CHALLENGES FACING PROCUREMENT OPERATIONS IN THE PUBLIC SECTOR: CASE STUDY OF KENYA POWER.

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A RESEARCH SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MANAGEMENT AND LEADERSHIP OF THE MANAGEMENT UNIVERSITY OF AFRICA

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STUDENT’S DECLARATION

I, whose signature is appended, state that this is my actual work and not copied from any source whatsoever or submitted to any learning institution or organization except the Management University of Africa for academic purposes.

Signature…………………………… Date ………………………

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This research has been submitted for evaluation and grading with my approval as the University Instructor’s Signature…………………………… Date ………………………

Dr. Emmanuel Awuor The Management University of Africa
DEDICATION

Am very thankful to the Almighty God for the gift of life and good health throughout the entire period of the research work.

This piece of work leaves me eternally grateful to my supervisor Dr. Emmanuel Awuor for his continuous and consistence in offering the much needed guidance in successfully completing this project.

To my supervisors in various section, especially the procurement department at Kenya power and lighting company, Ruaraka branch, it’s with lots of joy, that I look back, to the willingness, assistance and enthusiasm are second to none.

To my wife, Tracy, the woman of my dreams and my best friend, I dedicate this research project and my life, to you. You been amazing to me every day. Your unconditional love, support and enthusiastic spirit rejuvenates me with oomph and the gravitas to come this far, as pertains the research project. I am committed to you-committed to helping you to live your best life now. Our greatest days are ahead!
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ABSTRACT

Today all over the world the governments pay much attention to procurement to the extent of establishing the procurement department to take charge of procurement activities. In Kenya, the procurement departments are not effective. Hence this intended to explore the challenges facing the procurement department in the working organization. The study intended to answer the question a number of research questions. The literature review was done and covered a number of areas and topics in the process: conceptual descriptions, theoretical and empirical review among other subtopics relevant in the issue under investigation. Through the literature review the knowledge gap on challenges facing the procurement department in autonomous organization was identified. The study was descriptive and used case study approach that made it easy to gather information using more than a single method. Throughout the study, it has been noted that, the procurement department faces many challenges emanating from the government side, the department itself and the individual employees. The challenges include poor planning, corruption, low knowledge on laws and regulations and adequate resources. The study concludes that, despite the challenges the procurement department is facing, it will remain to be the most important entity in the organization which needs to be paid much attention. It has been noted that Kenya Power has procurement unit which in one way or another does not perform well due to challenges. Finally, it was recommended that the government should provide much support to the procurement department including providing training on procurement planning skills.
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CHAPTER ONE: INTRODUCTION

1.0 Introduction

The study was conducted on challenges facing procurement operations in the public sector using Kenya power and lighting company as a case study. In addition, the chapter begins by introducing the study background, problem statement, purpose of the research, aims of the study, study questions and scope and justification of the research.

1.1 Background of the study

Kenya’s Public Procurement System has evolved from in a number of ways a crude system of unqualified professionals lacking ethics, no transparency and accountability not employing and embracing modern technology. Around 1959 Supplies and transport departments existed for entire government under public works ministry. The department had purchasing, supplies and services division thus treasury gave a vote allocation to the ministries to order their requirements from MOW. 1963 – 69 - Local Purchases determined by individual entities, International Procurement conducted by Crown Agents

Supplies Manual of 1978 contained government procurement system that was supplemented by circulars that were provided on several occasions by Treasury.

The Manual made different delicate sheets for mediation of tenders and their award. A survey of the nation's public procurement systems was embraced in 1999 and set up that: There existed a heterogenous procurement system for people in general part all in all. It didn't have approvals or punishments against people who contravened the directions in the Supplies Manual, other than interior disciplinary activity. Thus, utilization of the guidelines was adhered and a large number of the standards failed to be considered.

The dispute settlement components identifying with the award methods as set out in the Manual were frail and questionable for guaranteeing decency and transparency. Records of
procurement processes on many occasions were observed as being incorrect or fragmented or
truant, which prompted doubts of untrustworthy dealings at the tender boards. There were
various setbacks that caught the attention of the public as they viewed it unsatisfactory. As a
result, the Exchequer and Audit (Public Procurement) Regulations 2001 was created.

