

**ANALYSIS OF RELATIONSHIP BETWEEN ORGANIZATIONAL FACTORS AND
PRACTICE OF PURCHASING ETHICS IN SUGAR RESEARCH INSTITUTE, KENYA**

BY

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ABSTRACT

As ethical supply issues become more widely known, stakeholders are starting to question companies about their record. There are complex problems to be resolved when addressing ethical and social responsibility issues and many of these issues are extremely sensitive, recommended best practices includes developing and understanding supplier's operations and offering guidance and support when improvement is necessary or appropriate. All professionals have issued code of conduct to govern their conducts and processes. The code of conduct prescribes the ethical relationships with the parties involved in the purchasing processes among other components of purchasing. It has been observed that due to interference by top management, senior government officials and politician's interests in purchasing activities, this open doors for fraudulent activities leading to wastage of tax payers' money. The specific objectives are to analyze the organizational factors existing in Sugar Research Institute; to examine the level of practice of purchasing ethics in Sugar Research Institute and to determine the relationship between organizational factors and practice of purchasing ethics in Sugar Research Institute. The study will be guided by a conceptual framework where the dependent variable will be the purchasing ethics and the independent variable will be organizational factors like internal processes, ICT adoption, organizational culture and supplier-buyer relationship. The study utilized descriptive and correlation design. The target population was 30 employees involved in purchasing process. A census sampling was adopted. Primary data was collected using structured questionnaires. The reliability of questionnaire was tested through piloting while the validity was done through consultation with expertise. Data was analyzed using frequency distribution, median and inter-quartile range. Majority had worked at SRI between 1-5 years (43.3), 76.7% had diploma and first degree. Only 6.7% had certificate There are lacked well established departmental goals and objectives (median=4, IQR=1). Lack of appropriate sensitization and training on purchasing ethics and supportive organizational culture to implement the practice of purchasing ethics (median=4, IQR=1). Purchasing officers follow the purchasing process at Sugar Research Institute and that there is tendering committee that determines the awarding of tenders (median=5, IQR=1). The purchasing officers follow and practice the purchasing ethics (median=4, IQR=1). However, the practice of the purchasing ethics has led to amicable relationships between the department and the purchasing parties (median=3, IQR=1.25). There are a few cases of corruption and the management has not laid down any measures for those who are found corrupt. There are rules and regulations governing purchasing process to enhance effectiveness and efficiency in SRI. The study concluded that the management should not be rigid on implementing the practice of purchasing ethics. The study concluded that there were cases of corruption. The study should be used by the management of SRI in embracing the right process and the positivity of PPDA in the Institute and therefore putting mechanisms that would ensure all employees are in knowledge of the act and regulations for the purpose of efficiency in purchasing. The study recommends a study to be done on the effects of Public Procurement and Asset Disposal Act in Sugar Research Institute.

CHAPTER ONE

INTRODUCTION

This chapter contains background information, statement of the problem, purpose of the study, research questions, significance of the study, assumptions of the study, scope of the study and the conceptual framework.

1.1 Background to the Study

As ethical supply issues become more widely known, stakeholders are starting to question companies about their record. There has been rapid growth in ethical investment funds that encourage companies to look at issues of corporate social responsibility. However, although some companies started work on these issues in the 1980s, ethical sourcing is still a comparatively new concept for most companies. Campaigning by pressure groups and the media has focused on poor working conditions of supplier to the clothing, footwear and sporting goods industries.

These companies and the resulting pressure from customers and shareholders have been the main drivers for the introduction of codes of practice on ethical purchasing among some manufacturers and retailers. Government are increasingly taking an increasingly taking an interest in the ethical trading agenda. The Department for International Development (DFID) provides financial support for the Ethical Trading Initiative and has produced a report reviewing the code of conduct of UK companies concerning ethical purchasing. The Organization for Economic Corporation and Development (OECD) has agreed guidelines for multinational enterprises which covers a wide range of social issues.

There are complex problems to be resolved when addressing ethical and social responsibility issues and many of these issues are extremely sensitive. recommended best practices includes developing and understanding supplier's operations and offering guidance and support when improvement is necessary or appropriate. Buyers have a responsibility for the supply chain from which goods and services come into their organizations or directly to their customers. Chartered Institute of Purchasing and Supply in the UK (CIPS) believe this should include ethical as well as commercial and technical guidance and support.

Public are concerned about the increasing pressure on businesses, especially large ones, to demonstrate good ethical business practice and many organizations are actively seeking to address these concerns. This is part of what is sometime now called reputation management.

Further pressure is coming from the quality from the quality side, since implementing the environmental quality standards also requires knowledge of sub contractors' sources. Developments in ideas on corporate governance, such as Turnbull committees' guidance that companies identify and carry out risk audits are also relevant. There is no doubt that suddenly being identified in the media as an organization that exploits for example child labor, is a risk CEOs would wish to avoid.

Everyone responsible for purchasing and supply management in an organization should be aware of the organization's policy on ethical purchasing and should be actively encouraged to support its principles. The same applies to suppliers.

All staff should be given training to them aware of ethical issues and how the organization plans to address them, practical examples of policy in action should be introduced into all internal and external training programs as well as induction courses. Staffs should be given a copy of the ethical code of conduct of practice and made aware of the responsibilities under the code.

Statements of purchasing are not without value, since they only remind purchasing staff of aspects of their work where they may experience conflicts of interest between them "self-interest" and duties of their employees. They highlight practices, which may compromise, the professional objectivity and integrity of purchasing staff and they also provide standards for buyer to attain. Therefore such statements are however open to the objections that they relate to individual ethics. Individual ethics are however influenced by corporate ethics. They are also referred to be only general statements which require considerable analysis and commentary as to how it shall be interpreted and applied.

Purchasing and supply management professionals are increasingly required to demonstrate that the supply chains they manage take ethical and social responsibility issues into consideration. The main reason for insuring that supply chain meet these criteria should be professionalism, moral and legal obligations.

Ethics in purchasing and supply management can relate to a wide range of issues from doubts about suppliers' business procedures and practices to corruption.

1.2 Statement of the Problem

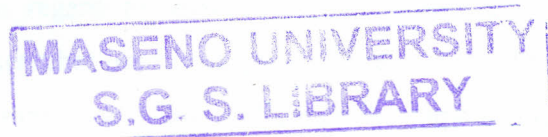
All professionals have issued code of conduct to govern their conducts and processes. In the purchasing profession, the code of conduct is issued by the Chartered Institute of Professional and Supply in the UK and the National Association of Purchasing Management in the USA while in Kenya the code of conduct purchasing professionals should follow are under the Public Procurement and Disposal Act 2005 and the Public Procurement and Disposal Regulations 2006. The code of conduct prescribes the ethical relationships with the parties involved in the purchasing processes among other components of purchasing. These codes of conducts might be broken when an incident like specific amount of funds has been lost due to unethical practices such as fraud or corruption. Public accounts report committee and the World Bank, public companies, state corporation and private organizations are yet to implement the purchasing ethics and values adequately. It has been observed that due to interference by top management, senior government officials and politician's interests in purchasing activities, this open doors for fraudulent activities such as corruption and misappropriation of funds leading to wastage of tax payers' money. A typical example is the awarding of tenders to unqualified suppliers or contractors who supply poor quality goods and services and do the contractors do shoddy work. Such fraudulent purchasing practices can be controlled and minimized better if purchasing ethics are observed. This study therefore is designed to analyze the relationship between organizational factors and the practice of purchasing ethics in Sugar Research Institute, Kenya.

