

INFLUENCE OF STRATEGIC PROCUREMENT PRACTICES ON THE PERFORMANCE OF STATE CORPORATIONS IN KENYA: A CASE OF KENYA PIPELINE LIMITED

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Abstract: The purpose of this study was to determine the influence of strategic management practices on the performance of State Corporation in Kenya. Four specific objectives formed the basis of study and these were: to examine the effect of strategic leadership, strategic planning, strategic innovation and resources availability on firm's performance in public sector in Kenya. The theories included: stakeholder theory, goal theory, fit theory and Juran's Approach to TQM theory. The target population was considered to be 200 employees from Kenya Pipeline Company. However, the respondents were selected from different departments of procurement, finance, human resource management and corporate services. The sample size of the study was considered to be 60 employees within the Kenya Pipeline Company which was arrived at in reference to other scholar's provisions. Quantitative research design was adopted for the study. The questionnaire was used as the data collection instrument. Data analysis and interpretation was also performed based on descriptive statistics as well as inferential statistics mainly regression analysis, Pearson correlation and alpha Cronbach which were used to test reliability and validity of the instruments. The finding indicated that strategic leadership, strategic planning, strategic innovation and strategic quality management had impacted majorly in organizational performance and so strategic management practices plays a great role in organizational performance. The study recommended training, skill development and strategic approaches in strategic management practices.

Keywords: strategic leadership, strategic planning, strategic innovation and resource allocation.

1. INTRODUCTION

Over the past few years, developing countries have been awakened on the importance of effective management of the public procurement process at both central and local government levels, and its subsequent contribution to improved performance of the public sector. Procurement; a function that was traditionally viewed as a clerical and reactive task has since positioned itself among core organizational functions, and its management is becoming increasingly critical for the well-functioning of any organization. Procurement is becoming important in the public sector (Schiavo-Campo & Sundaram, 2000). Poor strategic procurement practices 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). 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). The influence of new public management (NPM) philosophies in the functioning of the public sector has been embraced procedurally by government departments in a number of African Countries.

Statement of the problem

The relationship between strategic procurement practices and public sector performance continue to be singled out as important in research and practice, given the perceived weakening of traditional sources of performance on one hand (Youndt et al. 2010), and the need for public sector to adapt to the highly dynamic and competitive business environment,

in order to perform and remain relevant (Bryson, 2008). Equally, several works on synergy, configurations, and contingent factors reiterate the presumption that the interaction among a combination of factors can impact significantly on public sector performance (Barney, 2011). From the organizational context, it can be observed that people do not resist change but they resist to be changed (Northouse, 2004). A study by Mbogo (2003) established that 78% of the public sector experiences hiccups during strategic management practices. According to the Government of Kenya Sessional Paper (2014) on the reforms and performance efficiency of the public sector, it established that low adoption of strategic management practices among public sector in Kenya has led to failure to realize effective firm's performance. Many public sectors in Kenya have had many scandals. The scandals in these public sector have brought to the fore the issue of the stability, brand image, accountability, trust, ethics and reputation of the public sector and the role of the government as an effective regulator (Safieddine, & Rabbath, 2008).

However, Galbreath (2010) asserts that the conceptual links between strategic procurement practices and performance of public sector have little or no empirical verification. Similarly, most theoretical and empirical researches that have been done focused the studies only on the relationships between strategic procurement practices and performance (Lee, 2008). The growth of performance of public sector has received a lot of attention from the government, the media and researchers but the reasons for the public performance still remain a dilemma. The Kenyan market environment has continued changing and becoming turbulent. Hence to maintain a steady corporate image, public sector need to determine and analyze environmental dimensions and establish performance of public sector to mitigate changing market needs (Wachira, 2014).

In view of the many challenges that public organizations are exposed to, it is imperative for them, both profit and nonprofit organizations, to anticipate challenges, identify their strengths to meet anticipated challenges and take control of available opportunities to obtain maximum productivity Donaldson, (2006). Unfortunately, in most organizations, especially in the public sector, strategic plans are not carried out and implemented properly. Some public organizations do not attach any importance to strategic planning and therefore do not have strategic plans for their organizations Bryson, (2013). This could be borne out of lack of appreciation and knowledge of the relevance of strategic planning to organizational growth. In an attempt to address this unfortunate development, there is the need to critically assess the relevance of strategic procurement practices on performance in the public sector to enable management appreciate its worth in gaining competitive advantage at the market place.

