought new standards to guide public procurement process in Kenya. Several studies on public procurement, for instance a survey by Kenya Anti-Corruption Commission (2007) reveal that even after the introduction of the Regulations, public procurement still faces challenges of inefficiency and lack of transparency.

Procurement in the Kenyan public sector plays a major role in the utilization of government resources and achievement of the economic development agenda of Kenya. Cost-effective management of the procurement process can significantly influence the growth and development of the Kenyan economy. As a core function it is, however, subjected to the dynamic changes and trends of the market and interests both from the Kenyan public and development partners. The public procurement function experiences a myriad of challenges due to the growing government expenditure and funding from development partners. It's therefore important to profile the challenges faced by public procurement partners to ensure cost-effective utilization of government resources.

2.0 Literature Review
2.1 Procurement Process
The process in procurement starts from the initiation of the need by user department and it is approved by the head of the department, as way one of acknowledging the requirement. This has to do with the process of acquiring goods, works and services. It begins when a department has identified a need and decided on its procurement requirement. The process needs to adhere to the laid down procurement process and procedures in order to achieve procurement performance in Kenya. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters 2004).

The public procurement process should uphold integrity by mitigating all malpractices; informed decision-making, which requires public bodies to base decisions on accurate information and ensure that requirements are being met. More still, the Procurement practice should be responsive to aspirations, expectations and needs of the target society. The executing of the responsibility entails professionalism from competent scholars in this paradigm. Also there is need for transparency to enhance openness and clarity on procurement policy and its delivery (World Bank, 2003).

According to Thai (2001), the basic principles of good procurement process include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the available resources carefully, knowing clearly that they will account everything to members of the public; competitive supply, which requires procurement to be carried out by competitive bidding process, embracing transparency and efficiency in the system, unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation. These areas of Public procurement process have, for long, been overshadowed with inefficiency, corruption and disregard of fundamental "value for money" considerations. This has adversely impacted the rate and quality of progress in realizing the objectives of national development, especially in developing and transition countries (Tan *et al.,* 2009).

Employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions. Both are injurious to the public's perception of honest government. As a government employee, you might have access to procurement and other nonpublic information that could affect a contract bid or the award process (Wymer & Regan, 2005). Improper disclosure of such protected information could violate numerous laws, as well as ethics rules. It also could subject you to administrative actions, as well as civil or criminal penalties. Public procurement agencies should ensure that there is an appropriate focus on good practice in purchasing and, where there is a significant procurement function that procedures are in place to ensure compliance with all relevant guidelines.

The public procurement process may be viewed as proceeding through various stages of progression. It has been argued (Walker, 2003) that public procurement reform is most likely to succeed when it proceeds through a six-step process: There has to be support from highest political levels: this is seen as necessary for any organizational change to succeed, as it avoids any doubt about the government's commitment to reform;

Publicity about the advantages of the new system; There is need for cooperation between the public and private sector leading to better understanding of each other's' problems and needs; There is need for good procurement training: to raise the skills of procurement staff and to familiarize suppliers with the requirements of the reformed system; There is need for good procurement legislation: both primary legislation and secondary implementing legislation; and also the need for establishment of a central public procurement office for overall policy making and supervision of public procurement in the country.

The Public Procurement Oversight Authority (PPOA) review team identified the following challenges faced by National Social Security Fund (NSSF) in respect of the implementation of the procurement law and regulations: Inability to translate procurement law and regulations into everyday language, so that management sees and understands the impact to their compliance; inadequate records management and filing systems. Retrieving records for review purposes was slow, time consuming and even for the files made available, some records pertaining to fulfillment of the procurement process were incomplete, limiting the review scope; Lack of operating ICT systems and applications covering all aspects of procurement; Insufficient training in procurement law for the persons involved in the procurement related functions Inadequate contract management and Insufficient communication and coordination between the user departments and Procurement Unit on procurement planning and implementation (PPOA, 2011)

2.2 Ethics in Procurement

Section 40 of the PPD Act (2005), outlines that no person, agent or employee shall be involved in any corrupt practice in any procurement proceeding. If a person or an employee or agent of a person contravenes subsection; the person shall be disqualified from entering into a contract for the procurement; or if a contract has already been entered into with the person, the contract shall be voidable at the option of the procuring entity. In addition, Section 41 provides that no person shall be involved in a fraudulent practice in any procurement proceeding. Conflict of interest is also catered for in the PPD Act (2005) under section 43, which states that An employee or agent of the procuring entity or a member of a board or committee of the procuring entity who has a conflict of interest with respect to a procurement: shall not take part in the procurement proceedings; and shall not, after a procurement contract has been entered into, take part in any decision relating to the procurement or contract.