1.3 Objective of the Study.

The study is to establish the influence of organizational factors on practice of purchasing ethics in Sugar Research Institute.

The study was based on the following specific objectives:-

- a) To analyze the organizational factors existing in Sugar Research Institute.
- b) To examine the level of practice of purchasing ethics in Sugar Research Institute.
- c) To determine the relationship between organizational factors and practice of purchasing ethics in Sugar Research Institute.



1.4 Research Questions.

- a) What are the existing organizational factors in Sugar Research Institute?
- b) What is the level of practice of purchasing ethics in Sugar Research Institute?
- c) What is the existing relationship between organizational factors and practice of purchasing ethics in Sugar Research Institute?

1.5 Significance of the Study.

The findings of the study are to form a basis of policy formulation relating to creating public awareness on purchasing ethics and values. This study is to assist the Sugar Research Institute to determine the strategies of implementing effective purchasing values and ethics. The study will provide an understanding to the public on the purchasing ethics and values to prevent and minimize public exploitation of resource and the study will also provide literature for future research relating to purchasing ethics. The study will help Sugar Research Institute to attract more suppliers to do business with the organization due to good supplier-buyer relationship. With increasing importance placed on transparency, consumers look beyond company practices to ensure organizations uphold adequate supply chain ethics, the study will assist Sugar Research Institute make informed decisions to select suppliers that fit with their existing culture and practices. The study will improve in decision making in SRI, decisions are driven by values. Because an organization that does not value competition will be fierce in its operations.

1.6 Scope of the Study

Sugar research institute is a state Cooperation in the ministry of Agriculture whose mandate is to develop and disseminate demand driven technologies and innovation to enhance productivity, value addition and competitive in Sugar industries in Kenya. It was officially launched on 20th January 2001 and its operations on 1st February 2001.

SRI is situated along Kisumu-Miwani road 16km from Kisumu City. It lies on latitude 0° 04'S and longitude 34° 48' and at an altitude of 1500 meters above sea level.

1.7 Conceptual Framework

The key variables which were measured in regard to researcher's study entailed both the independent and dependent variables. The researcher used conceptual model indicated below to explain intensively and extensively how organizational factors influence the implementation of purchasing ethics.

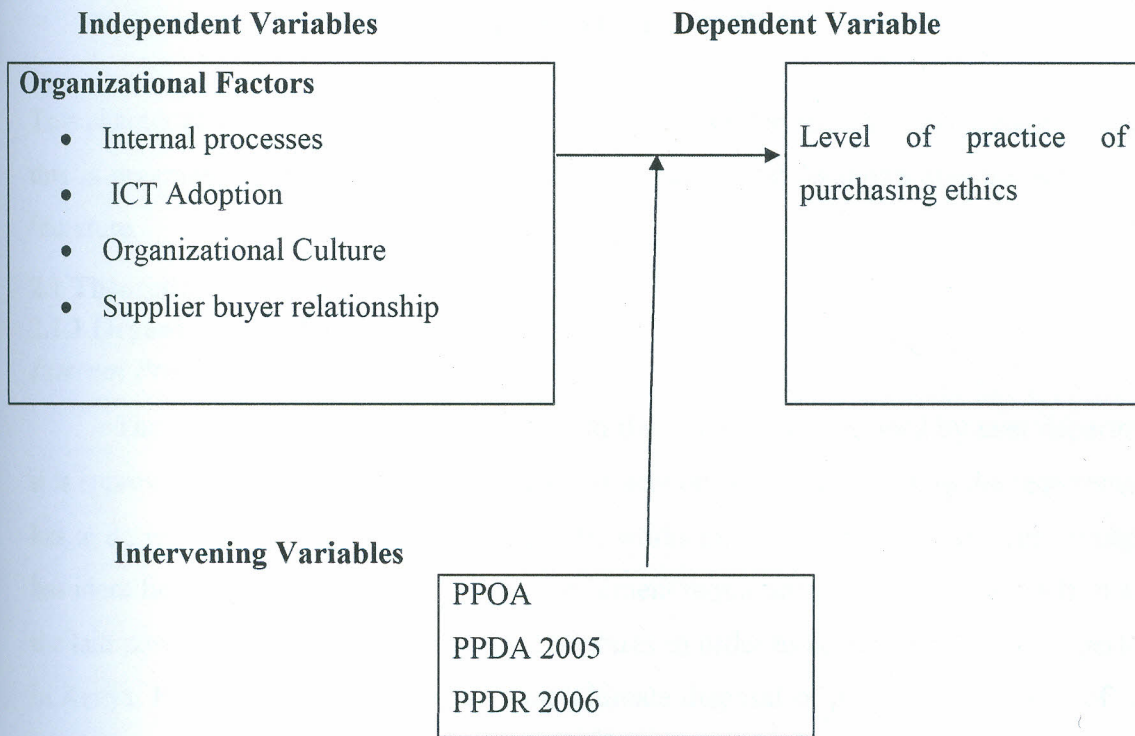


Figure 1: relationship between organizational factors and the practice of purchasing ethics.

Source: self-conceptualization (2015)

The study will seek analyze the relationship between Organizational factors on the practice of purchasing ethics in SRI. These factors such as internal processes, ICT adoption, organizational culture and supplier-buyer relationship are independent variables of the study that determine the effectiveness on the level of practice of purchasing ethics which is the dependent variable of the study.

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CHAPTER TWO

LITERATURE REVIEW

This chapter contains the review of related studies on purchasing ethics and values. Specifically, this is organized as follows; theoretical literature, empirical literature and the summary of the literature.

2.1 Theoretical Literature

2.1.1 Organizational Factors

Internal Processes

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

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

Sound public procurement policies and practices are among the essential elements of good governance (KIPPRA, 2006). Otieno (2004) notes the irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. According to Thai (2001), the basic principles of good procurement process include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the available resources carefully, knowing clearly that they will account everything to members of the public; competitive supply, which requires procurement to be carried out by competitive bidding process, embracing transparency and efficiency in the system,

unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation. These areas of Public procurement process have, for long, been overshadowed with inefficiency, corruption and disregard of fundamental "value for money" considerations. This has adversely impacted the rate and quality of progress in realizing the objectives of national development, especially in developing and transition countries (Tan et al., 2009).

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

The public procurement process may be viewed as proceeding through various stages of progression. It has been argued (Walker, 2003) that public procurement reform is most likely to succeed when it proceeds through a six-step process: There has to be support from highest political levels: this is seen as necessary for any organizational change to succeed, as it avoids any doubt about the government's commitment to reform; Publicity about the advantages of the new system; There is need for cooperation between the public and private sector leading to better understanding of each other's problems and needs; There is need for good procurement training: to raise the skills of procurement staff and to familiarize suppliers with the requirements of the reformed system; There is need for good procurement legislation: both primary legislation and secondary implementing legislation; and also the need for establishment of a central public procurement office for overall policy making and supervision of public procurement in the country.

Officials involved in procurement must not make improper use of their position (Tan et al., 2009). Officials may have access to very confidential and/or market sensitive information. It is unethical to use inside information provided to the agency as part of a tender process, either

for the material benefit of the official or for another person. Criminal sanctions apply to such behavior.