As PPD and PPCRAB though independent departments relied for staff and funding from
ministry of finance this was thought to create impartially that’s the need for a monitoring
agency enacted by the law. This led to enactment of Public Procurement and Disposal Act,
2005 that started working in 2007.

In most recent and current economic crisis, which has put pressure on government and
specifically procurement entities to reduce expenditure and decrease deficits. Public
procurement normally represents for around 10-15 percent of a country’s national income and
around 65 percent of budgets, governments are encountered with the challenges to continue
increasing while in the meantime thoroughly decreasing their spending. This infers numerous
administration associations need to move from a financial driven to a value driven state of mind
and acting, yet this likewise implies there is a vital part for the procurement capacity to fulfil.

The public procurement role, nonetheless, is confronted with various difficulties which include:
(1) the dread for adverse reputation which has prompted a developing accentuation on the
lawful parts of the tendering procedure; (2) procurement acts responsively and is frequently not
included until the point that the determinations have been characterized explicitly; (3)
procurement firm is viewed as an operational unit and not seen as an advisor or business
partner; (4) procurement is frequently sorted out around contracts instead of products. There
are peak moments when contracts are almost expiring, however there is no constant procedure
to oversee inside and supply market advancements and openings; and (5) procurement
personnel fail to feel it is their obligation regarding the operational procurement processes, there is no attention on dealing with the end-to-end process and shutting the procurement loop.

The Kenya power and lighting organization is a liability company in charge of the transmission, conveyance and supply of power all through Kenya. Its main goal is to adequately transmit power all through Kenya at cost effective tariffs to accomplish the most noteworthy guidelines of client benefit and to guarantee the organization long-term, specialized and budgetary visibility. Kenya power and lighting company was fused in 1922 as East African Power and Lighting Company (EAP&C). It became the Kenya power and lighting limited company in 1983. Its majority shareholder being the government until 1997 where there was a major restricting in the power sector.

The enactment of the electricity power act in 1977 set the pace for the liberalization of power sector. This saw the separation and distribution from generating thus, giving birth to a new company KENGEN. The new corporate identity was officially launched an 2nd October 1998 and KENGEN was given the mandate to generate to customers where it generate 90 percent of Kenya electricity.

Kovacs (2004) characterizes procurement techniques and strategies as the rules for or methods for procurement of suitable products and additionally benefits at the appropriate expense to deal with the problems of quality, quantity, time, and location. Thus, procurement operations must be appropriate to circumstances which then give raise the challenges facing public procurement operations.

As per Thai (2005), each company that buys products or administrations must have successful standardized procurement procedure, the strategies utilized get those items needed by an organization to generate products/services to their customers, consequently these poses challenges in operations creating the need for procedures that encompass each element of the
procurement cycle, with the inclusion of supplier selection, contract arbitration, order placement and payment and must warrantee reliable delivery and process provided in either in the procurement act or regulation or any other government document that guides public entities in the procurement of materials.

Procurement operations often face challenges that include both the buying price and resources used in acquisition of a product. Its therefore important to develop an understanding of the stages of procurement, there is a possibility of accessing a comprehensive understanding of the ideal expenses incorporated in the procurement process (Baily et al 2004).

Numerous public procurement procedures experience the disadvantages from disregard, absence of coordination, absence of open rivalry and transparency, varying degrees of corruption and above all an unclear framework of prepared and experienced individuals in a position to direct and oversee procurement activities, in a proper, convenient and practical way. Rigid frameworks of procurement add to unsuitable contract lags, expanded expenses, the possibility for control of agreements and absence of reasonable rivalry, altogether generate the notion for the whole population, that open consumption is moderate, inadequate, costly and unethical.

1.2 Statement of the Problem

One of the most important areas of any service industry is the ability to relate well with its consumer/client or the ability to access information by its customers. Kenya power and lighting company, Ruaraka branch, for example, has been in the service to ensure the implementation of consumer power connection is well adhered to. There has been complains regarding delayed consumer connection beyond expected time which is mostly caused by delayed delivery of material, material stock out, lack of qualified personnel in procurement department, issues ethical behavior among the employees when dealing with the clients and lack embracing and
adopting the modern technology all these stems from procurement principles that mostly the organization has failed to follow.