According to Elshleman (2002), the process of procurement, or the purchase of goods and services, is the process that offers the most potential for ethical abuses or violations. Good procurement management practices should identify areas of potential ethics pitfalls, and address them ahead of time so employees know what practices to avoid. Accountability is government's obligation to demonstrate effectiveness in carrying out goals and producing the types of services that the public wants and needs (Segal and Summers 2002). Lack of accountability creates opportunities for corruption. Brinkerhoff (2004) identifies three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or external monitors, and punishment or sanctions for non-performance or corrupt behavior.

Section 44 of the PPD Act (2005) requires procurement entities to practice confidentiality in the procurement process. During or after procurement proceedings, no procuring entity and no employee or agent of the procuring entity or member of a board or committee of the procuring entity shall disclose information relating to a procurement whose disclosure would impede law enforcement or whose disclosure would not be in the public interest or information relating to a procurement whose disclosure would prejudice legitimate commercial interests or inhibit fair competition or information relating to the evaluation, comparison or clarification of tenders, proposals or quotations and the contents of tenders, proposals or quotations.

According to fieldwork interviews, many of the Kenya government services and supplies are contracted to firms and organizations that are in fact owned by (or demonstrate other obvious conflict of interest connections with) prominent civil servants or politicians, often without any declaration of such direct or indirect ownership. Amongst government officials and those who participate in the bidding process, financial benefits seem to overshadow issues of ethics and integrity in the procurement process. Many service providers and suppliers are organized in informal "cartels" that are both powerful and difficult to dislodge and those outside the cartels are more preoccupied with finding ways of getting inside so that they too can financially benefit, rather than exposing manipulation and unethical practices of such cartels (World Bank, 2006).

Ethical behavior includes avoiding conflicts of interest, and not making improper use of an individual's position. Ethical behavior is important in public procurement as it involves the expenditure of public money, and is subject to public scrutiny. Public officials should always behave ethically and fairly, including in their business undertakings. Ethical behavior supports openness and accountability in a procurement process and gives suppliers confidence to participate in the Government marketplace. Ethical behavior can also reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior; and enhance confidence in public administration (Wee, 2002).

Procurement remains to be a key sector in Kenya, which facilitates the acquisition and disposal of goods and services, thereby leading to smooth running of various institutions, both public and private. Therefore,

with respect to green procurement process executed on the basis of ethical codes of conduct, reference is made to ethical purchasing, ethical procurement and ethical sourcing (Graafland 2002). Ethical purchasing is used here as generic term to include sourcing, purchasing and procurement. It is the acquisition of goods and services through supply chains and subcontractors in a responsible manner, with consideration of the conditions under which goods and services are made and delivered and a strategy that promotes improvements (Mamic 2005). When people or business deal with contracting as a means of Procurement for their company, there may be issues regarding who the company will deal with. Procurement process conducted correctly in ethical way can be a valuable tool when combating this problem (Fisher & Lovell, 2009).

To ensure fairness during the bidding process, the Government, through the Public Procurement Oversight Authority (PPOA) has established guidelines when selecting a contractor. These guidelines include the hiring of minority owned companies which include female owned companies. The company has to have established Equal Opportunity hiring policies and must not have a history of unfair treatment of bidders (Fisher & Lovell 2009). Another thing the Government must do when selecting a contractor is it must spread the wealth among the contractors. This assures that all contractors and their companies are fairly treated when being considered for a contract. The possibility is good that the smaller, minority owned companies will eventually be chosen to work on a contract. Now all we have to do is make sure that the person that awards the contract is also fair and impartial, and not influenced by outside parties.