ICT Adoption

Croom (2005) defines e-business as the use of systems and open communication channels for information exchange, commercial transactions and knowledge sharing between organizations. E-procurement is a specific area of e-business that covers both internal processes as well as B2B processes (Versendaal and Brinkkemper, 2003). E-procurement allows companies to leverage Internet technology in the purchasing process.

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

Procurement is usually one of the largest expense items in a company's cost structure and can have a significant influence on company's overall performance. Croom and Johnston (2003) recognize that procurement activity is an important activity in all organizations whether public, private or governmental. Procurement managers are constantly looking for solutions to lower the International high procurement costs (processes, risks, reliability) by automating the supply chain (Attaran and Attaran, 2002; Trkman and McCormack, 2010).

There are many different classifications for e-procurement, but common to all is that e-procurement consists of different applications (Knudsen, 2003). The critical difference of e-procurement compared to traditional procurement is that it allows individual employees to order goods and services directly from their own PCs through the web (Croom and Johnston, 2003). According to the World Bank (2004), a significant number of nations have spent more on ICT over the last decade than on traditional capital investments such as roadways, airports, water purification plants and the like. Those governments investing heavily in e-governance initiatives anticipate that these efforts will transform governance. Eventually how governments operate,

how citizens interact with their governments, as well as what role government plays in society will change (Christensen and Laereid, 2007).

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

According to Mota and Filho (2011), worldwide e-procurement initiatives have been undertaken in the public sector on a large scale. However, these efforts have been associated with varying levels of success (Bofand Previtali, 2007). In some cases the implementation of e-procurement has led to the expected outcomes, while in other cases badly designed adoption processes have caused high failure levels and financial waste (Somasundaram and Dastard, 2005).

Varney (2011) argued that there has been significant progress in the implementation along certain e-procurement dimensions in the European Union. All union members use e-notices for at least 85% of their contracts with many states employing e-notification more than 95% of the time. E-catalogues and e-procurement based solutions, however, enjoy much less emphasis.

The implementation of technology in the public sector is seldom, simple and has to be framed within the ambiguous and continuously transforming constrains of administrative and political prerogatives (Fountain, 2001). In the case of public procurement, given that the process already exhibits high levels of complexity (Leukel and Maniatopoulos, 2005) substantive policy choices become even more challenging (Henriksen and Mahnke, 2005). Certain adoption and barriers might be common to most environments. Varney (2011) indicates that the problems in introducing ICT in developing countries can be classified into three generic categories, namely: contextual, strategic and operational. Some other problems that affect developing countries from adopting ICT are lack of skilled human resources, economic constraints, lack of systems infrastructure and application problems. Lack of skilled human resources has been described as a

principal barrier blocking the diffusion and effective exploitation of ICT in developing countries (Woherem, 1993).

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

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

According to PPOA (2009), procurement processes are to be computerized to the extent possible in order to integrate the operations between Procurement Units and the potential beneficiary of the services. This will speed up routine transactions and communications within and outside the procuring entity. These include: communication to and from suppliers using telephones, emails, interactive website including tenders and procurement information sharing; communicating with internal users on emails, telephones and electronic notice boards including diary and meetings management; instituting process automation and simplification using ERP systems; and automation of internal procurement process controls such as approvals, payments, confirmation of receipt of products and services, tracking of procurement process deliverables and so on. The tender portal was launched with the intention of: acting as a database for tender advertisement and contract awards worth five million and above; aiming to improve access to government tenders and other any other Procuring Entities advertising tenders; aiming at Suppliers being able to view tender documents online before purchasing; aiming to encourage effective competition; and aiming at enhancing the implementation of e- procurement. Over the years procuring entities and potential bidders are using the portal more and more as the increasing numbers of posted tender notices and contract awards are proving. Nevertheless, since not every procuring entity or potential bidder in Kenya has internet access, PPOA also publishes

tender opportunities and contract awards on a monthly basis in three nationwide circulated daily newspapers.

Government officials and elected leaders have increasingly come to realize that public agencies must utilize ICT in order to enhance the procurement processes in the public sector. Faced with tight budgets and a retiring workforce, today's government agencies are operating in an environment defined by the need to 'do more with less'. Public authorities are expected to provide excellent service to their constituents in an effective and transparent manner, all the while working under constant resource constraints by adopting ICT (Hagén, and Zeed, 2005).

In order to meet today's operating challenges, regional and local governments are turning to ICT to enhance the services for residents, businesses and visitors, and improve internal efficiencies by lowering costs and increasing productivity. Public authorities are implementing scalable communication infrastructures to promote economic development, attract new businesses and residents, and above all, provide excellent service to constituents (Abouzeedan and Busler, 2002). From a business perspective, implementing scalable communication infrastructures such as WANs accommodates the various types of services government agencies require on a day to day basis, including provision of broadband internet access for online services and internal collaboration, handling administrative data.



Organization Culture

Due to regulatory reforms and changing community expectations, the role of culture in organizational compliance has gained momentum (Lisa, 2010). Basing on the competing values model(hierarchical culture), which involves enforcement of rules, conformity and attention to technical matters, individual conformity and compliance are achieved through enforcement of formerly stated rules and procedures(Zammuto and Krakower, 1991) as cited in Parker and Bradley (2000). Although there is no single definition of culture, one can define it as 'the structure of behaviors, ideas, attitudes, values, habits, beliefs, customs, language, rituals, ceremonies, and practices of a particular group of people that provides them with a general design for living and patterns for interpreting behavior' (Rice, 2007).

Everyone responsible for purchasing and supply management in an organization should be aware of the organization's policy on ethical purchasing and should be actively encouraged to support its principles. The same applies to suppliers.

All staff should be given training to make them aware of ethical issues and how the organization plans to address them. Practical examples of the policy in action should be introduced into all internal (and external) training programs as well as induction courses. Staff should be given a copy of the ethical code of practice and made aware of their responsibilities under the code.

Managers should sign-off on the code regularly and a review mechanism should be established. Ensure a suitably senior manager is appointed as the 'owner' of the code. Having a code of ethics with an implementation program is the minimum requirement for reputation management. It is a kind of prevention medicine, without such a programme an organization is vulnerable simply because it has neglected to take business ethics seriously. It is important also that suppliers and their staff are fully informed of the policy as it relates to them. Suppliers should distribute the code of practice to their staff, translated into the appropriate language. Buyers have a responsibility to determine the acceptable behavior between suppliers and colleagues, irrespective of their role or status in the organization and to influence policy makers to define standards. Suppliers often liaise directly with end users and other internal customers. The buyer should not necessarily discourage such liaison; indeed, maintaining product development awareness amongst users may well make it essential, but should develop organization-wide policies and educate colleagues about unacceptable or unethical relationships with suppliers. (CIPS 2013)

Parker and Bradley (2000) further indicated that awareness of the nature of public organizational culture is vital in explaining and assessing the appropriateness and outcome of the current reform process. This applies to developing countries where waves of procurement reforms have resulted into enactment of procurement rules and regulations.

Badenhorst (1994) stated that purchasing departments are not fully involved in strategic decision-making in organizations and hence competent people are not appointed to run the function. Badenhorst (1994), therefore, blames accountability & transparency, open & effective competition, equity & fair dealing and value for money.

