

**FACTORS INFLUENCING PROCUREMENT PERFORMANCE IN  
PUBLIC INSTITUTIONS IN KENYA: A CASE OF HOMABAY  
COUNTY GOVERNMENT**

**BY**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION**

**DEPARTMENT OF MANAGEMENT SCIENCE**

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## DECLARATION

### Student's declaration

I declare that this research report is my original work and that it has not been presented in any other University or institution for academic credits.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

SAMSON JUMA OKUMU

MBA/BE/6005/2016

### Supervisor's declaration

This research report has been submitted for examination with my approval as the University Supervisor.

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## **ACKNOWLEDGEMENT**

My acknowledgement goes to my supervisor Dr. Moses Oginda for his invaluable comments and guidance towards the success of this report. Above all, I thank our Almighty God for enabling me to overcome all the challenges up to the completion of this report.

## **DEDICATION**

I dedicate this report to my family for their encouragement, patience, moral and financial support, which they have always accorded me throughout the period of this research report.

## ABSTRACT

Public procurement is the acquisition of any type of works, assets, services and goods by purchase, rental, lease, license, tenancy, franchise or by any other contractual means. Public procurement consumes huge amounts of tax payers' money. In United Kingdom, the public sector spent £242 billion on procurement of goods, works and services in 2013/2014 which accounted for 33% of the sectors spending. In South Africa, public procurement spending represents 29% of the country's gross domestic product. Locally, the spending on goods and services accounts for 11% of the country's GDP. This however can be minimised through an efficient procurement system. Nonetheless, this depends on a number of factors associated with the procurement function. The purpose of this study was to assess the factors influencing procurement performance in public institutions in Kenya: a case of Homa Bay county government. The specific objectives were to; establish the extent to which management competency, information technology and to evaluate the extent to which financial capability: influence procurement performance in the County Government of Homa Bay. The study was anchored on the resource-based view theory (RBV) and adopted descriptive survey design. The target population was 200 staff of Homa Bay County Government with direct and significant influence in public procurement at the county. The sample size was 134 people, obtained through simple random sampling. Primary data used was obtained through structured questionnaires. Reliability test was ascertained through Cronbach's Alpha. The instrument was reviewed by experts to ascertain validity. Descriptive results showed that there was moderate influence of managerial competency in procurement performance (mean= 3.0476). The responses had lower dispersion as evidenced in smaller standard deviation (SD= 1.00935). Moreover, the distribution was negatively skewed ( $S_K=-0.240$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.448$  implying that the responses had a leptokurtic distribution; there was moderate influence of Information Technology in the performance of Procurement (mean= 3.000). The responses had lower dispersion as evidenced in smaller standard deviation (SD= 1.07050). Moreover, the distribution was negatively skewed ( $S_K=-0.186$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.558$  implying that the responses had a leptokurtic distribution and that there was little influence of financial capability in the procurement performance (mean= 2.1905). The responses had lower dispersion as evidenced in smaller standard deviation (SD= 0.92638). Moreover, the distribution was positively skewed ( $S_K=0.720$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=0.072$  implying that the responses had a mesokurtic distribution. The study recommended that the County Government of Homa Bay should put more efforts on the competencies of their staff, invest more on Information Technology and improve their financial capability since they influence their procurement performance. These results are expected to help the County Governments in Kenya to put in place appropriate measures to improve procurement performance levels.

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## LIST OF ABBREVIATIONS

<b>GDP</b>	Gross Domestic Product
<b>IT</b>	Information Technology
<b>ICT</b>	Information and Communication Technology
<b>KPLC</b>	Kenya Power and Lighting Company
<b>REA</b>	Rural Electrification Authority
<b>SLO</b>	State Law Office
<b>UK</b>	United Kingdom
<b>RBV</b>	Resource Based View Theory
<b>SD</b>	Standard Deviation
<b>K</b>	Kurtosis Coefficient
<b>SK</b>	Skewed Distribution
<b>FINCA PAB</b>	Financial Capability
<b>MAN COMP</b>	Managerial Competency
<b>PERF</b>	Performance



## OPERATIONAL DEFINITION OF TERMS

- Financial Capability** : This refers to the adequacy of funds
- Information Technology** : The use of computers in the procurement processes
- Managerial Competency** : This refers to capability, ability or an underlying characteristic of an individual as an employee to perform a particular task
- Procurement Performance** : This refers to the quality of goods, works and services procured
- Public Procurement:** Public procurement is the acquisition of any type of works, assets, services and goods by purchase, rental, lease, license, tenancy, franchise or by any other contractual means (Gichio, 2014).

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## **CHAPTER ONE**

### **INTRODUCTION**

This chapter presents the background of the study, statement of the problem, objectives of the study, research hypothesis, scope of the study, justification of the study and the conceptual framework.

#### **1.1 Background of the Study**

The performance of the procurement department in public institutions has been a centre of debate in several countries across the globe. This is because of the huge amounts of public funds in terms of tax payers' money which are always involved in the procurement of either goods or services by the said institutions. In 2013/14 Financial Year, the United Kingdom (UK) public sector spent a total of £242 billion on procurement of goods and services; this accounted for 33% of public sector spending (Booth, 2015). In Africa and South Africa in particular, public procurement spending represents 29% of the country's gross domestic product (GDP) (Turley & Perera, 2014). Locally, and according to Evenett and Hoekman (2005), the spending by the Kenya Government on goods and services accounts for 11% of the country's GDP.