Objectives

- i. To determine the influence of strategic leadership on the on the performance of State Corporations in Kenya
- ii. To establish the influence of strategic planning on the on the performance of State Corporations in Kenya
- iii. To determine the influence of strategic innovation on the on the performance of State Corporations in Kenya
- iv. To assess the influence of resources allocation on the on the performance of State Corporations in Kenya

Theoretical review

Strategic Choice Theory

A strategic choice theory was originally proposed by Child (1992) as a corrective extension to the classic contingency theory built on the basic assumption that it is possible to achieve high organizational efficiency and performance through proper consideration of the context in which strategy is formulated and implemented. From the contingency theory perspective, strategies are viewed as merely necessary responses to the changes in the environment. The strategic choice perspective was developed as an alternative to the pure deterministic function between context and organizational structure (Wagner and Bode, 2008).

Institutional Theory

Institutional theory is a theory on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2005). According to Kraft's Public Policy (2007), Institutional Theory is a "Policy-making that emphasizes the formal and legal aspects of government structures." As such, Institutional theory is viewed as a theoretical framework for analyzing social (particularly organizational) phenomena, which views the social world as significantly comprised of institutions – enduring rules, practices, and structures that set conditions on action. Institutional Theory

considers institutions as fundamental in explaining the social world because they are built into the social order, and direct the flow of social life. They are the constants that determine the rules of variation. Institutions condition action because departures from them are automatically counteracted by social controls that make deviation from the social order costly. These controls associate nonconformity with increased costs, through an increase in risk, greater cognitive demands, or a reduction in legitimacy and the resources that accompany it (Palthe, 2014; Scott, 2005).

Cost Economics Theory

Transaction cost economics(TCE) theory identifies and explains the conditions suitable for a firm to manage an economic exchange internally, and the conditions under which it should manage an economic exchange externally (Williamson ,1998). Transaction Cost Economics focuses on the organization of transactions that occur whenever a good or service is transferred from a provider to a user across a technologically separable interface.

Heide and John, (1990) remarks that transaction cost analysis is useful in studies of relationships, because it provides insights into the circumstances that cause the development of a closer relationship between the buyers and suppliers. The transaction costs of buying the same good or service from an external provider can include the costs of source selection, contract management, performance measurement, and dispute resolution (Dahlman, 1979). Essentially this theory illustrates the make versus buy decision for companies. Thus, this theory is suitable in anchoring all aspects regarding cost estimation

Contingency Theory

According to Hoffer (1995) contingency theory implies that firms adapt to changes in their environment by modifying their approach to competition in order to maintain or enhance performance. The willingness and ability of organizations to deal with changes in their operating environment has been documented as a cornerstone of firm strategy and performance. Contingency theory provides a basic rationale for emphasis on flexibility-based strategies that represent a strategic response to emerging threats argued that firms utilize resources as necessary to achieve specified objectives within a specific competitive environment and under specific conditions (Porter, 1990).

