

## Procurement Processes and Organizational Performance of Public Sectors in Kenya

Roseline Achieng Omondi\*, Dr. Kennedy Kirima Nteere & Dr. Michael Ngala

School of Business and Economics, The Co-operative University of Kenya, Kenya

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### Abstract

**Purpose:** Public sector procurement plays a crucial role in government spending. In light of recent calls for reduced public expenditure, it is important to manage procurement planning efficiently. This study aims to explore how procurement planning, impact the performance of public sector organizations. The research is grounded in Transaction Cost Theory.

**Methodology:** The study employed a descriptive research design. A total of 200 structured questionnaires were distributed and 188 successfully returned for data analysis. The sample was drawn from top-level managers, middle-level managers, and support staff involved in procurement processes. The data were analyzed using SPSS v28 and presented in tables and graphs.

**Findings:** The correlation and regression analysis results, showed that procurement planning, positively influenced organizational performance Procurement planning had weaker but still significant effects on organizational performance. The study recommends that public sector organizations should strengthen their procurement planning by integrating advanced forecasting tools and involving key stakeholders in the planning process to enhance accuracy

**Keywords:** Procurement processes, Procurement planning Organizational performance

### 1. Introduction

Public sector organizations are institutions that are owned, operated and funded by the government to provide public goods and services (Mlambo, 2019). While they provide crucial services, they are faced with myriad of administrative, operational and performance challenges. Some of the operational and administrative challenges occur during procurement planning process. Public sector organizations such as The Public Sector Accounting Standards Board (PSASB), established to regulate and maintain stringent procurement processes for public sector standards setting and monitoring (Indeche et al., 2022); The Kenya Revenue Authority (KRA) established to enhance revenue collection and tax administration efficiency (OECD, 2020); and Kenya National Highways Authority (KeNHA) established to plan, design, and construct national highways and ensure safety and efficient transportation.

The procurement planning process in these public sector organizations as their performance enhances efficiency in delivery of public goods and services (Indeche et al 2022). Espino-Rodríguez and Taha (2022) argued for the significant positive impact of procurement planning processes on organizational performance and found that efficient procurement planning enhances competitiveness by improving efficiency and performance within the supply chain.

In Kenya, procurement planning has faced some challenges, especially within the public sector organization space where corruption and bureaucracy has affected the effectiveness of procurement planning in Kenya. In context, Mutuku et al. (2021) found that while numerous public sector institutions in Kenya desire to implement procurement planning reforms that include legal frameworks and regulations, significant challenge on resistance by some quarters, corruption and bureaucracy are still persistent, making procurement planning among public sector institutions in Kenya less efficient. As such, there is a greater need to ensure that procurement planning is efficient and effective for the organizations to achieve the desired performance. KRA, KeNHA and PSASB could look into their procurement planning to enhance their performance and service delivery to the public.

#### Statement of the problem

Procurement is considered a vital aspect of management plans that aim to achieve effective performance in public institutions and contribute to the nation's growth (Jibrin, et al, 2014). . When properly planned and executed, procurement can serve as an economic tool that supports national development (Demircioglu & Vivona 2021). Many developing countries face challenges due to rapid changes in procurement planning processes, affecting both the functioning of procurement and overall performance, both internally and externally (Lysons & Farrington 2020). Procurement planning is also often fragile and susceptible to frequent disruptions (Ferreira et al. 2021). Disruptions such as delays and occasional failures to deliver goods to designated organizations burden these institutions, leading to a decline in procurement and supply performance (Manasse, 2022). The relationship between procurement planning and organizational performance, have yielded diverse findings. For example, Ekirapa-Kiracho et al., (2022) found that strategic procurement management directly affects the financial performance of Ugandan health institutions. A gap in research still exists as most studies always focus on examining the relationship between procurement planning and organizational performance in private or non-public sector companies. Therefore, this study will fill this gap as similar research is needed in a different context, specifically within Kenyan public institutions, like the Public Sector Standards Board (PSASB); Kenya Revenue Authority (KRA) and the Kenya National Highways Authority (KeNHA).