In addition, the effectiveness of the procurement department is critical to the success of any government institution (Chimwani, Iravo, & Tirimba, 2014). Moreover, and for the developing countries, public procurement account for up to 50%-70% of imports. Thus, any improvements in the public procurement system can have a direct and beneficial effect on the overall economic situation of a country (Wittig, 1999). However, this depends on a number of factors including the competency level of the staff employed in the procurement department, the financial resources allocated to the department and the appropriateness of the information technology adopted by the department among other. These factors are always associated with the performance of the procurement function. Hence, in order to guarantee the success of any public institution and the well-being of a country's general economy at large, it is necessary to establish the influence of the said factors on the performance of the procurement department.

In line with the aforementioned, several empirical works exist on management competency and the performance of the procurement department. Wanyonyi and

Muturi (2015) evaluated the factors affecting the performance of the procurement function among public technical training institutions in Kisumu County Kenya. The study concluded that staff competency among other factors has a positive effect on performance of the procurement function in technical training institutions. Other studies including Chimwani et al. (2014), Amayi and Ngugi (2013), Kavua and Ngugi (2014) and Kiage (2013) have also been carried out on the influence of management competency on procurement performance in the state law office (SLO), Ministry of Environment, Water and Natural Resources headquarters, Rural Electrification Authority (REA) projects and Kenya's Ministry of Energy workforce at the Nairobi head office respectively. However, there is no study that has been conducted on the extent to which management competency influences the procurement performance of the County Government of Homa Bay, Kenya.

Moreover, empirical studies have been carried out on information technology (IT) and public procurement. Amayi and Ngugi (2013) explored the determinants of public procurement performance in Kenya. It was conducted at the Ministry of Environment, Water and Natural Resources headquarters. The major findings were that ICT among other factors was strongly correlated with procurement performance. Similar studies have also been done by Wanyonyi and Muturi (2015) among public technical training institutions in Kisumu County, Chimwani et al. (2014) in the state law office (SLO), and Bashuna (2013) who assessed selected factors including ICT adoption affecting effective management of the procurement function at Nakuru North Sub County. Nonetheless, there is no information on any study done on the extent to which IT influences on the performance of the procurement unit of the County Government of Homa Bay, Kenya.

Further, the success of the procurement unit might be linked to the resources that are usually allocated to it. Ouma and Kilonzo (2014) in their research established that the resource allocation affects procurement performance. In his study, Kariungi (2014) found out that timely availability of funds was among the main factors that influenced the timely completion of Kenya Power and Lighting Company (KPLC) projects. In addition, Kiage (2013) ascertained that resource allocation accounts for 17.2% of variations in procurement performance in the Kenya's Ministry of Energy. Further, Bashuna (2013) in his assessment attributed effective management of the procurement

function at Nakuru North Sub County Procurement Unit to a number of factors including project financing allocated to the unit. On the contrary, knowledge is lacking on the extent to which financial capability influences on the performance of the procurement functions of the County Government of Homa Bay, Kenya.

It is against this background that the proposed study intends to establish the factors influencing procurement performance in public institutions in the context of the procurement unit of the County Government of Homa Bay, Kenya. The study will be conducted in Homa Bay County in order to understand the root cause of the various anomalies raised by the Auditor General on the county's procurement unit. In addition, the county provides a good case for the study as its trade and economic agenda depends majorly on the proper functioning of its procurement department. Further, the success of the County Government rests in its provision of essential goods and services to its citizenry. However, this depends a lot on its procurement unit. Thus, it is necessary to establish the factors that influence the performance of the County's procurement department in order to optimize on its functions.

## **1.2 Statement of the Problem**

The performance of the procurement unit in public institutions has been a centre of debate in several countries. This is because of the huge amounts of funds in terms of tax payers' money that are always allocated to the department. In the United Kingdom (UK), the public sector spent a total of £242 billion on procurement of goods and services in the financial year 2013/14 which accounted for 33% of the sector's spending. In South Africa, public procurement spending represents 29% of the country's gross domestic product (GDP). Locally, the spending by the Kenya Government on goods and services accounts for 11% of the country's GDP. This however can be minimised through an efficient procurement system. Nonetheless, this depends on a number of factors associated with the procurement function. Thus, in order to optimize on the expenditure on public procurement, it was important to establish the influence of these factors on procurement performance. It was on this basis that this study intends to assess empirically the factors influencing procurement performance in public institutions in Kenya, a case of Homa Bay County Government.

### **1.3 Objectives of the Study**

The study intended to assess empirically the factors influencing procurement performance in public institutions in Kenya, a case of Homa Bay County Government. Specifically, the study sought to:

1. Establish the extent to which management competency influences procurement performance in the County Government of Homa Bay.
2. Determine the extent to which information technology influences procurement performance in the County Government of Homa Bay.
3. Evaluate the extent to which financial capability influences procurement performance in the County Government of Homa Bay.

### **1.4 Research Questions**

The specific objectives were addressed by the following research questions:

1. To what extent does management competency influence the procurement performance in the County Government of Homa Bay?
2. To what extent does information technology influence the procurement performance in the County Government of Homa Bay?
3. What is the influence of financial capability in the procurement performance in the County Government of Homa Bay?

### **1.5 Scope of the Study**

The study relates to the management of public institutions. It was limited to the factors influencing procurement performance in public institutions in Kenya, a case of Homa Bay County Government. The variables covered include; (Independent: management competencies, information technology and financial capabilities, Dependent: procurement performance). The study covered the procurement processes within the ten departments in the in the County Government of Homa Bay where the accounting officers, directors, accountants and the procurement officers in the respective departments were the respondents.