2. CONCEPTUAL FRAMEWORK

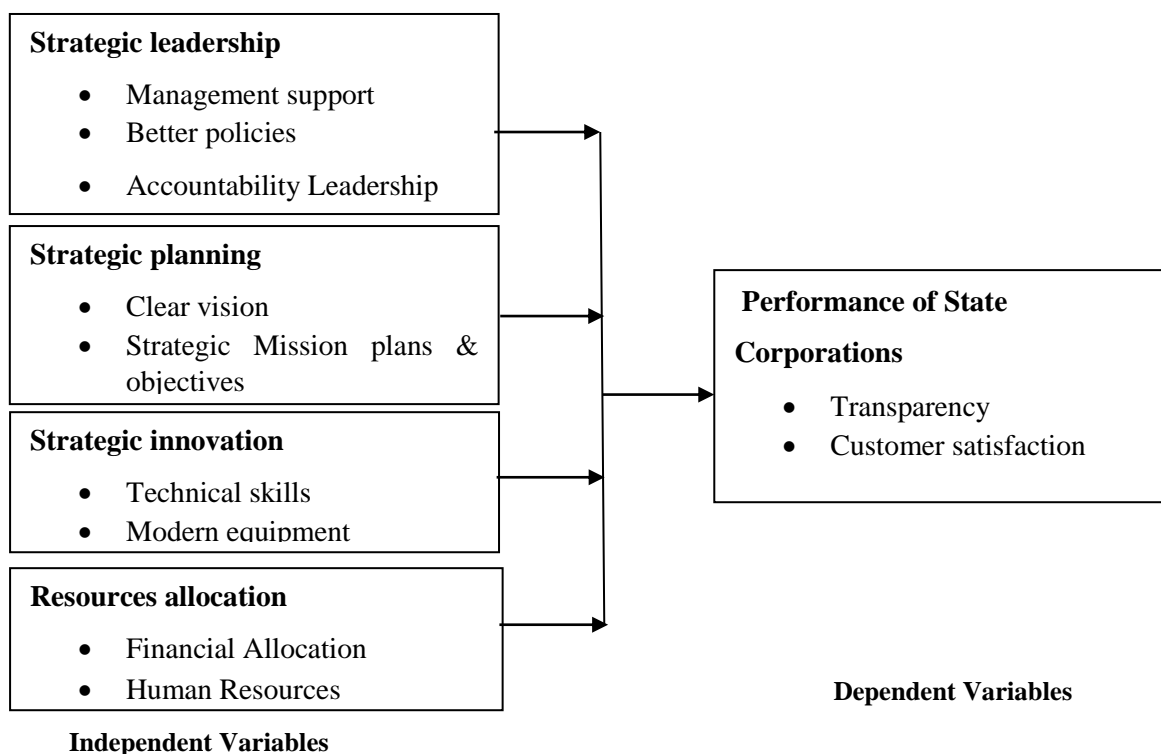


Figure 2.1: Conceptual framework

Research gaps

A number of studies relating to strategic procurement practices and performance have been done. For instance, Mutai (2015) on his study on impact of strategic procurement practices on supply chain performance of commercial banks in Kenya revealed that strategic procurement panning are applied to varying degrees by commercial banks in Kenya in enhancing its supply chain performance. Locally, Chemoiywo (2014), in her study on strategic procurement panning and supply chain performance asserted that on the extent of compliance with strategic procurement panning, improving the capabilities of service companies has been shown to booster successful reforms in public procurement, a principle that's also true for private security providers. A study by Kimani (2013) analyzed factors affecting implementation of strategic procurement panning in State corporations. The study was conducted in Nairobi City Water and Sewerage Company. A study by Kayaga (2008) examined strategic procurement panning of urban water services in Africa. The study was a case of the National Water and Sewerage Corporation (NWSC) based in Kampala, the capital of Uganda. It is clear that much research has been undertaken relate to the general aspects of strategic procurement planning from the general perspective. They have not focused on these four factors in this proposed study and also do not focus on the strategic procurement practices in the context of state corporations in Kenya. The aspect of performance in relation to strategic procurement planning in state corporations has been largely neglected therefore this study is intended to bridge the knowledge gap and seeks to determine how the two interrelates with reference to Kenya Pipeline Company.

3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The study will target 200 employees of Kenya Pipeline Company from departments of Human Resource, Finance, Procurement and Corporate Services. A total sample of 60 respondents was selected from the target population. This research employed a stratified random sampling technique in selecting the sample. This technique gives the researcher estimates of overall population parameters of greater precision and without bias (Mark Saunders, et al, 2009).The study used structured questionnaires to collect data from KPIC respondents. The study employed use of both open-ended and closed-ended items. The questionnaires was pilot tested before the actual data collection. The researcher was interested in testing the reliability of the research instruments, the questionnaire hence validity of data collected. The Data survey sheet was administered to the respondents through drop and pick method. The statistical Package for Social Sciences (SPSS) was used for data analysis purpose.

Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Where,

Y= Performance of State Corporations

β_0 = Constant

β_i = Regression coefficients

X_1 = Strategic Leadership

X_2 = Strategic Planning,

X_3 = Strategic innovation

X_4 = Resource allocation

ε = Error term

4. CORRELATION ANALYSIS

As indicated in the table 4.1 below, there was a moderate positive correlation between Strategic leadership and Performance of State Corporations in Kenya, strategic planning and loan performance of commercial banks in Kenya and finally strategic innovation and performance of State Corporations in Kenya. However, there was a moderate negative correlation between resources allocation and Performance of State Corporations in Kenya. This indicates that an increase

in the three study variables increase in Performance of State Corporations in Kenya. The above results show little evidence on multi co-linearity among the independent variable since the correlations among them are not very strong henceforth all can be used into consequent regression analysis. The findings of this study are consistent with those found by Carr and Smeltzer (1999) who contended that they is positive relationship between strategic procurement practices and the performance of State Corporations in Kenya. Carr and Smeltzer (1999) have documented how Kenyan firms with strategic procurement planning are able to foster long term, cooperative relationships and communication, and achieve greater responsiveness to the needs of their suppliers.