Organizational culture as affecting ethical standards in procurement (Not well-trained people cannot be expected to uphold high expected ethical standards). Poor record-keeping and inadequate control measures make unethical behavior and fraud in the purchasing department inevitable (Badenhorst, 1994). The general climate in the organization, and specifically in the

purchasing and materials department, must be one of openness, trust, honesty and professionalism if the requisite ethical standards are to be upheld (Badenhorst, 1994).

According to Thai (2001), the public procurement system is influenced by culture and technology. In a culture where giving gifts is a common public relation practice, it is difficult to make a distinction between gifts and bribes (Thai, 2001). The OECD (2007) attributes process-based organizational culture to unethical standards and recommends knowledge-based procurement methods.

According to Ferrell and Ferrell (2010), the utilitarianism theory argues that the consequences of an action make that action either moral or immoral. An action that leads to beneficial consequences is right or moral; one that leads to harmful consequences is wrong or immoral. Utilitarianism is known as a consequentiality theory. The procurement unit that subscribes to the consequentiality theory upholds ethical standards as it seeks for beneficial consequences in its conduct (Ferrell & Ferrell, 2010).

Supplier-Buyer Relationships

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

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

relationship and it usually takes very little time and effort by either party to go through with an agreement. Collaborative relationships must be supported from the entire organization. A buyer must have the authority to negotiate with a supplier and come to an agreement that carries mutual trust and benefit. This is not possible if executives push only for cost savings or if the labor force is unwilling to give up some responsibility to the supplier. Benefits to collaborative relationships are: lower overall costs, higher quality products, less time to market due to open communication and improved technology and innovation. Supply disruptions are also less likely as the relationship is similar to friendship and suppliers and buyers look out for one another rather than opportunities to take advantage of one another. Drawbacks are the amount of time and effort involved. Buyers' time must be spent nurturing the relationship opposed to other value adding activities. There must also be time spent to begin the relationship and earn the trust of the supplier. Also there are higher switching costs if problems were to arise with the supplier. Lastly there is a sharing of proprietary information, strategy, planning, and goals, and most firms do not feel comfortable exposing such elements to other firms, fearing a loss of control.

(Benton, Meloni and Michael, 2005). Collaborative relationships might not be desirable when a company has a certain amount of leverage over its suppliers, or if the suppliers have all the power then the buyer might not be willing to enter into a relationship. The third type of buyer-supplier relationship is the alliance relationship. An alliance is formed for a systematic approach to enhance communication between the two firms. Unlike collaborative relationships, an alliance is built to have a trust where both firms can be on the same level and help each other out when there is a time of need or uncertainty. If there is no motive to have trust or manage it then the alliance will most likely fail. Having an alliance can be very beneficial as there is asset specialization and human specialization as well. With human specialization, certain people in companies have experience working together and they have information that allows them to communicate with others effectively. Because of this, companies are less likely to have breakdowns between them that will result in errors (Burt et al., 2003).

With this enhanced communication comes the benefit of faster delivery times, lower costs and higher quality. It is quite easy to understand why companies like to engage in an alliance between their firms. There are typically lower total costs because of the reductions of direct and indirect costs from labor, machinery, materials and overhead. There is also the benefit of reducing the time to design and develop products and services, which leads to larger profit

margin. Improved quality and technology from suppliers can be obtained from the openness and trust that is built from alliance partners (Burt et al., 2003). The benefits from the open and trustful relationship then lead to successful new products with a lower total cost because improving quality and other strategic goals are the focus, instead of errors. Buyer-supplier relationships in the supply chain are one of the most important elements of supply chain integration. Establishing and managing effective relationships at every link in the supply chain is becoming the prerequisite of business success. Facing market volatility and diversity, retailers are encouraged to develop relatively flexible relationships with multiple channel partners to deal with unexpected market demands and thus reduce the dependence on the vendor (Ganesan, 1994). According to him, there are four prominent dimensions of the buyer-supplier relationship: trust, communication, cooperation, and power-dependence.

Trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm.

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

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

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

Suppliers and customers need to be viewed as a partnership. The benefits of cooperation rather than conflict in buyer-supplier relationships include on-going cost reductions, quality improvements, increased operating flexibility and more powerful competitive strategies (Peck, Payne, Christopher & Clark, 2000). Customers who work more closely with suppliers will also be able to create a more responsive supply chain that can meet final demand in a timely manner. Partnership is based upon commitment, trust and continuous improvement. Marketing attempts to create an impression of a personal relationship to customers even if the supplier does not know the customers or even meet them. It is a pseudo-personal relationship, but, all the same, it could be an efficient one (Gummesson, 2002). Several employees from both the supplier and buyers side are involved in the relationship. They are involved in negotiation, communication, bargaining, and the transfer of goods, services and money. Ethical issues and personal values always influence such transactions.

2.1.2 Purchasing ethics

Every organization requires an ethical policy or code of conduct. Ethical supply chain management is becoming a mainstream business issue as questions about business practice arise (for example Maxwell and BCCI) and media and charity campaigns highlight poor working conditions in developing countries. The Maxwell scandal led to changes in UK legislation and pension practice. Increased public awareness of issues such as child labor has increased pressure on companies to take responsibility for the welfare of workers in their supply chains around the world.

The Chartered Institute of Purchasing and Supply (CIPS) believes that buyers should universally apply the practice set out in this booklet and should encourage their own organizations to include good ethical business practices in all areas of their work. Buyers should also involve all stakeholders in this process. It is vital that an organization's chief executive officer visibly endorses the organization's ethical policy. The following guidance provides a basis which buyers may find of use in initiating a change of culture within their organization (CIPS 2013).

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

According to Elshleman (2002), the process of procurement, or the purchase of goods and services, is the process that offers the most potential for ethical abuses or violations. Good procurement management practices should identify areas of potential ethics pitfalls, and address them ahead of time so employees know what practices to avoid. Accountability is government's obligation to demonstrate effectiveness in carrying out goals and producing the types of services that the public wants and needs (Segal and Summers 2002). Lack of accountability creates

opportunities for corruption. Brinkerhoff (2004) identifies three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or external monitors, and punishment or sanctions for non-performance or corrupt behavior.

Section 44 of the PPD Act (2005) requires procurement entities to practice confidentiality in the procurement process. During or after procurement proceedings, no procuring entity and no employee or agent of the procuring entity or member of a board or committee of the procuring entity shall disclose information relating to a procurement whose disclosure would impede law enforcement or whose disclosure would not be in the public interest or information relating to a procurement whose disclosure would prejudice legitimate commercial interests or inhibit fair competition or information relating to the evaluation, comparison or clarification of tenders, proposals or quotations and the contents of tenders, proposals or quotations. According to fieldwork interviews, many of the Kenya government services and supplies are contracted to firms and organizations that are in fact owned by (or demonstrate other obvious conflict of interest connections with) prominent civil servants or politicians, often without any declaration of such direct or indirect ownership. Amongst government officials and those who participate in the bidding process, financial benefits seem to overshadow issues of ethics and integrity in the procurement process. Many service providers and suppliers are organized in informal cartels that are both powerful and difficult to dislodge and those outside the cartels are more preoccupied with finding ways of getting inside so that they too can financially benefit, rather than exposing manipulation and unethical practices of such cartels (World Bank, 2006).