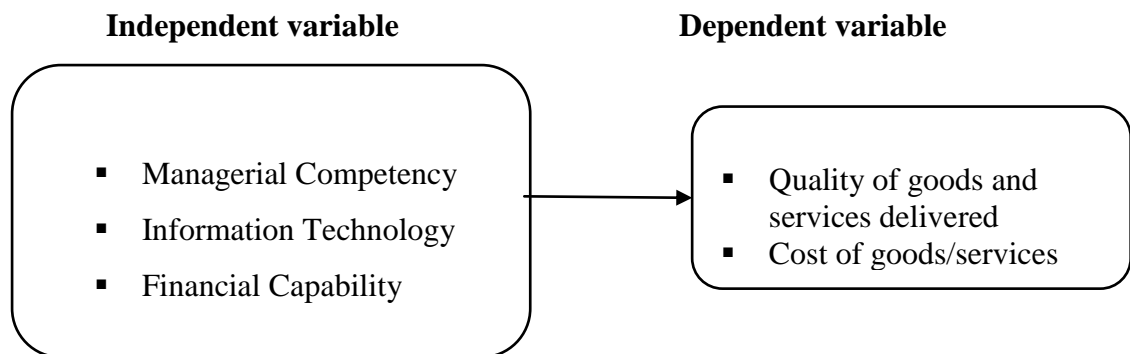
### **1.6 Justification of the Study**

This empirical study is necessary as its findings might help the County Governments in Kenya including the County Government of Homa Bay to put in place appropriate measures to improve procurement performance levels. This study could also form a

basis of reference for what needs to be researched further and throw light to the need for future research in procurement. Its recommendations could enable the public at large to benefit through responsive service delivery, if implemented.

### 1.7 Conceptual Framework

This is a diagrammatic presentation of the relationships between the study variables. In this study, the factors influencing procurement performance were the independent variables, conceptualized in terms of managerial competency, information and communication technology and financial capability. On the other hand, the procurement performance conceptualized in terms of quality of goods and services delivered to the County through its procurement unit was the dependent variable. The study postulated that the aforementioned factors influenced to a greater extent on the quality of goods and services delivered and the cost involved. This relationship was presented diagrammatically as follows:



**Figure 1.1: Conceptual Framework of the Factors Influencing Procurement Performance.**

*Source: (Barney, 1991; Wernerfelt, 1984)*



## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter focused on the theoretical foundations on which the study is built and the comparative empirical literature which helped to explain the study gaps.

#### **2.1 Theoretical Literature Review**

##### **2.1.1 The Resource-based View Theory**

This is a managerial framework that is used to determine the strategic resources with the potential to deliver comparative advantage to a firm. Its initial insights were forwarded by Wernerfelt (1984) and subsequently popularized by Barney (1991). It emphasizes the firm's resources including financial, human, legal, informational, organizational or relational as the fundamental determinants of the firm's competitive advantage. However, according to Barney (1991), not all resources are of equal importance nor possess the potential to become a source of sustainable competitive advantage. Thus, a great deal of managerial effort must be invested in developing and maintaining key resources and competencies in each and every department in an organization including the procurement department in order to perform well. Therefore, based on this theory, it is plausible to argue that managerial competency, information technology and financial capability is a valuable resource to the performance of the procurement unit in an organization and thus its use in understanding the relationship between the study variables.

##### **2.1.2 The Concept of Managerial Competency**

This is very critical in organizational performance as it is casually related to effective or superior performance. In literature, managerial competency refers to capability, ability or an underlying characteristic of an individual as an employee to perform a particular task (Wanyonyi & Muturi, 2015). In line with the aforementioned, the functions of the procurement department including monitoring and enforcement of quality standards are always demanding and therefore require employees with relevant experience, skills and qualifications.

##### **2.1.3 The Concept of Information Technology (IT)**

IT is an enabler for information sharing in organisations. Its use in the procurement function enables systems integration, promotes transparency, accountability and reliability in addition to enhancing relationship management (Chimwani et al., 2014).

It also provides the means for collecting relevant demand data, developing a common database and providing a means for transmitting order information. In addition, it allows organisations to change the way they source supplies. It also provides a platform of choosing between a variety of products and retailers. Products can be customised before shopping. Integration allows the procurement unit to change their specification and delivery schedules. This in turn can impact positively on the quality of goods and services delivered to an organization through its procuring unit.

#### **2.1.4 The Concept of Financial Capability**

The procurement department, just like any other department in an organization, needs to be properly funded in order to achieve its core objectives. In addition, to be able to acquire and maintain qualified and competent staff and adoption of appropriate technology, then the department must be financially sound. Moreover, for the unit to source for quality goods and services, then the management must dedicate adequate financing to it. In their findings, Kiage (2013) indicated that funds allocated for procurement influence procurement performance to a large extent. Further, Bashuna (2013) in his study found that project financing affects the procurement process of supplies in the public sector.

#### **2.1.5 The Concept of Procurement Performance**

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 requirements. 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 (Bashuna, 2013). Procurement also extends to the ultimate disposal of property at the end of its useful life. Therefore, an effective procurement process ensures the availability of the right goods and services in the right quantities, at the right time, for the right customers and at reasonable prices, and at recognizable standards of quality. However, this depends on a number of factors including managerial competency, information technology and financial capability of the procuring unit among others. Thus, there is need to assess the effects of these factors on the performance of the procuring unit as measured by

the cost and quality of goods and services delivered through it in order to optimize on its performance. It is against this background that this study is to be undertaken.