In Kenya, to coordinate successfully, the procurement processes and operations, procuring firms with the help of the prevailing legal framework must integrate departmental procurement programs to give a company’s corporate procurement programme that prior to its execution should access the accounting professional’s consent.

Moreover, a procurement program is a tool for application of the financial plan and ought to be set up by the user divisions with an aim to keeping away from or limiting abundance votes in the company's financial plans and to guarantee that procurement don't continue unless there are resources to pay for them. This infers that all procurement processes must be very much incorporated into the spending procedure in light of the spending plan as fitting and in consistence with the procurement law.

1.3 Objectives of the Study

The general aim of the research was to determine the challenges facing operations in the public procurement sector.

1.3.1 Specific objectives

1. To investigate the effects of ethical behavior on operations in public procurement in Kenya Power.

2. To determine effects of Supplier Management on operations in the public procurement in Kenya Power.

3. To determine the influence of ICT adoption on operations in the public procurement in Kenya Power.

4. To determine the staffing competency on operations in the public procurement in Kenya Power.
1.4. Research questions

1. To what level do ethical behaviors impact the operations in the public procurement in Kenya Power?

2. What are the impacts of Supplier Management on the procurement operations in Kenya Power?

3. How does ICT adoption influence procurement operations in Kenya Power?

4. What are the impacts of the staffing competency on operations in Kenya Power?

1.5 Justification

The study or the research aimed at examining challenges facing procurement operations in the Kenya power and lighting company. The study therefore ensured the critical path network approach is applied through strengths, weaknesses, opportunities and threats (SWOT) analysis in dealing with challenges arising from administrative that encompasses staffing competency, transparency and accountability, ethical behavior in procurement while embracing modern technology in procedural steps of procurement operations in public sector.

The findings of the research will provide the researcher with skills and ideas on the possible ways of dealing with challenges facing procurement operations. The recommendation made will be of importance to the public of which deferent entities can employ to rectify and manage challenges effectively in their procurement operation processes. The recommendations will also be useful to future researchers or future scholars in numerous ways.

1.6. Scope of the study

The scope of the study was mainly to understand through investigation, the challenges facing public procurement procedures and operations in general. The study was carried out at Kenya power branch located in Nairobi County. The study is intended to take a period of three months for it to full cover all the areas and items under study.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This part is a literature review on the challenges facing procurement operations in the public sector using a case study of Kenya Power. Different scholarly materials and past studies will be utilized to reinforce on the topic.

2.2 Theoretical Literature Review

There are a number of models and theories that explain the development and use of procurement process. A bigger proportion are used to formulate public policies. Furthermore, these models are employed in the identification of crucial aspects of procurement and challenges.

2.2.1 Agency Theory

It is associated with agency relationships. That is, two parties possess an agency relation when they associate and participate in an association whereas a single party (or the principal) assigns responsibilities to another (the agent) to work on its behalf. The essential presumptions of the theory are: possible goal misunderstandings present between agents and principals; every party works on its interest; data asymmetry normally exists between agents and principals; and agents are highly risk averse compared to the principal.

Prescriptions and presumptions of the theory blends well with the aspects present in the supply chain management. While managing quality of the supplier, buyers in agency relations encounter different problems. Naturally, buyers anticipate suppliers to give quality and to enhance the standard of supplied goods though suppliers can be hesitant to rely heavily on quality particularly when they think that consumers are getting all the gains.
2.2.2 Linear Policy Model

It was formulated by Grindle and Thomas in 2000 and is also referred to as rational model. It highlights policy-making as a solving process that is logical, objective and balanced. In the model, choices are made in sequential stages, beginning with problem identification and finishing with different actions to resolve or address it.

The model presumes that failure to implement a policy can be associated to mismanagement and inadequate resources which suggests that management aid and budgetary allocation is integral in reinforcing policy implementation. Implementation of procurement processes is mainly affected by procurement planning and readying procurement progress reports. The research therefore will use this model to find out challenges in the implementation of procurement process in the public sector.

2.3 Empirical Literature Review

2.3.1 Role of Procurement

Historically, the primary task of public procurement was to acquire products and services to the military according to Mathews (2005) and that it was supposed to adhere to a defined process that provides a primary weight on equity and fairness and also subjected to scrutiny from the legislative and public audit. Various attempts have been done to control international procurement practices, with the inclusion of the World Trade Organization (WTO) and Government Procurement Agreement (GPA).