Table 4.1 Correlations Analysis

		SL	SP	SI	RA	P
SL	Pearson Correlation	1	.909**	.862**	.327*	.814**
	Sig. (2-tailed)		.000	.000	.015	.000
	N	55	55	55	55	55
SP	Pearson Correlation	.909**	1	.937**	.319*	.853**
	Sig. (2-tailed)	.000		.000	.018	.000
	N	55	55	55	55	55
SI	Pearson Correlation	.862**	.937**	1	.342*	.877**
	Sig. (2-tailed)	.000	.000		.011	.000
	N	55	55	55	55	55
RA	Pearson Correlation	.327*	.319*	.342*	1	-.562**
	Sig. (2-tailed)	.015	.018	.011		.000
	N	55	55	55	55	55
P	Pearson Correlation	.814**	.853**	.877**	-.562**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	55	55	55	55	55

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

* . Correlation is significant at the 0.05 level (2-tailed).

Regression Results

Table 4.2: Significance of Independent Variables

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	692	.033		.000	.000
1					
Strategic leadership	.892	.087	.814	10.193	.002
Strategic planning	.969	.082	.855	11.889	.001
Strategic planning	.683	.078	.877	13.312	.004
Resources allocation	-.616	.124	.562	4.950	.002

The results in Table 4.2 indicate that strategic leadership significantly and positively influenced

on the performance of State Corporations in Kenya. Strategic leadership focus to develop and effectively deliver the purpose of the organization by involving others in the organization at many levels. Leadership has been identified as critical to the planning process because it is important for balancing the internal and external forces that affect the organization .Additionally; an active leader builds managerial support for the planning process which results in greater support for performance of the organizations.

Further, strategic planning has a significant and a positive influence on the performance of State Corporations in Kenya. Strategic planning help in developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing. Strategic planning in public organizations has a task to analyze external factors influencing their operations, perceive internal strengths and weaknesses and, on that basis, set organizational goals and takes all necessary measures in order to achieve planned goals

Strategic innovation had significant and a positive influence on the performance of State Corporations in Kenya. Strategic innovation challenges an organization to look beyond its established business boundaries and mental models and to participate in an open minded, creative exploration of the realm of possibilities. The significance of Strategic Innovation to an organization lies in its ability to supplant competition by generating more value in the long run.

Resources allocation had a significant and negative influence on the performance of State Corporations in Kenya. Adequate resource capacity provides the foundation for an organization to gauge its progress toward achieving its predetermined goals, determination of strong as well as weak areas and decision-making on projects of the future for the purpose of kicking off enhancements on performance

5. CONCLUSION

The study concluded that strategic leadership significantly and positively influenced on the performance of State Corporations in Kenya. The study further concluded that strategic planning has a significant and a positive influence on the performance of State Corporations in Kenya. Strategic planning help in developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing. The study also concluded that strategic innovation had significant and a positive influence on the performance of State Corporations in Kenya. Strategic innovation challenges an organization to look beyond its established business boundaries and mental models and to participate in an open minded, creative exploration of the realm of possibilities. The study finally concluded that resources allocation had a significant and negative influence on the performance of State Corporations in Kenya. Adequate resource capacity provides the foundation for an organization to gauge its progress toward achieving its predetermined goals, determination of strong as well as weak areas and decision-making on projects of the future for the purpose of kicking off enhancements on performance.

Suggestions for Further Research

The study has identified influence of strategic procurement practices on the performance of public sector in Kenya. However, this study calls for a further investigation of each single factor to ensure that the issue of performance of public sector is fully addressed. Since this study concentrated on influence of strategic procurement practices on the performance of public sector in Kenya with special reference to KPC further studies should be done in other public organizations for comparison purposes and allow for generalization of the findings on the influence of strategic procurement practices on the performance of public sector in Kenya. This study further recommends that since the study was limited to only four variables, a similar study could be conducted with additional variables. Different models besides regression could also be used on similar studies to get an in-depth understanding of the relationships between the variables being studied

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