Ethical behavior includes avoiding conflicts of interest, and not making improper use of an individual's position. Ethical behavior is important in public procurement as it involves the expenditure of public money, and is subject to public scrutiny. Public officials should always behave ethically and fairly, including in their business undertakings. Ethical behavior supports openness and accountability in a procurement process and gives suppliers confidence to participate in the Government marketplace. Ethical behavior can also reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior; and enhance confidence in public administration (Wee, 2002). Procurement remains to be a key sector in Kenya, which facilitates the acquisition and disposal of goods and services, thereby leading to smooth running of various institutions, both public and private. Therefore, with

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

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

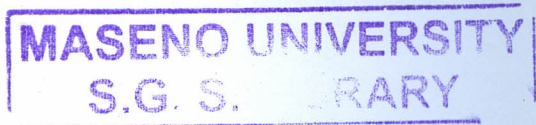
In most organizations, the largest ethical issue in the procurement process is the potential for conflict of interest. Employees who purchase goods or services from individuals or with whom they have a personal or familial relationship leave the organization open to fraud at the worst or overpayment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

Brinkerhoff (2004) has identified three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or

external monitors, and punishment or sanctions for non-performance or corrupt behavior. Strategies to help increase accountability include information systems which measure how inputs are used to produce outputs; watchdog organizations, health boards or other civic organizations to demand explanation of results; performance incentives to reward good performance; and sanctions for poor performance.

Lyson (2002) state that, the position of purchasing within operations organizations depends on related focus if the function is sensational, commercial or strategic. Each of these focuses is appropriate to sustaining commercial advantage for strategies. Each of this focal is appropriate to sustaining commercial advantages for the different types of enterprise in terms of effectiveness; the key question is whether the correct focus exists. In terms of efficiency, how we are the key task discharged quarterly to focus on forecasting in business. Efficiency is a measuring of how many producing resources they used to acquire a goal. Effectiveness is the measure of the degrees to which these goals are achieved.

Otieno (2008) did a research on the investigation, it is important for the researcher to know the employees views on purchasing values and regulations and what rules and regulations govern the purchasing department. Purchasing regards by top management as expectation on strategic activity, financial limits are placed in purchasing management step to commit the understanding without records to higher authority.



2.2 Empirical Literature

There have been several studies which have been conducted on the factors affecting public procurement ethical standards in Africa and other parts of the world. Ogachi (2011) conducted a research in Kenya about the procurement profession and indicated that the procurement professionals' reward (pay) affected the extent to which they adhered to the ethical code of ethics. With better pay the public procurement professionals tended to observe the professional code of ethics (Ogachi, 2011).

The empirical research conducted by Mlinga (2006) in Tanzania suggests that the ethical standards in public procurement are a factor of the technical and ethical skills of those involved in the whole public procurement process.

Ntayi et al (2010) conducted a research in Uganda to explain the causal factors for the unethical practices among public procurement officers in Uganda using the Bandura's moral

disengagement variables and Durkheim's notion of anomie. The data was collected from both Central and Local Government. The study established that the interactive effect of moral disengagement and procurement planning behaviors diminishes the social construction of procurement officers' deviant behaviors,

2.2.1 Organizational Factors

Internal process

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

ICT Adoption

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

Organizational culture

According to Lisa, (2010), culture plays a central role in the compliance process and associated outcomes. Conducted a study on culture in Uganda's public sector and depicted culture as a hindrance to reforms. It is also contended that in a specific type of culture,

characterized by specific values such as openness, trust and honesty (Arjoon, 2006) as cited in Lisa, (2010), employees are more likely to engage in compliance behaviors, which collectively will contribute to organizational compliance.

Basheka and Tumutegyereize (2010) conducted a research on the public procurement ethical standards in Uganda. The empirical study found organizational culture as statistically significant with regard to the causes of public procurement corruption. The research concluded that organizational determinants are the major factors, which account for the increasing trends of procurement corruption (Basheka & Tumutegyereize, 2010). The OECD empirical research conducted in European countries also point to organizational culture variables as affecting the state of ethical standards in public procurement (OECD, 2007). The research established that organizations with a culture of frequent public procurement audits tended to have higher ethical standards than those that don't (OECD, 2007).

2.2.2 Purchasing Ethics

An empirical research by Davies (2010) established that accumulative corruption occurs when government officials abuse their position of power for purposes of personal enrichment. It takes place mainly in the form of soliciting bribes when overseeing government projects and procurement, in privatization processes and in taxation (Davies, 2010). The research conducted in selected Africa countries points at unethical public procurement as being perpetuated by the ethical culture prevailing in the public sector.

The Badenhorst (1994) research showed that the actions of managers, the ethical climate in the enterprise and the absence of a company policy on the matter are all contributing factors towards unethical behavior in public procurement (Badenhorst, 1994).

The Basheka et al (2010) Uganda research also points at environmental variables as a significant factor with regard to the state of public procurement ethics: economic, political, organizational and social environment are statistically significant with regard to procurement corruption. The paper concludes that organizational environmental determinants are the major factors, which account for the increasing trends of procurement corruption (Basheka et al 2010).

The OECD (2007) Europe empirical research on public procurement echoes similar findings. It suggests that public sector environmental variables play a significant role in determining ethical standards and suggests the application of the four-eye principle as a remedial

measure. The research also points to political influence as affecting the morality of public sector procurement (OECD, 2007). It suggests key conditions for protection from political influence: Clear ethical standards for procurement officials; an adequate institutional framework, budgetary autonomy, human resource management based on merit as well as working independence for procurement officials, where procurement officials are solely responsible for decisions (OECD, 2007).

Ntayi et al (2010) conducted a research in Uganda to explain the causal factors for the unethical practices among public procurement officers in Uganda using the Bandura's moral disengagement variables and Durkheim's notion of anomie. The data was collected from both Central and Local Government. The study established that the interactive effect of moral disengagement and procurement planning behaviors diminishes the social construction of procurement officers' deviant behaviours. Andvig and Fjeldstad (2010) conducted a research on public procurement ethics in the Less Developed Countries (LDCs) through the Norwegian Agency for Development Co-operation (NORAD) platform.

The research established that the public procurement unethical behaviors manifest in terms of direct embezzlement of public funds and commit similar offences. In this sense, the research established that the causes of unethical issues in public procurement. Piff, Stancato, Côté, Mendoza-Denton and Keltner (2012) carried out seven studies using experimental and naturalistic studies in the United States of America (USA) on the factors that affect ethical standards in the public sector. The studies revealed that upper-class individuals behave more unethically than lower-class individuals (Piff et al, 2012). In this sense, the unethical attitudes of the upper class breeds unethical behavior in the public sector procurement.

2.3 Summary of Literature

Ethics is discussed the textbook titled purchasing and supplies management by Lysons (2003) as being concerned with values. A value is an enduring belief that a specific mode of conduct or end state of existence is personally and socially preferable to alternative code of conduct. However ethics should also be concerned with bribes and confidentiality, this is simply because bribery is money or gifts you give or take illegally to someone especially to public official in order to persuade them to do something for you. This is normally evident when it comes to some supplies who do not meet the quality standards and later on supply poor quality goods and services because of bribery.

Confidentiality is a situation in which you trust someone not to tell secret or private information to anyone else, ethics should also be concerned with confidentiality when open tendering to one of the candidates should not be aware of some information pertaining settlement pricing as this one can make some of the candidates to have competitive advantage against others since they have already had information prior to other coordinates and such information can be only available through the purchasing staff hence ethics should involve confidentiality.