## 2. Literature Review

### Theoretical Framework

This study was guided by Transaction Cost Theory (TCT) theory, which elaborates the decision-making processes related to in-house operations versus external procurement. TCT identifies three transaction costs influencing procurement decisions. These are: Search and Information Costs, incurred in identifying potential suppliers and gathering necessary information, can be minimized through effective procurement planning and streamlined search processes (Rindfleisch, 2020). Bargaining and Decision Costs, associated with negotiating contracts and supplier selection, can be reduced through standardized procurement processes, fair competition, and effective contract management. Policing and Enforcement Costs, involving monitoring supplier adherence to contractual terms, can be mitigated with rigorous procurement audits and an efficient legal system (Rindfleisch, 2020). Understanding these costs is crucial for public sector organizations to make informed decisions about internal management or outsourcing to enhance operational efficiency. By considering transaction

costs, for example, public sector organizations can balance cost efficiencies with the quality of procured goods and services, thereby making informed procurement planning decisions.

### **Empirical Review**

Procurement planning plays a critical role in enhancing organizational performance, as it helps streamline the acquisition of goods and services while ensuring efficient resource management. Available studies like Onyango (2012) examined the effects of procurement planning on public institutional performance through a case study of Mombasa Law Court. The study found that proper procurement planning significantly contributes to the overall success and operational efficiency of public institutions. Institutions that adhered to structured procurement planning experienced improved performance due to better cost management and resource allocation. Kihara and Ngugi (2013) also explored the role of procurement planning on performance at Nyayo Tea Zones Development Corporation (NTZDC). This study sought to determine how procurement planning processes influenced performance. Employing a descriptive research design, using both primary and secondary data from a sample size of 600 employees, the study found that procurement planning processes significantly enhanced organizational performance. Another study by Mwaririe and Nyambura (2024) examined the procurement planning in public universities in the Nairobi Metropolitan Region, and found that procurement planning significantly influenced the procurement performance in terms of reduced costs, lead times, and quality. Another study by Muema (2021) looked into the sustainable procurement practices such as procurement planning across Kenyan county governments, and found that economic and ecological procurement planning significantly enhance organizational performance.

### **3. Methodology**

The study was quantitative in nature and utilized descriptive design approach as it aimed at establishing the relationship between procurement practices and public sector performance. The study targeted three public sector organisations in Nairobi including KPSASB, KRA and KeNHA. Purposive sampling technique was used to target the employees of these organizations to determine the sample size, the researcher considered the total number of employees involved in procurement processes at the three government institutions KRA, KeNHA and PSASB.

The used a calculated sample size of 200 individuals, a size that was sufficient enough (Lakens, 2022). The sample was distributed across the three levels of employment with 30 being top level managers, 60 being middle level managers and 110 being the support staff. This research employed quantitative data collection methods and this involves the use of structured questionnaires and descriptive statistics was used to summarize the data. Descriptive statistics was used to characterize the data and find the mean and standard deviation of the data for easier analysis. Inferential statistics like regression analysis was used to examine the relationship between the independent variables (procurement processes) and the dependent variable (KRA, KeNHA, PSASB's performance). Regression analysis was very crucial in establishing the effect of independent variable (procurement planning) on dependent variable (organizational performance). Correlation analysis was important in establishing the relationship between the two variables, and the strength of the relationship.

#### 4. Results

A total of 200 questionnaires in the form of Google forms were distributed on-line to the potential participants and 188 were successfully filled and returned which gave a response rate of 94% which is a sufficient level of response as noted by Mugenda and Mugenda (2013).

#### Organizational Performance Descriptive statistics

Table 1 represents the descriptive statistics for organizational performance

**Table 1. Post on social media**

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

When asked on whether their respective public sector organizations, achieved their mission and vision of setting a high-quality public-sector accounting standard, the average response was 3.8351. This indicate that majority of the respondents agreed. While there are a few who's showed strong disagreement, the standard Deviation of 0.9561 shows that the Responses were majorly similar and evenly spread. When asked whether the services and products were delivered in a timely and satisfactory manner, the average response was 3.8617, which is relatively positive feedback, showing that the participants believed that the public sector organization delivered their products in a timely and satisfactory manner. The participants were further asked on whether There was efficient utilisation of resources in the public sector organization, the average response was 4.0904, and with a standard deviation of 0.7472, it showed that the public sector organizations effectively and efficiently utilized their resources and funds.

#### Procurement planning and performance of the public sector organizations

The descriptive results are presented in table 2

**Table 2. Procurement Planning**

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

When asked whether strategic objectives of the public sector organization were aligned with the companies' comprehensive procurement plan, the average response was 3.4652, with a standard deviation of 0.9308 indicating that the employees were neutral on this with a significant number showing that they agreed that the procurement plan aligned with the strategic objectives of the companies. The participants were further asked on whether the organizations regularly review their comprehensive procurement plan and the average response was 3.7182 with a standard deviation of 0.8444 indicating that the majority of the participants agreed while a significant were also neutral. On whether the company's procurement plans adhered to availability of funds and resources, the average response was 3.8723 with a standard deviation of 0.8087 showing that in major parts, the public sector organizations, considered resource and funds availability in their procurement planning.