In most organizations, the largest ethical issue in the procurement process is the potential for conflict of interest. Employees who purchase goods or services from individuals or companies with whom they have a personal or familial relationship leave the organization open to fraud at the worst or overpayment for the items or services procured at least (McWilliams & Siegel, 2001). A good procurement management policy should outline what constitutes a conflict of interest, and forbid procurement where a conflict exists. Even when a conflict of interest is not evident, relationships between employees and vendors can result in ethical concerns during the procurement process if the employee is receiving kickbacks, either in the form of cash or gifts, from the vendor (Gomez, 2002).

Brinkerhoff (2004) has identified three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or external monitors, and punishment or sanctions for non-performance or corrupt behavior. Strategies to help increase accountability include information systems which measure how inputs are used to produce outputs; watchdog organizations, health boards or other civic organizations to demand explanation of results; performance incentives to reward good performance; and sanctions for poor performance. In South Africa, a district health planning and reporting system was used to improve management control and hold government agents accountable for their decisions. By combining financial and service data, the reporting system drew attention to clinics and programmes that had unusual indicators, and helped officials to explore root causes for performance differences, including possible corruption (Vian & Collins, 2006).

The Kenyan Government is a larger institution that relies on contractors to take care of many of the logistics necessary to keep our government running smoothly. More so, many large public corporations and institutions in Kenya rely on procurement to access most of their products and services, through purchasing and sourcing as well as tendering and contracting. Our government does not have the manpower or equipment and supplies to build its own buildings or streets, so it has independent companies bid on contracts for this work. This method of business has been so successful that it has move most of its product procurement needs to this type of business. Unfortunately this type of business has to be regulated through proper embracement and consideration of ethical drivers (Gichure, 1997). It would be unfair to all of the companies trying to win a contract from the government if the same contractor was chosen time and time again (Polo, 2008).

2.3 Use of ICT in Procurement Process

Croom (2005) defines e-business as "the use of systems and open communication channels for information exchange, commercial transactions and knowledge sharing between organizations". "E-procurement is a specific area of e-business that covers both internal processes as well as B2B processes" (Versendaal and Brinkkemper, 2003). E-procurement allows companies to leverage Internet technology in the purchasing process. According to Davila, Gupta and Palmer (2003), any technology designed to facilitate the acquisition of goods over the Internet can be defined as e-procurement.

In today's rapidly changing business environment the companies with the most competitive supply chain will remain winners (Presutti, 2002). According to Lankford (2004), companies that have successfully integrated the Internet into management of the supply chain hold a competitive advantage over those who have not. E-procurement solutions aim to automate workflows and streamline the procurement process in order the make the supply chain more efficient (Davila et al. 2003).

Procurement is usually one of the largest expense items in a company's cost structure and can have a significant influence on company's overall performance. Croom and Johnston (2003) recognize that procurement

activity is an important activity in all organizations whether public, private or governmental. Procurement managers are constantly looking for solutions to lower the high procurement costs (processes, risks, reliability) by automating the supply chain (Attaran and Attaran, 2002; Trkman and McCormack, 2010).

There are many different classifications for e-procurement, but common to all is that e-procurement consists of different applications (Knudsen, 2003). The critical difference of e-procurement compared to traditional procurement is that it allows individual employees to order goods and services directly from their own PCs through the web (Croom and Johnston, 2003).

According to the World Bank (2004), a significant number of nations have spent more on information communication technology (ICT) over the last decade than on traditional capital investments such as roadways, airports, water purification plants and the like. Those governments investing heavily in e-governance initiatives anticipate that these efforts will transform governance. Eventually how governments operate, how citizens interact with their governments, as well as what role government plays in society will change (Christensen and Laereid, 2007).

The ICT sector within government has seen significant reform efforts, as well as notable investments in ICT is procurement. Those attempting to reform the procurement process argue that the current system is broken, and unsuitable for the demands of modern governance (Thai, 2001). As a result of various efforts to limit the opportunity for corruption, increase accountability, and promote transparency, procurement has witnessed tremendous pressures to change current processes. Investing in ICT, primarily through e-procurement, has been an attempt to change how government procurement operates. Eventually by adopting digital platforms, procurement would be better suited to achieve the advances of modern government.