On ethical codes relating to National Association of Purchasing and supply and Management in the USA are seen to be statements, however they remind purchasing staff on the aspects of their work where they experience conflicts between their interest and the conflicts of their employees and they also provide standards for the buyer to attain.

However as it were the essentials of a profession is integrity which is maintained by adherence to the code of ethics hence some professions such as medicine, law and accountancy have issued code of conduct which when gone against the right to practice is stuck off, hence purchasing ethics should adopt the same to make the purchasing staff adherence to the code of ethics. This is what the above studies have not achieved and hence analysis of the influence of organizational factors and management factors on the implementation and practice of purchasing ethics in Sugar Research Institute will be studied.

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CHAPTER THREE

RESEARCH METHODOLOGY

This chapter outlines the overall the research design, target population, sample design, sampling procedure, data collection instruments, pilot study, procedure for data collection and methods of data analysis that were used to achieve the objectives of the study.

3.1 Research Design

The study adopted both descriptive and correlation study research. Mugenda (2008) suggests that descriptive studies provide an observational view of several heterogeneous units in determining the common behavior or variables affecting them while correlation design help in determining the relationship and level of interdependence between variables.

3.2 Target Population

The target population was 30 employees in the departments involved in purchasing processes of Sugar Research Institute drawn as tabulated below.

Department	Population
Purchasing / Procurement	5
Accounts	5
Technology Transfer	7
Economics and Biometrics	3
Pathology Lab	3
Milling and Processing lab	4
Information & Technology	3
Total	30

Table 1; distribution of population per department

3.3 Sample Size Determination

Due to small number of the population, census sampling was adopted during the study.

3.4 Sample Design

The study adopted a cluster sampling technique used when "natural" but relatively heterogeneous groupings are evident in a statistical population. In this technique, the total population is divided into groups (or clusters) and a simple random sample of the groups is selected. Simple random

sampling procedure where the workers were selected randomly from the departments they belong.

3.5 Data and Data Collection

Primary data was used in the study. Primary data will be collected using structured questionnaires.

3.5.1 Data Collection Instruments

Questionnaires were prepared on the basis of research questions and objectives, the questionnaires were administered to the respondents to fill. The questionnaire comprised of both open and close-ended questions. These questionnaires were presented personally to the workers of the departments in Sugar Research Institute.

3.5.2 Validity and Reliability of Instruments

The researcher introduced himself to the study group using the research introduction letter. The questionnaire was pre-tested by presenting them to five workers of purchasing department of Tea Research Institute that was not part of the sample study for piloting before the actual data collection. This allowed adjustments in order to be made on the instruments if need be. In addition, the instruments were validated through consultation with the research supervisor for the guidance and adjustments. In addition consultation with my supervisor and lecturers, the validity of the instruments was further determined. The researcher chose Tea Research Institute because they work under similar environment. Both Sugar Research Institute and Tea research Institute deal on research on food crops such as sugarcane and tea respectively.

3.5.3 Administration of the Instruments

The questionnaires prepared were administered to the respondents and were given two days to complete them. The completed questionnaires will be collected for data analysis. The interviews were carried out during the process of presenting the questionnaires. The researcher used a questionnaire. The questions were open-ended and closed ended. The questionnaire was used because it is the most convenient way of gathering information.

3.6 Data Analysis and Presentation

Data was analyzed using frequency distribution for socio-demographic categorical data, median as a measure of central tendency and inter-quartile range as a measure of spread. The analyzed data was presented in form of tables and figures.

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CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents analysis and findings of the study as set out in the research objectives and methodology. The study findings and discussion are presented on the analysis of relationship between organizational factors and the practice of purchasing ethics in Sugar Research Institute, Kenya. Data was entered in the SPSS 20, cleaned and analyzed using the R version 3.0.2 software and SPSS 20. In most variables, respondents were asked to rate their level of agreement to the statements in the questionnaire concerning purchasing process, purchasing ethics, organizational factors and PPDA implementation on a five-point Likert scale; 1=Strongly disagree/least extent to 5=Strongly agree/very great extent. First data were explored using frequency distribution for socio-demographic categorical data, median as a measure of central tendency and inter-quartile range as a measure of spread. Relationships were explored using the spearman Rank correlation tests.

There were 30 respondents who filled the questionnaires representing 100% response rate.

4.1 Socio-demographics

The respondents were drawn from fairly across all the departments and with varied levels of experience at Sugar Research Institute. However, majority had worked at SRI between 1-5 years (43.3) as shown in figure 1. About 76.7% had diploma and first degree. Only 6.7% had certificate level as shown in figure 2.