### **Correlation analysis**

The correlation results presented in table 3

**Table 3. Correlation Analysis**

		<b>Organizational Performance</b>	<b>Procurement Planning</b>
<b>Organizational Performance</b>	<b>Pearson Correlation</b>	1	.193**
	<b>Sig. (2-tailed)</b>		.000
	<b>N</b>	188	188
<b>Procurement Planning</b>	<b>Pearson Correlation</b>	.193**	1
	<b>Sig. (2-tailed)</b>	.000	
	<b>N</b>	188	188
** . Correlation is significant at the 0.01 level (2-tailed).			

The results indicate that procurement planning (independent variable) and Organization Performance (dependent variable) had a positive but weak correlation coefficient of ( $r=0.193$ ,  $p<0.001$ ). This shows that while procurement planning can impact organizational performance in public sector organizations, the influence is relatively weak. The correlation coefficient has a relatively small significance level of less than 0.001 meaning that it is statistically significant at 0.001 level

### Regression Analysis

The model summary results were presented in table 4

**Table 4. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.193 <sup>a</sup>	.037	.032	.43279051923
a. Predictors: (Constant), Procurement Planning				

Table 4 shows the results for the model summary which indicate that 3.7% variance in organizational performance could be explained by procurement planning (R Square = .037). When adjusted for other factors, procurement planning could only explain 3.2% of performance in public sector organizations as shown by the adjusted R Square of .032. This shows a significant but a relatively weak impact of procurement planning on organizational performance. The standard error of the estimate (.4328) indicates the average distance between the observed values and the regression line, reflecting some variability in the model's predictions.

### Anova

**Table 5. ANOVA Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.9667	1	0.9667	7.1449	.000 <sup>b</sup>
	Residual	26.1598	186	.1353		
	Total	26.1265	187			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Procurement Planning						

Table 5 shows the ANOVA results, which confirms that the regression model, which examines the effects of procurement planning on organization performance of public sector organization. The F-value of 7.1449 and a p-value of less than .001 (Sig. = .000) indicates that procurement

planning significantly predicts organization performance in public sector organization. With a regression sum of squares of 0.9667 and a mean square of 0.9667, the analysis shows that while there is some positive effect of procurement planning on organization performance, the effect is weak, but significant at 0.001 significance level ( $p=0.000$ ).

**Table 6. Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.6783	.108		9.787	.000
	Procurement planning	1.067	.3749	.193	2.847	.000

a. Dependent Variable: Organizational Performance

Table 6 presents the coefficients for the relationship between the procurement planning and the organization performance. The unstandardized coefficient (B) for procurement planning is 1.067, with a standard error of 0.3749, indicating that for every unit increase in procurement planning, the organization performance increases by 1.067 units. The standardized coefficient (Beta) is 0.193, signifying a weak but positive relationship between procurement pattern and organization performance. The t-value of 2.847 and a p-value of less than .001 suggest that this relationship is statistically significant.

## 5. Conclusion and Recommendations

The study found that procurement planning has a moderate and positive effect on the performance of public sector organizations. Employees perceived the procurement planning should be transparent, compliant with procurement laws, and effective in enhancing competition and value for money. Correlation and regression analyses demonstrated that procurement planning significantly, though modestly, contributed to organizational performance. This finding is consistent with prior studies, which have emphasized the role of proper procurement planning in improving product quality, reducing supply chain disruptions, and enhancing operational efficiency.

Based on the results, public sector organizations should strengthen their procurement planning by integrating advanced forecasting tools and involving key stakeholders in the planning process to enhance accuracy. Continuous training on procurement planning best practices should also be provided to employees to improve overall efficiency. Continuous feedback mechanisms involving suppliers and stakeholders should be institutionalized to ensure smooth contract execution and the identification of improvement areas. Strengthening post-contract evaluations will further drive performance improvements. The results could also enhance procurement sector by promoting the development of policies that reduce bureaucracy of public sector institutions and improve efficiency of the procurement planning processes, as this can

enhance the performance in terms of reduced costs and enhanced quality of services provided. Future studies could investigate the role of technology in optimizing procurement planning and its impact on performance in public sector organizations.

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