## **2.2 Empirical Literature Review**

### **2.2.1 Managerial Competency and Procurement Performance**

Wanyonyi and Muturi (2015) evaluated the factors affecting the performance of the procurement function among public technical training institutions in Kisumu County Kenya. The study focused on the specific objectives of analysing three main methods of public procurement, which are: effects of information technology on performance of procurement function in public technical training institutions, establishment of extent in which competency of staff influence performance of procurement functions and to enumerate the ethical issues affecting decision making in performance of procurement functions in public technical training institutions. Primary data was collected using questionnaires. Data was analysed using quantitative analysis by employing both descriptive and inferential statistics. The study concludes that information technology, ethics and staff competency have a positive effect on performance of the procurement function in technical training institutions.

Chimwani et al. (2014) assessed factors influencing procurement performance in Kenyan public sector with specific focus on the state law office (SLO). Descriptive design was used in executing the study. Target population was the 600 SLO staff comprising of 7 departments. Sample size of 60 respondents, 10% of target population, was drawn using stratified sampling method. Primary and secondary sources of data were collected using questionnaires, interviews and observation. The results indicate that the SLO is performing on the negative in all the determinants of public procurement performance studied as they all recorded negative mean scores. Overall records management is most significant driver in procurement performance followed by procurement procedures, procurement staff qualifications and ICT in that order.

Amayi and Ngugi (2013) explored determinants of public procurement performance in Kenya. This study took on a descriptive design approach. It was conducted at the Ministry of Environment, Water and Natural Resources headquarters. The respondents were sampled from all the departments within the Ministry. The office

has 11 departments with a total of three hundred and twenty members of staff at the head office that constituted the target population of the study. The study sampled 25% of the population totalling 80 respondents. The study used questionnaires and unstructured observation in data collection. Both descriptive and inferential statistical analysis was used in analysing and presenting of the data. The major findings were that legal framework, management support; professional ethics, ICT and government policies are strongly correlated with procurement performance in Kenya with correlation coefficients of 0.959, 0.919, 0.879, 0.839 and 0.799 respectively.

Kavua and Ngugi (2014) assessed the determinants of procurement performance of Rural Electrification Authority (REA) projects and it was guided by the following objectives: staff competency, organization resources, and stakeholder influence and government policy. The sample of the study comprised 110 respondents from the top, middle and low level management. The study employed a descriptive case study design. The study found out that the diversity of the work involved in public procurement necessitates that procurement officers are competent in a wide variety of generic procurement skills; that It is important to identify, develop and assess the competencies of procurement officers in public procurement to ensure that procurement activity is both compliant with legislation and obtaining value for money.

Kiage (2013) ascertained the determinants of procurement performance in public entities. The study was conducted through a descriptive design using a cross sectional survey within Kenya's Ministry of Energy workforce at the Nairobi head office. The study employed purposive sampling to select the sample and sample elements. This resulted to a sample size of 72 staff. A semi structured questionnaire as a data collection instrument was used. Data was statistically analysed using descriptive statistics and narrative summary analyses. The findings depicted that Planning accounts for 26.9% of variations in procurement performance, secondly, resource allocation accounts for 17.2%, third, staff competency accounts for 20.1 % and lastly contract management accounts for 23.3% of variations in procurement performance.

In review of the above studies, several empirical works exist on management competency and procurement performance. Wanyonyi and Muturi (2015) evaluated

the factors affecting the performance of the procurement function among public technical training institutions in Kisumu County Kenya. The study concluded that staff competency among other factors has a positive effect on performance of the procurement function in technical training institutions. Other studies including Chimwani et al. (2014), Amayi and Ngugi (2013), Kavua and Ngugi (2014) and Kiage (2013) have also been carried out on the influence of management competency on procurement performance in the state law office (SLO), Ministry of Environment, Water and Natural Resources headquarters, Rural Electrification Authority (REA) projects and Kenya's Ministry of Energy workforce at the Nairobi head office respectively. However, there is no study that has been conducted on the extent to which management competency influences the procurement performance of the County Government of Homa Bay in Kenya and hence, the basis of this research.

### **2.2.2 Information Technology and Procurement Performance**

Wanyonyi and Muturi (2015) evaluated the factors affecting the performance of the procurement function among public technical training institutions in Kisumu County Kenya. The study focused on the specific objectives of analysing three main methods of public procurement, which are: effects of information technology on performance of procurement function in public technical training institutions, establishment of extent in which competency of staff influence performance of procurement functions and to enumerate the ethical issues affecting decision making in performance of procurement functions in public technical training institutions. Primary data was collected using questionnaires. Data was analysed using quantitative analysis by employing both descriptive and inferential statistics. The study concluded that information technology, ethics and staff competency have a positive effect on performance of the procurement function in technical training institutions.

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public procurement performance studied as they all recorded negative mean scores. Overall records management is most significant driver in procurement performance followed by procurement procedures, procurement staff qualifications and ICT in that order.

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Bashuna (2013) assessed selected factors affecting effective management of the procurement function at Nakuru North Sub County Procurement Unit. This study carried out a census in the procurement units among departmental heads from all the 30 Ministry departments. Data was collected using questionnaires. Data collected were analysed using descriptive statistics and Pearson Product Moment Correlation. It was found that the management of the procurement function was found to be slightly effective. This was greatly attributed to Project financing, Accountability, ICT adoption and the internal control system as applied in departments. The study thus, recommends that the Government should consider reviewing its policy in respect to project financing especially on funds adequacy and timeliness.