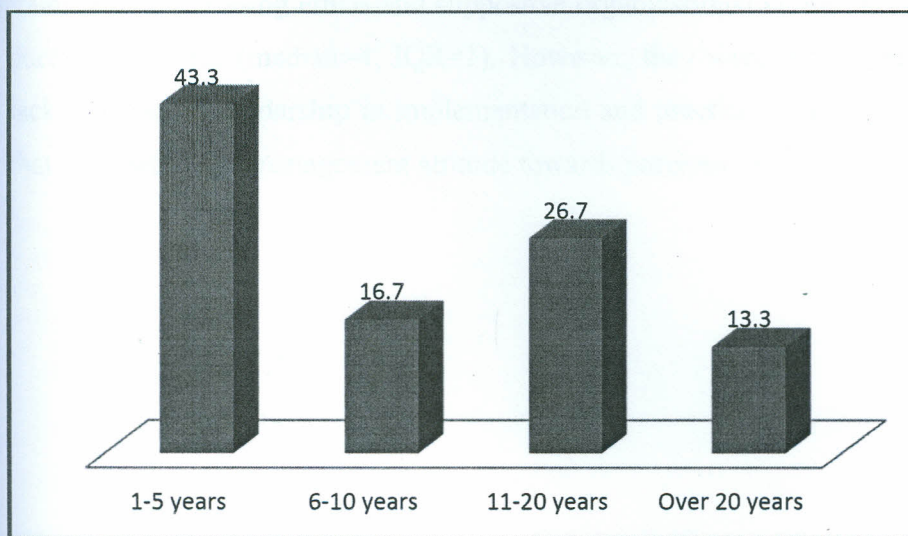


Figure 2: Level of experience at Sugar Research Institute

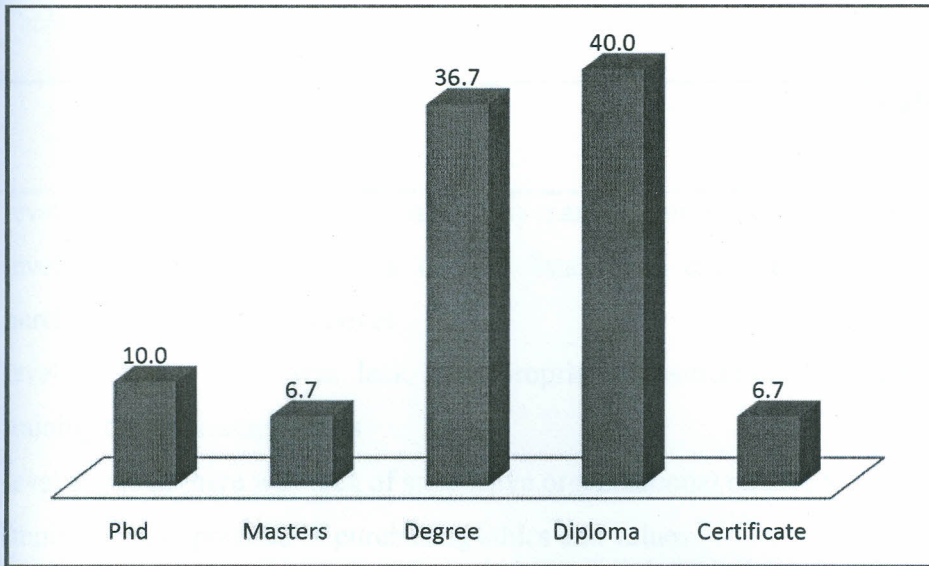


Figure 3: Educational level distribution

4.2 Organizational factors

On the effect of organizational factors to implementation of purchasing ethics, the responses from the respondents were varying from neutral to great extent with an overall agreement index of 3.6. This is equivalent to Great Extent on the Likert scale. The respondents agreed that there lacked well established departmental goals and objectives (median=4, IQR=1). Asked whether there were rigid bureaucratic management structures at SRI, majority were in agreement (Median=4, IQR=3). They also mentioned that there was lack of appropriate sensitization and training on purchasing ethics and supportive organizational culture to implement the practice of purchasing ethics (median=4, IQR=1). However, they were indifferent to agree that there was lack of effective leadership in implementation and practice of purchasing ethics and values and that there was poor management attitude towards purchasing ethics (table 4).

Table 2: Organizational factors that hinder implementation of purchasing ethics

	Valid N	Median	IQR
level at which there was rigid bureaucratic management structure	30	4	3
level at which there was lack of well established departmental purchasing goals and objectives	29	4	1
level at which there was lack of appropriate sensitization and training on purchasing ethics	29	4	1
level at which there was lack of supportive organizational culture to implement and practice of purchasing ethics and values	30	3.5	1
level at which there was lack of effective leadership in implementation and practice of purchasing ethics and values	30	3	1
level at which there was poor management attitudes towards purchasing ethics	30	3	2.25
level at which there was workers ignorance of purchasing ethics and values	30	4	2

The findings contradicted that of Lisa that culture plays a central role in the compliance process and associated outcomes. The study also concur with (OECD, 2007) that organizational culture affects the state of ethical standards in public procurement. The research established that the organizations with a culture of frequent public procurement audits tend to have higher ethical standards than those that don't have frequent procurement audit.

4.3.1 Purchasing process

Under this section, majority of the respondents agreed to the statements (Median \geq 3.5, IQR \leq 2). This indicates that they were generally satisfied with the purchasing process at Sugar Research Institute. They almost unanimously agreed that there is tendering committee that determines the awarding of tenders (median=5, IQR=1) and that major purchasing decisions are made by the purchasing committee (median=4, IQR=1). See table 1.

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Table 3: Purchasing process

	Valid N	Media n	IQ R
Purchasing decisions are made by purchasing officers	30	3.5	1.25
Major purchasing decisions are made by purchasing committee	30	4	1
Seller selection is competitively determined	29	4	1.5
There is tendering committee that determines awarding of tenders	29	5	1
Minor purchases are delegated to junior purchasing staff	30	3.5	2

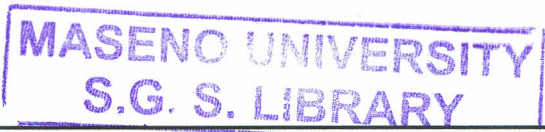
The study contradicts that of (PPOA, 2011|) that there is lack of ICT systems and application covering all aspects of procurement processes where in Sugar Research Institute the respondents were satisfied with the procurement process.

Overall agreement index to the statements stated under the purchasing process was 3.9 which is equivalent to agree.

4.3.2 Purchasing ethics

Most respondents were indifferent when asked whether they were aware of the presence of the purchasing code of ethics (median=3, IQR=2). However, majority agreed that the purchasing officers followed and practiced the purchasing ethics (median=4, IQR=1). However, they were still indifferent when asked whether the practice of the purchasing ethics had led to amicable relationships between the department and the purchasing parties (median=3, IQR=1.25)

Table 4: Purchasing ethics



	Valid N	Med ian	IQR
There is purchasing code of ethics regulating purchasing and procurement in Sugar Research Institute	30	4	1.25
Every worker in the Sugar Research Institute is aware of the presence of purchasing ethics code	29	3	2
Purchasing officers in Sugar Research Institute are following and practicing the purchasing ethics	30	4	1
Practice of purchasing ethics has led to amicable relationships of the department with purchasing parties	30	3	1.25

The study concurs with Badenhorst (1994) that the ethical climate in the enterprise and the absence of a company policy on the matter are all contributing factors towards unethical behavior in public procurement. It also concurs with Basheka et al (2010) that the environmental variables are a significant factor with regard to the state of public procurement ethics and social environment are statistically significant in corruption. It concludes that organizational, environmental determinants are the major factors which lead to increasing trends of procurement corruption

The overall agreement index was 3.4 which is equivalent to neutral but on the higher side. This implies that generally, the respondents were indifferent about the presence and practice of purchasing ethics at SRI.

4.3.3 Implementation of the purchasing ethics

Most of the respondents in this study agreed that the implementation of the purchasing ethics was good at SRI with overall agreement index of 3.6 which is equivalent to agree. In particular, they were asked whether there was fair treatment of sellers, fair and timely payment, fair awarding of tenders, fair and competitive negotiation of prices, minimization of fraud and corruption and that there was purchasing accountability and responsibility. They responded

almost unanimously with level 4 on the Likert scale which is equivalent to agree (median 4, IQR<=2) as shown in table 3.

Table 5: Implementation of the Purchasing ethics

	Valid N	Median	IQR
There is fair treatment of sellers	30	4	1
There is fair and timely payment of sellers	30	4	2
There is fair awarding of tenders	30	4	0
There is fair and competitive pricing negotiation	30	3.5	1
There is minimization of fraud and corruption	30	4	1
There is purchasing accountability and responsibility	29	4	1

The findings contradict that Basheka and Tumutegereize (2010) that organizational determinants are the major factors which account the increasing trends in procurement corruption.

It further concurred with the suggestion by Mlinga that the ethical standards in public procurement are a factor of the technical and ethical skills of those involved in the whole public procurement process.

Overall implementation agreement index for the purchasing ethics was 3.6 which is equivalent to agree/great extent.

4.4.1 Relationships between the dependent variables and independent variables

Relationship between the dependent and independent variables were explored further using Spearman's Rank order correlation. Correlation coefficients greater than 0.5 were considered strong while between 0.4-0.5 were considered medium. However correlation coefficients less than 0.3 were considered weak (Dancey and Reidy's, 2004). Significance level was set at 0.05 where p-values less than 0.05 were considered significant. The variables that had significant relationships are discussed below. However, correlations that had P-values greater than 0.05 were considered not significant.

4.4.2 Relationship between Purchasing ethics and Organizational factors

There was strong positive correlation between the lack of established departmental purchasing goals and objectives and the delegating minor purchases to junior purchasing staff (corrcoeff.=0.603, P-value=0.001). The results also indicated a correlation between presence of rigid bureaucratic management structure and the fact that purchasing decisions are made by purchasing officers (corrcoeff.=0.366, P-value=0.047) as shown in table 6.