According to Mota and Filho (2011), worldwide e-procurement initiatives have been undertaken in the public sector on a large scale. However, these efforts have been associated with varying levels of success (Bof and Previtali, 2007). In some cases the implementation of e- procurement has lead to the expected outcomes, while in other cases badly designed adoption processes have caused high failure levels and financial waste (Somasundaram and Dastard, 2005). Varney (2011) argued that there has been significant progress in the implementation along certain e-procurement dimensions in the European Union. All union members use e-notices for at least 85% of their contracts with many states employing e-notification more than 95% of the time. E-catalogues and e-procurement based solutions, however, enjoy much less emphasis.

The implementation of technology in the public sector is seldom simple and has to be framed within the ambiguous and continuously transforming constrains of administrative and political prerogatives (Fountain, 2001). In the case of public procurement, given that the process already exhibits high levels of complexity (Leukel and Maniatopoulos, 2005) substantive policy choices become even more challenging (Henriksen and Mahnke, 2005). Certain adoption and barriers might be common to most environments.

Varney (2011) indicates that the problems in introducing ICT in developing countries can be classified into three generic categories, namely: contextual, strategic and operational. Some other problems that affect developing countries from adopting ICT are lack of skilled human resources, economic constraints, lack of systems infrastructure and application problems. Lack of skilled human resources has been described as a principal barrier blocking the diffusion and effective exploitation of ICT in developing countries (Woherem, 1993).

According to Ongori (2009), the adoption of ICT would change the way businesses operate in this era of globalization by changing business structures and increasing competition, creating competitive advantage for businesses and by changing business operations. Hence, for public entities to grow and become successful, they must have the ability to compete and dynamically respond to rapidly changing markets.

The PPOA launched the tenders' portal in 2008 as a link under its website, whose domain name is www.ppoa.go.ke. Today the portal can be reached under www.tenders.go.ke. The tender portal acts as a database storage for tender advertisements and contract awards only worth (Kshs. 5,000,000/=) five million and above. It serves as an online archive for all government tenders and further enables procuring entities to advertise their tenders online and suppliers both locally and internationally are able to access the advertisement and participate in the tender.

According to PPOA (2009), procurement processes are to be computerized to the extent possible in order to integrate the operations between Procurement Units and the potential beneficiary of the services. This will speed up routine transactions and communications within and outside the procuring entity. These include: communication to and from suppliers using telephones, emails, interactive website including tenders and procurement information sharing; communicating with internal users on emails, telephones and electronic notice boards including diary and meetings management; instituting process automation and simplification using Enterprise Resource Planning systems; and automation of internal procurement process controls such as approvals, payments, confirmation of receipt of products and services, tracking of procurement process deliverables and so on.

The tender portal was launched with the intention of: acting as a database for tender advertisement and

contract awards worth five million and above; aiming to improve access to government tenders and other any other Procuring Entities advertising tenders; aiming at Suppliers being able to view tender documents online before purchasing; aiming to encourage effective competition; and aiming at enhancing the implementation of e-procurement. Over the years procuring entities and potential bidders are using the portal more and more as the increasing numbers of posted tender notices and contract awards are proving. Nevertheless, since not every procuring entity or potential bidder in Kenya has internet access, PPOA also publishes tender opportunities and contract awards on a monthly basis in three nationwide circulated daily newspapers.

The PPOA review team identified various challenges in the assessment of the procurement system at Egerton University in respect of the implementation of the procurement law and regulations, this included: Disparate filing of procurement documents and records leading to difficulty in tracking of individual procurements, Lack of operating ICT systems and applications covering all aspects of procurement and Inadequate training in the procurement law and the supporting documentation for the persons involved in the procurement related functions (PPOA, 2011).