From the above, empirical studies have been carried out on information technology (IT) and public procurement. In their study, Amayi and Ngugi (2013) explored on the determinants of public procurement performance in Kenya. It was conducted at the Ministry of Environment, Water and Natural Resources headquarters. The major findings were that ICT among other factors was strongly correlated with procurement

performance. Similar studies have also been done by Wanyonyi and Muturi (2015) among public technical training institutions in Kisumu County, Chimwani et al. (2014) in the state law office (SLO), and Bashuna (2013) in Nakuru North Sub County. Nonetheless, there is no information on any study done on the extent to which IT influences on the performance of the procurement unit of the County Government of Homa Bay in Kenya. This is the reason for this research.

### **2.2.3 Financial Capability and Procurement Performance**

Ouma and Kilonzo (2014) determined how resources allocation planning influences public procurement in Kenya. Using a case study of public financial institutions, purposive sampling was used to select 12 firms involved in financial services provision. The public procurement Acts (2005) and Regulations (2006) and revised (2015) were used as a guide on the resource allocation procedure as employed in public institutions. Results show that; resources allocated to public financial sector were not enough and resource allocation affected procurement performance. It is recommended that public entities try and balance resource allocation and even allocate more funds to departments in charge of procurement since cost cutting and efficiency measures implemented at the procurement level will affect all the other departments in the organization.

Kariungi (2014) determined the factors that influence timely completion of power projects within Thika region. The target population was project engineers, supervisors and technical staff working in the projects. The information pertaining to monitoring and evaluation came from the representatives of project financiers who included Kenya Power and Lighting Company (KPLC) staff and other reliable stakeholders. Simple random sampling was employed to identify the key informants, who were grouped based on common characteristics. Questionnaires, interviews and observation check lists were used to collect data from various respondents based on their suitability. Procurement delays, timely availability of funds and climatic factors were observed to be the main factors that influenced the timely completion of KPLC projects in the studied area.

Kiage (2013) ascertained the determinants of procurement performance in public entities a case of Ministry of Energy. The study was conducted through a descriptive

design using a cross sectional survey within Kenya's Ministry of Energy workforce at the Nairobi head office. The study employed purposive sampling to select the sample and sample elements. This resulted to a sample size of 72 staff. A semi structured questionnaire as a data collection instrument was used. Data was statistically analysed using descriptive statistics and narrative summary analysis. Findings indicate that procurement planning has a significant impact on procurement performance. From the study conclusions are made. First the model depicted that Planning accounts for 26.9% of variations in procurement performance, secondly, resource allocation accounts for 17.2%, third, staff competency accounts for 20.1 % and lastly contract management accounts for 23.3% of variations in procurement performance.

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In line with the aforementioned, the success of the procurement unit might be linked to the resources that are usually allocated to it. Ouma and Kilonzo (2014) in their research established that the resource allocation affects procurement performance. In his study, Kariungi (2014) found out that timely availability of funds was among the main factors that influenced the timely completion of Kenya Power and Lighting Company (KPLC) projects. In addition, Kiage (2013) ascertained that resource allocation accounts for 17.2% of variations in procurement performance in the Kenya's Ministry of Energy.

Further, Bashuna (2013) in his assessment attributed effective management of the procurement function at Nakuru North Sub County Procurement Unit to a number of factors including project financing allocated to the unit. On the contrary, knowledge is



lacking on the extent to which financial capability influences on the performance of the procurement functions of the County Government of Homa Bay, Kenya and therefore the need for this study to fill the information gap.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter presents the research design, data, data collection methods and analysis techniques to be applied in the proposed research.

#### **3.1 Research Design**

This research study used descriptive survey design. According to Sekaran and Bougie (2013), descriptive study design helps to ascertain and describe the characteristics of the study variables as they exist. This research design was chosen as it was helpful in gathering information and data on opinions of the respondents through administering pre-set questions or questionnaire to them in line with the observations Orodho (2003).

#### **3.2 The study Area**

The study was conducted in Homa Bay County. Homa Bay County is a County in the former Nyanza Province of Kenya. It is along the south shores of Lake Victoria's Winam Gulf. The study area was chosen for convenience due to the researcher's residential status in the area. The county provides a good case for the study as its procurement department and functions are well elaborate and active. It enabled easy access to the respondents at a reasonable cost. It is also an administrative County with a functional County Government.

#### **3.3 Target Population**

The populations of this study consisted of all the procurement and supply chain staff of Homa Bay County Government who directly participate in the procurement processes. According to Homa Bay County Payroll Report (2018) there is 200 staff employed working in the procurement and supply chain departments of the various ministries in the County.

#### **3.4 Sample and Sampling Technique**

The study used Yamane formula to determine a representative sample. This was because the formula is ideal for sample size determination in situations where the target population is either large or small because it gives a representative sample size at a reliability of 95% confidence level (Ngechu, 2004). The Yamane formula adopted is as stated below;

$$n = \frac{N}{[1 + N(\epsilon)^2]}$$

Where  $n$  = sample size;  $N$  = population size; and  $\epsilon$  = allowable error. Ngechu (2004), considers confidence level at 95% with 5% as allowable error. When using total population of 200 and allowable error of 5%, the sample size was calculated as follows:

$$n = \frac{200}{[1 + 200(0.05)^2]} = 134$$

Hence, the sample size was 134 respondents.

### **3.5 Data Collection Methods**

#### **3.5.1 Data Types and Source**

The study employed primary data. This was obtained from the staff of the procurement and supply chain departments of Homa Bay County Government.

#### **3.5.2 Data Collection Instrument**

The data was collected using structured questionnaires which were administered to the respondents.