Table 6: Correlation between purchasing process and organizational factors

	Bureaucratic management	Purchasing goals and objectives	Purchasing decision	Minor purchases
Bureaucratic management	1			
Purchasing goals and objectives	.287**	1		
Purchasing decision	.366**	.397**	1	
Minor purchases	.370**	.603***	.432**	1

Notes: ** significant at 0.05

Source: Survey Data (2015)

Further, there was also positive correlation between lack of effective leadership in implementation and practice of purchasing ethics and values and the fact that minor purchases are delegated to junior purchasing staff (corrcoeff.=0.363, P-value=0.048) as shown in table 7.

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Table 7: Correlation between organizational factors and purchasing process

	Effective leadership	Poor management	Minor purchases
Effective leadership	1		
Poor management	.287**	1	
Minor purchases	.363**	.384**	1

Notes: ** significant at 0.05

Source: Survey Data (2015)

4.5 Implementation of Public Procurement and Disposal Act

On implementation PPDA, the respondents were very indifferent with an overall agreement index of 3.1 which is equivalent to neutral on the Likert scale. However, when asked whether there was some level of the process by the government officials in the tendering process, most respondents agreed that that happened to a great extent (median=4, IQR=1). About lack of commitment from top management to implementation of PPDA, unresponsive bids, ignorance of PPDA guidelines, inadequate budgeting allocations, desire to maintain status quo, lack of qualified procurement professionals, few suppliers in the market and conflict between PPDA and donor guidelines, the respondents were indifferent (median=3, IQR<=2). See table 5.

Table 8: Implementation of PPDA

	Valid N	Med ian	IQR
level at which there was lack of commitment from top management	30	3	2
level at which there was interference of the process by government officials in the tendering process	30	4	1
level at which there was lack of unresponsive bids	30	3	1
level at which there was lack of qualified procurement professionals	29	3	2
level at which there was ignorance of the PPDA guidelines	30	3	1
level at which there was inefficiency of the PPDA on enforcing the penalties to the offenders	29	3	1
level at which there was inadequate budgetary allocation for the purchasing function	30	3	2
level at which there was organisation's culture and the desire to maintain the status quo	28	3	2
level at which there was inefficiency of the treasury in releasing money to the due departments	30	3	2
level at which there was lack of organizational incentives and pressures for public procurement guidelines implementation	30	3	2
level at which there was few suppliers in the market	30	3	2.25
level at which there was conflict between the PPDA and donor guidelines	29	3	1

The findings concur with the PPOA (2011) study that there is inability to translate the procurement law and regulations into everyday language so that the management sees and understand the impact to their compliance. Inadequate records management and filing systems, retrieving records for review purposes was slow, time consuming and even for the files to be made available. Some records pertaining to fulfillment of procurement process were incomplete, limiting the review of scope.



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of data findings, conclusion, recommendation, limitation of the study and suggestions for further studies. The conclusion and recommendation drawn were in quest of addressing the effective ways of improving the implementation and practice of purchasing ethics in Sugar Research Institute.

5.1 Summary of the Findings

The respondents differed whether there is commitment from the top management on implementation of the procurement act and regulations, responsive bids, ignorance of PPOA guidelines, inadequate budget allocation, desire to maintain status quo few suppliers in the market and conflicts between PPOA 2015 and donor guidelines.

This indicates that an organization is not valuing its value and belief and this may affect the public image of the institution and effective delivery of goods, services or works. Some respondents agreed that there are a few cases of corruption and the management have not laid down any measures for those who are found corrupt.

The respondents agree there was lack of well-established departmental goals and objectives, lack of appropriate sensitization and training on purchasing ethics and supportive organizational culture to implement the practice of purchasing ethics. The employees did not agree about lack of effective leadership and poor management attitude towards implantation implementation and practice of purchasing ethics.

It is clear that the purchasing process in sugar research Institute is time consuming and the management should train and sensitize the purchasing staff and the entire staff on purchasing processes and ethics to reduce on the time period of purchasing process, from the user making a request to when the user is being issued the goods from the store, service providers or contractors have completed works / services and the inspection and acceptance committee have accepted the completion the work /service provided.

The staff of Sugar Research Institute did not know the rules well, they were not sensitized on the procedure to be followed from the time they are to request to the time they are to inspect and accept the goods, services or works before they start using them. This means the Sugar Research Institute should sensitize and the procurement officers on the new development of the

rules and relations governing them to enable them sensitive the whole staff on how the procurement process run to enable the implementation and practice of purchasing ethics.

Majority of the employees were satisfied with the purchasing process at sugar research institute and they unanimously agree that the tendering committee / procurement committee determines the awarding of tenders most respondents differed about the presence of code of ethics and the practice of purchasing ethics.

There are rules and regulations governing the every procurement or purchasing process to enhance effectiveness and efficiency in an organization. The purchasing officers are guided by the rules and regulations under the public procurement and disposable act 2005 and public procurement and disposable regulations 2006. The act was revised and released in 2015 and it's known as Public Procurement and Asset Disposable Act 2015.

5.2 Conclusion of the Study

The study concluded that the management should not be rigid on implementing the practice of purchasing ethics in Sugar Research Institute. The procurement staffs are not trained and sensitized on the new developments of purchasing processes and ethics.

The study concluded despite the existence of set rules and regulations in the purchasing process in Sugar Research Institute, there was still cases of corruption. It is improper for them not to follow the stipulated rules and regulation as stated in the Public Procurement and Asset Disposable Act, thus making the rules and regulations of no use nor meaning to the employees or its customer.

The study also found out that majority of the respondents said NO on the existence of corruption in the purchasing departments while the remaining said there was some level of corruption existence.

5.3 Recommendation of the Study

From the above summary and conclusion, the study makes the following recommendations on the relationship between organizational factors and the practice of purchasing ethics in SRI.

The study should be used by the management of SRI in embracing the right process and the positivity of PPDA in the Institute and therefore putting mechanisms that would ensure all employees are in knowledge of the act and regulations for the purpose of efficiency in purchasing processes.

The government, management of SRI and purchasing officers should follow the right procedures in making decisions regarding purchasing process. Mechanisms should be in place to ensure the right process and procedures are followed and incentives should also be provided to the officers implementing the PPDA in order to ensure proper guidelines are implemented in the purchasing processes.

The employees should also be trained and sensitized to understand the importance of value chain and what it means by procuring economically as per the quality and price of goods, services and works.

5.4 Limitation of the Study

Sugar Research Institute had substations in Migori County (Opapo), Kakamega County (Mumias) and Kilifi County (Mtwapa) that are under Technology Transfer Department and Crop Department, the researcher was not able to reach the employees of the substations physically and he had to get their views. To overcome this limitation, the researcher used email to send the questionnaires and got the responds via email also.

It was a common practice for respondents to be subjective in answering the questions. This was addressed by requesting the respondents via transmittal letter to be as objective as possible in their responses to enable the study meet its objectives.

5.5 Suggestions for Further Study

The study recommends a study to be done on the effects of Public Procurement and Asset Disposal Act in Sugar Research Institute. This will allow generalization of the findings on the relationship between organizational factors on the practice of purchasing ethics in Sugar Research Institute.



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