2.4 Supplier-Buyer Relationships

Supplier-buyer relationships have today become the "backbones of economic activities in the modern world" (Nagurney, 2010) and a focal point of organizational competitiveness, performance and long-term business success (Veludo, Macbeth and Purchase, 2006). According to Gadde and Hakansson (2001) "the competitiveness and profit-generating capacity of the individual firm is highly dependent on its ability to handle the supply side". Similarly, Griffith & Myers (2005) position the management of supplier-buyer relationships "as a primary driver of both customer and shareholder value". This is particularly true due to the increased adoption of "globalization and outsourcing strategies" (Tang and Musa, 2011) leveraged by company specialization and focus "on their core competencies" in order to withstand today's competitive market pressures (Blome and Schoenherr, 2011).

According to Burt, Dobler and Starling (2003), the three main buyer – supplier relationship are transactional, collaborative and alliances. Transactional relationships are the most common and the most basic type of buyer/supplier relationship. This relationship is referred to as an arm's-length relationship where neither party is concerned about the other parties well-being. There is very little trust involved in this relationship and it could be a onetime transaction between the buyer and supplier. There are rarely any big savings made in this kind of relationship and it usually takes very little time and effort by either party to go through with an agreement.

Collaborative relationships must be supported from the entire organization. A buyer must have the authority to negotiate with a supplier and come to an agreement that carries mutual trust and benefit. This is not possible if executives push only for cost savings or if the labor force is unwilling to give up some responsibility to the supplier. Benefits to collaborative relationships are: lower overall costs, higher quality products, less time to market due to open communication and improved technology and innovation. Supply disruptions are also less likely as the relationship is similar to friendship and suppliers and buyers look out for one another rather than opportunities to take advantage of one another. Drawbacks are the amount of time and effort involved. Buyers' time must be spent nurturing the relationship opposed to other value adding activities. There must also be time spent to begin the relationship and earn the trust of the supplier. Also there are higher switching costs if problems were to arise with the supplier. Lastly there is a sharing of "proprietary information, strategy, planning, and goals, [and] most firms do not feel comfortable exposing such elements to other firms, fearing a loss of control." (Benton, Meloni and Michael, 2005). Collaborative relationships might not be desirable when a company has a certain amount of leverage over its suppliers, or if the suppliers have all the power then the buyer might not be willing to enter into a relationship.

The third type of buyer-supplier relationship is the alliance relationship. An alliance is formed for a systematic approach to enhance communication between the two firms. Unlike collaborative relationships, an alliance is built to have a trust where both firms can be on the same level and help each other out when there is a time of need or uncertainty. If there is no motive to have trust or manage it then the alliance will most likely fail. Having an alliance can be very beneficial as there is asset specialization and human specialization as well. With human specialization, certain people in companies have experience working together and they have information that allows them to communicate with others effectively. Because of this, companies are less likely to have breakdowns between them that will result in errors (Burt et al., 2003). With this enhanced communication comes the benefit of faster delivery times, lower costs and higher quality.

It is quite easy to understand why companies like to engage in an alliance between their firms. There are typically lower total costs because of the reductions of direct and indirect costs from labor, machinery, materials and overhead. There is also the benefit of reducing the time to design and develop products and services, which leads to larger profit margin. Improved quality and technology from suppliers can be obtained from the openness and trust that is built from alliance partners (Burt et al., 3003). The benefits from the open and

trustful relationship then lead to successful new products with a lower total cost because improving quality and other strategic goals are the focus, instead of errors.

Buyer-supplier relationships in the supply chain are one of the most important elements of supply chain integration. Establishing and managing effective relationships at every link in the supply chain is becoming the prerequisite of business success. Facing market volatility and diversity, retailers are encouraged to develop relatively flexible relationships with multiple channel partners to deal with unexpected market demands and thus reduce the dependence on the vendor (Ganesan, 1994). According to him, there are four prominent dimensions of the buyer-supplier relationship: trust, communication, cooperation, and power-dependence.

Trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm. According to Fang and Kriz (2000), to distinguish the basis of trust, in Chinese culture trust is cultivated at the personal level, whereas in Western culture trust is established at the organizational level (Wong 1996). Trust indicates a person's reputation for trustworthiness on both a professional and personal level as well as credibility in a business situation" (Woo and Phrud'homme, 1999). Chinese businessmen deem the trustworthiness and person's credibility of their trade partners important in business dealings. Similarly, Ganesan (1994) reported that the reputation of the supplier's fairness has a significant effect on its credibility in the business, and consequently satisfactory credibility will create higher level of trust. Trust decrease transaction costs in an exchange relationship ,reduce the risk of opportunistic behavior (Ganesan, 1994); increase long-term orientation (Liu and Wang, 2000) willingness to engage in future business opportunity (Doney and Cannon, 1997); and facilitate cooperative transaction (Lui, 1998)

The issue of power is closely associated with the nature of dependency in business relationships. Gaski (1984) pinpointed the roles of power and dependence in channels of distribution by noting that "channel member dependence and sources of power in marketing channels are conceptually inseparable," and "dependence is a component or dimension of these power sources rather than a separate phenomenon." Power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain (Maloni and Benton, 2000).

Cannon and Perreault (1999) suggest more open sharing of information is indicated by the willingness of both parties to share important information. However, lack of trust can be translated to unwillingness to share information (Fawcett and Marnan 2001). Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance (Goodman and Dion, 2001). With the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication (Blair et al. 1985). Consequently, it will help better match supply with demand and increase profitability for channel members. The restricted information flow will impede the channel relationships and affect the supply chain performance as well. Effective Communication is crucial to maintain a long-term buyer-relationship and achieve high performance (Morgan and Hunt, 1994). Information is a potentially powerful source of competitive advantage (Spekman et al. 1999), and therefore, effective communication plays a critical role in social and business relationships. Information is a potentially powerful source of competitive advantage (Spekman et al. 1999), and therefore, effective communication plays a critical role in social and business relationships.

3.0 Conclusions

The most prevalent challenges in the public procurement process is the selection of the most suitable procurement methods, with appropriate justifications, record keeping is also a major challenge in the sense that very few public entities have designated records management officers; therefore public procurement entities in Kenya need to improve on record keeping, data and documentation controls and contract management processes and follow up mechanism have to be established by the oversight authority to ensure that firms are conforming to the existing procurement laws.

The high value of the transactions in the public procurement process along with pressures to lower costs could result in bribery, corruption and other practices which could be deemed unethical. In the public sector, it is important that procurement professionals exhibit the highest levels of ethics through being impartial, professional and transparent in the day to day conduct of procurement activities. Ethical procurement best practice starts with the employees in procurement following an ethical code which dictates their behavior and actions while conducting business. Though the Public Procurement and Disposal Act (2005) provides for procuring entities to practice confidentiality and disclose conflict of interest in the procurement process, ethical procurement practices should be extended to all stakeholders in the procurement cycle. Ethical procurement should also include an understanding of suppliers' operations and the procurement professional should offer guidance and support when improvement is necessary or appropriate.

The adoption of ICT in Kenya is relatively low; hence there are still many factors that need to be considered. Based on the literature review, it is certain that the adoption of ICT would bring about enormous opportunities for Kenyan public entities. It is necessary for the Kenyan government to develop a generic ICT

plan that will assist its public entities to successfully adopt ICT, and technological infrastructures should be put in place by the government to support ICT adoption. For Kenyan public entities to remain competitive or to become successful, it is important for entity leaders to understand the critical success factors related to ICT adoption. This involves the Kenyan government making more funds available to public entities and putting some structures in place to ensure a successful investment.

In the Kenyan public procurement context, buyer-supplier relationship is handled on a transactional basis in almost all public entities. There is no sense of partnership or working together because the buyer is always focused on getting the cheapest price, usually making the suppliers give bids to see who would come out the lowest. At the same time, the supplier is trying to get a high enough price to cover their costs as well as make a profit. This type of transactional relationship is not beneficial to both parties, which means that for one side to win the other would have to lose. The existing public procurement laws do not support establishment and management of effective buyer-supplier relationships in the procurement process. There is need to review existing laws with a view of encouraging suppliers to perform better and foster formation of long term relationships. The existing markets are becoming dynamic and implementation of the Public procurement private partnerships in 2009 is a step in the right direction in terms of encouraging private firms to partner and therefore the need to encourage public procurement entities to form long lasting partnerships with suppliers.

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