#### **3.5.3 Data Collection Procedure**

The researcher first obtained a letter of introduction endorsed by University and then got permission from County Government of Homa Bay. The researcher then contacted Homa Bay County Government Procurement and Supply Chain Director and heads of departments to make prior arrangements before the actual data collection. Questionnaires were administered through drop and pick method. The researcher collected filled questionnaires from respondents after one week. According to Franker (2006), questionnaires have the added advantage of being less costly and using less time as instruments of data collection.

#### **3.5.4 Instrument Validity Test**

Validity of a questionnaire refers to the extent to which it measures what it claims to measure (Mugenda, 2003). It is the degree to which results obtained from the analysis

of the data usually represents the phenomena under study. The research instrument was exposed to experts in the field of study such as the researcher's supervisor for review for validity checks. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

### **3.5.5 Instrument Reliability Test**

According to Kothari (2004), a measuring instrument is reliable if it provides consistent results. This means that the instrument should give the same results if administered repeatedly. In this study reliability test was ascertained through Cronbach's Alpha where a coefficient threshold of 0.7 and above will indicate high levels of instrument reliability.

### **3.6 Data analysis and Presentation**

Descriptive statistics such as the mean, percentages, standard deviation and frequencies was used to analyse the data. Results were presented in tables.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter presents findings of the study on subject relating to factors influencing procurement performance in public institutions in Kenya, a case of Homa Bay County Government.

#### 4.1 Descriptive Statistics

Data was collected from 154 respondents. The scale rating ranged from 1 to 5 (5- Very High Influence 4- High Influence 3-Moderate Influence 2- Little Influence 1- Very Little Influence). In cases where there was none response, the missing entry was represented by zero (0).

**Table 4.1: Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
FINCAPAB	154	.00	5.00	2.1905	.92638
MANGCOMP	154	.00	5.00	3.0476	1.00935
IT	154	.00	5.00	3.0000	1.07050
PERF	154	.00	5.00	2.5649	1.02427
Valid N (listwise)	154				

From table 4.1 above, it is clear that financial capability had a mean response of 2.1905, with managerial competency having a mean of 3.0476, Information technology adoption having a mean of 3.0000 and procurement performance having 2.5649. The measure of spread gave very low dispersion for all the four variables.

#### 4.2 Management Competency on Procurement Performance

Objective one sought to establish the extent to which management competency influences procurement performance in the County Government of Homa Bay. To this extent the objective was addressed by posing questions on necessary skill to monitor quality standards, right training on safety standards and the qualification for standard determinations. The descriptive results for the objective were as in table 2 below.

**Table 4.2: Management Competency on Procurement Performance**

	N	Minimum	Maximum	Mean	Std.	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Deviation Statistic	Statistic	Std. Error	Statistic	Std. Error
SKILLS	154	.00	5.00	3.4610	1.23740	-.497	.195	-.638	.389
TRAINING	154	.00	5.00	2.7597	1.17743	-.057	.195	-.380	.389
QUALIFICATIONS	154	.00	5.00	2.9221	1.33594	-.089	.195	-.776	.389
AVERAGE	154	.00	5.00	3.0476	1.00935	-.240	.195	-.448	.389
Valid N (listwise)	154								

From table 4.2 above, it was clear that on average, the respondents felt undecided whether members of staff had the necessary skills to monitor quality standards on the goods and services procured (mean= 3.4610). The responses had lower dispersion as evidenced in smaller standard deviation (SD= 1.2374). Moreover, the distribution was negatively skewed ( $S_K=-0.497$ ) implying that majority of the respondents either strongly disagreed or just disagreed that members of staff had the necessary skills to monitor quality standards on the goods and services procured. To add, the kurtosis coefficient,  $K=-0.638$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

On the right training on safety standards it was clear that on average, the respondents disagreed that staff members had the right training on safety standards (mean= 2.7597). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.17743). Moreover, the distribution was negatively skewed ( $S_K=-0.057$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.380$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

On the required qualifications, it was clear that on average, the respondents disagreed that staff members had the required qualification for standard determinations (mean= 2.9221). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.33594). Moreover, the distribution was negatively skewed ( $S_K=-0.089$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.776$  implying that the responses had a leptokurtic

distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

On average majority of the respondents felt that there was moderate influence of managerial competency in procurement performance (mean= 3.0476). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.00935). Moreover, the distribution was negatively skewed ( $S_K=-0.240$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.448$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average responses.

The findings that managerial competency had moderate influence in procurement contradicts those of Chimwani et al. (2014) who found that overall records management is most significant driver in procurement performance followed by procurement procedures, procurement staff qualifications and ICT in that order.

The findings further disagrees with Amayi and Ngugi (2013) who found that legal framework, management support; professional ethics, ICT and government policies are strongly correlated with procurement performance in Kenya with correlation coefficients of 0.959, 0.919, 0.879, 0.839 and 0.799 respectively. It further contradicts Kiage (2013) who ascertained that Planning accounts for 26.9% of variations in procurement performance, secondly, resource allocation accounts for 17.2%, third, staff competency accounts for 20.1 % and lastly contract management accounts for 23.3% of variations in procurement performance.

#### **4.3 Information Technology and Procurement Performance**

Objective two sought to determine the extent to which information technology influences procurement performance in the County Government of Homa Bay. To this extent the objective was addressed by posing questions on E-procurement adoption, product customization and system integration influence in procurement performance. The descriptive results are as in table 3 below:

**Table 4.3: Information Technology in Procurement Performance**

	N	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
PLATFORM	154	3.2143	1.31340	1.725	-.299	.195	-1.037	.389
CUSTOMIZED	154	2.8961	1.16691	1.362	-.195	.195	-.387	.389
INTEGRATION	154	2.8896	1.22907	1.511	-.151	.195	-.577	.389
AVERAGE	154	3.0000	1.07050	1.146	-.186	.195	-.558	.389
Valid N (listwise)	154							

From table 4.3 above, it was clear that on average, the respondents felt undecided whether e-procurement has provided a platform for choosing between a variety of products and service providers (mean= 3.2143). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.31340). Moreover, the distribution was negatively skewed ( $S_K=-0.299$ ) implying that majority of the respondents either strongly disagreed or just disagreed that that e-procurement has provided a platform for choosing between a variety of products and service providers. To add, the kurtosis coefficient,  $K=-1.037$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

On IT has enabled products to be customised before shopping, the respondents disagreed that staff members had the right training on safety standards (mean= 2.861). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.16691). Moreover, the distribution was negatively skewed ( $S_K=-0.195$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.387$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

On whether IT has enabled system integration allowing the procurement unit to change their specification and delivery schedules, the respondents disagreed that IT has enabled system integration allowing the procurement unit to change their specification and delivery schedules (mean= 2.8896). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.22907). Moreover, the distribution was negatively skewed ( $S_K=-0.151$ ) implying that majority of the



respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.577$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

On average majority of the respondents felt that there was moderate influence of Information Technology in the performance of Procurement (mean= 3.000). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.07050). Moreover, the distribution was negatively skewed ( $S_K=-0.186$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=-0.558$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was negatively skewed, most of the responses were close to the average response.

The finding that there was moderate influence of Information Technology in the performance of Procurement supports those of Wanyonyi and Muturi (2015) who found that information technology, ethics and staff competency have a positive effect on performance of the procurement function in technical training institutions. It further supported the findings by Chimwani et al. (2014) who asserted that overall records management is most significant driver in procurement performance followed by procurement procedures, procurement staff qualifications and ICT in that order.

The findings also agrees with Amayi and Ngugi (2013) where the major findings were that legal framework, management support; professional ethics, ICT and government policies are strongly correlated with procurement performance in Kenya with correlation coefficients of 0.959, 0.919, 0.879, 0.839 and 0.799 respectively.

#### **4.4. Financial Capability and Procurement Performance**

Objective three sought to evaluate the extent to which financial capability influences procurement performance in the County Government of Homa Bay. To this extent, the objective was addressed by asking questions relating to adequate funding, flexibility in procurement and timely payments to suppliers. The results were presented in table 4 below:

**Table 4.4: Financial Capability in Procurement Performance**

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FUNDING	154	2.3636	1.26707	.770	.195	-.496	.389
FLEXIBILITY	154	2.5260	1.20021	.317	.195	-.468	.389
PAYMENT	154	1.6818	1.04603	1.572	.195	2.354	.389
AVERAGE	154	2.1905	.92638	.720	.195	.072	.389
Valid N (listwise)	154						

From table 4.4 above, it was clear that on average, the respondents disagreed that there has been adequate funding for the purchases (mean= 2.3636). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.26707). Moreover, the distribution was positively skewed ( $S_K=-0.770$ ) implying that majority of the respondents strongly agreed, agreed or were undecided whether there has been adequate funding for the purchases. To add, the kurtosis coefficient,  $K=-0.496$  implying that the responses had a leptokurtic distribution. This implied that even though the distribution was positively skewed, most of the responses were close to the average response.

On whether there was flexibility in the procurement budgets to accommodate price change, the respondents disagreed that there was flexibility in the procurement budgets to accommodate price change (mean= 2.5260). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.20021). Moreover, the distribution was positively skewed ( $S_K=0.317$ ) implying that majority of the respondents strongly agreed or agreed or were undecided. To add, the kurtosis coefficient,  $K= 2.354$  implying that the responses had a platykurtic distribution. This implied that even though the distribution was positively skewed, most of the responses were dispersed away from the average response.

On whether there were no delays in the payments of suppliers, the respondents strongly disagreed that there were no delays in the payments of suppliers (mean= 1.6818). The responses had lower dispersion has evidenced in smaller standard deviation (SD= 1.04603). Moreover, the distribution was positively skewed ( $S_K=-1.572$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=2.354$  implying that the responses had a

platykurtic distribution. This implied that even though the distribution was positively skewed, most of the responses were dispersed far from the average response.

On average majority of the respondents felt that there was little influence of financial capability in the procurement performance (mean= 2.1905). The responses had lower dispersion as evidenced in smaller standard deviation (SD= 0.92638). Moreover, the distribution was positively skewed ( $S_K = 0.720$ ) implying that majority of the respondents strongly disagreed. To add, the kurtosis coefficient,  $K=0.072$  implying that the responses had a mesokurtic distribution. This implied that even though the distribution portrayed a normal distribution. The finding that there was little influence of financial capability in the procurement performance supports those of Ouma and Kilonzo (2014) who showed that; resources allocated to public financial sector were not enough and resource allocation affected procurement performance. The findings also support those of Kariungi (2014) who found that Procurement delays, timely availability of funds and climatic factors were observed to be the main factors that influenced the timely completion of KPLC projects in the studied area. It also agrees with Kiage (2013) who indicated that procurement planning has a significant impact on procurement performance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents summary, conclusions and recommendations of the study. It concluded by providing suggestions for further studies.

#### **5.1 Summary of Findings**

The first objective of the study sought to establish the extent to which management competency influences procurement performance in the County Government of Homa Bay. The study found that on average majority of the respondents felt that there was moderate influence of managerial competency in procurement performance.

The second objective two sought to determine the extent to which information technology influences procurement performance in the County Government of Homa Bay. The study found that on average majority of the respondents felt that there was moderate influence of Information Technology in the performance of Procurement.

The third objective sought to evaluate the extent to which financial capability influences procurement performance in the County Government of Homa Bay. On average majority of the respondents felt that there was little influence of financial capability in the procurement performance

#### **5.2 Conclusions**

From the results of this study, the following conclusions drawn from each research objectives were made:

Based on the findings of objective one that on average majority of the respondents felt that there was moderate influence of managerial competency in procurement performance, the study concluded that management competency influence the procurement performance in the County Government of Homa Bay to a moderate extent.

Based on the finding of objective two that on average majority of the respondents felt that there was moderate influence of Information Technology in the performance of Procurement, the study concluded that information technology influence the

procurement performance in the County Government of Homa Bay to a moderate extent.

Based on the finding of the objective three that on average majority of the respondents felt that there was little influence of financial capability in the procurement performance, the study concluded that financial capability influence the procurement performance in the County Government of Homa Bay to a little extent.

### **5.3 Recommendations**

Based on the conclusion of objective one that management competency influence the procurement performance in the County Government of Homa Bay to a moderate extent, the study recommended that the County Governments should put much emphasis on the competencies of their management since it influences their procurement performance.

Based on the conclusion of objective two that information technologies influence the procurement performance in the County Government of Homa Bay to a moderate extent, the study recommended that the County Governments should invest more on the information technology since it influences their procurement performance.

Based on the conclusion of objective three that financial capability influences the procurement performance in the County Government of Homa Bay to a little extent, the study recommended that the County Governments should improve their financial capability since it influences their procurement performance.

### **5.4 Suggestions for Further Research**

The study recommended further research.

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## APPENDICES

### Appendix I: Introduction Letter

C/O DEPARTMENT OF MANAGEMENT SCIENCE  
SCHOOL OF BUSINESS AND ECONOMICS  
MASENO UNIVERSITY  
PRIVATE BAG, MASENO

DATE.....

TO WHOM IT MAY CONCERN

Dear Sir/ Madam,

#### **RE: ACADEMIC RESEARCH**

I am a student of Maseno University, pursuing a Master of Business Administration course. As part of the requirements I am carrying out this research entitled “**Factors Influencing Procurement Performance in Public Institutions in Kenya: A Case of Homa-Bay County Government.**”

Your assistance is requested and sparing a few minutes to answer the questions provided in the attached questionnaire will assist in ascertaining the factors influencing procurement performance in public institutions. Your identity is not required and the information you provide will be treated in strict confidence.

Thank You in advance

**SAMSON JUMA OKUMU**  
**MBA/BE/6005/2016**



## Appendix II: Questionnaire for Respondents

### Part A: Introduction and Background

This questionnaire is intended to collect information on the Factors Influencing Procurement Performance in Public Institutions in Kenya: A Case of Homa-Bay County Government for which you are part of the sample. Please indicate your response by filling in the blank spaces or ticking (✓) where appropriate. The information given will be treated in confidence and will only be used for the purposes of this study

### Part B: Demographic Information

1. **Gender:** Male  Female
2. **Age:** Below 18 years  Between 18-25 years   
Between 25-36 years  Between 36-45 years   
Between 46-55 years  Above 55 years
3. **Period of service at the county:**  
Less than 2 years  2-4 years  More than 4 years
4. **Current position at the county:**  
Accounting Officer  Director  Head of Department   
Committee Member  Other Staff
5. **Academic qualification:**  
KCSE  Certificate  Diploma   
Bachelors  Masters  PhD

### Part C: Management Competency on Procurement Performance

Kindly rate the extent to which you agree with the following statements.

	5	4	3	2	1
Members of staff have the necessary skills to monitor quality standards on the goods and services procured					
Staff members have the right training on safety standards					
Staff have the required qualification for standard determinations					

**Key:**5- Strongly agree 4- Agree 3- undecided 2- Disagree 1- Strongly disagree

### Part D: Information Technology (IT) on Procurement Performance

Kindly rate the extent to which you agree with the following statements.

	5	4	3	2	1
E-procurement has provided a platform for choosing between a variety of products and service providers					
IT has enabled products to be customised before shopping					
IT has enabled system integration allowing the procurement unit to change their specification and delivery schedules.					

**Key:**5- Strongly agree 4- Agree 3- undecided 2- Disagree 1- Strongly disagree

### Part E: Financial Capability on Procurement Performance

Kindly rate the extent to which you agree with the following statements.

	5	4	3	2	1
There has been adequate funding for the purchases					
There is flexibility in the procurement budgets to accommodate price change					
There are no delays in the payments of suppliers					

**Key:**5- Strongly agree 4- Agree 3- undecided 2- Disagree 1- Strongly disagree

**Part F: Procurement performance in Public Institutions.**

Kindly rate the extent to which you agree with the following information

	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Proper training and staff welfare has led to the delivery of quality services by the staff					
Cost of Goods and Services have significantly reduced due to the adoption of information technology					
Prompt funding of the department has necessitated timeliness of processes					

**Key:**5- Very High Influence 4- High Influence 3-Moderate Influence 2- Little Influence 1- Very Little Influence.

### Appendix III: Work plan

ACTIVITY	JAN 2018	JAN 2018	JAN 2018	FEB 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018
Considering the best approach towards chosen study project.									
Stating study problem and determining research design.									
Defending the proposal									
Data collection piloting									
Data collection									
Writing and Presentation of Research findings(1 <sup>st</sup> draft)									
Writing the final draft									
Presenting of the Final draft									

## Appendix V: Map of Homa Bay County