Procurement is an imperative activity in the supply chain as pointed out by Lewis and Roehrich (2009). In addition, it can largely impact the entire effectiveness of an emergency response based on its governance. In many enterprises, procurement depicts a big proportion of the aggregate expenditure and must be managed properly to attain the expected goals. Procurement acts as a fulcrum in the internal supply chain process spinning requisitions to
actual goods to attain the requirements as illustrated by Caldwell, Roehrich and Davies (2009). Furthermore, they pointed out that procurement serves different levels of people precisely the internal consumer, programs in reaction to emergencies and continuing programs and prepositioning of inventories, for internal clients and program requirements.

Other scholars such as Benslimane and Plaisent (2005) argued that the primary aim of procurement is to implement activities associated with procurement in a manner that the products procured are of high standards, from a reliable point, are at the favorable price and may be conveyed in the desired amounts, to the required destination and on time. There exist ‘6 rights’ in procurement and may be attained via adhering to precise goals of procurement according to Benslimane and Plaisent (2005). Such precise goals include to: acquire quality products, items and services at a friendly cost from credible sources; ascertain on time delivery via the choosing of reliable and established suppliers, review and create less costly and credible supply sources, identification of the ultimate point of supply for instance via open tender, direct procurement, pre-qualifying and retaining suppliers in a position of achieving the company’s requirements tactic sourcing and restricted tendering to explore the presence of new materials and track patterns in the market prices and purchase in line with organizations rules and regulations.

According to Caldwell, Roehrich and Davies (2009), there are various essential rules of procurement. Firstly, is transparency which points out that the procurement process is supposed to be fair and properly recorded. Secondly, is accountability to creditors who can desire that particular regulations and processes must be adhered by clients of the funds provided. Finally, reliability and cost-effectiveness which emphasizes on attaining the ‘6 rights’ of supply; right time and quantity, price, quality products and services and delivery to the desired locations and from an economical perspective.
Procurement has an imperative function to perform and every company must institute an effective system of procurement to safeguard shareholders’ interests. In the public sector, procurement is important since parastatals are immediate beneficiaries of public resources or taxpayers’ money which is supposed to properly accounted for and therefore, procurement function plays an integral role in the management strategy. The precise characteristics of procurement are the budgets incorporated, frequency of events and technical complexity of the tasks. Procurement activity should, thus, be regarded as an internal element of an organizational planning process and should be relevant to asset management strategy.

2.3.2 Ethical Behavior in Procurement

Section 40 of the Public Procurement and Disposal (PPD) Act (2005), highlights that no individual, agent or worker must take part in any corrupt dealing in any procurement activity. In case an employee or person or agent violates subsection; the person should be ruled out from making an agreement for the procurement; or in case an agreement has already been agreed, the contract is enforceable at the expense of the purchasing organization. Additionally, Section 41 states that nobody must engage in any malpractice in the procurement process. Conflict of interest additionally incorporated into the PPD Act (2005) section 43, which stipulates that a specialist or operator of the procuring association or an individual from a panel of the securing organization with a conflict of interest concerning a procurement activity: must not participate in the procurement procedures; and may not, after implementation of a procurement contract, engage in any choice linked with the procurement or contract.

Elshleman in 2002 stated that the procurement procedure or the acquisition of products, is the process that provides the highest possibility for ethical violations and abuses. Proper procurement management practices must note out sections of possible ethics downfalls and deal with them in advance to make workers aware of the practices to desist. Accountability is
the government’s duty to showcase efficiency in attaining the different set objectives and giving the types of services that the public desires. Inadequate accountability paves way for corruption. There are three components of accountability: estimation of aims and outcomes, description of those outcomes to internal or external monitors, and sanctions or punishments for inappropriate or unethical traits.

Section 44 of the PPD Act 2005 demands that procurement organizations to practice privacy in the procurement procedure. Amid or after procurement, no procuring organization and no worker or agent of the procuring firm or individual from a board or council of the procuring organization should disclose data associated to a procurement whose disclosure can restrict exercising of the law or discourage reasonable competition or data related with the assessment, correlation or confirmation of tenders, proposals and quotations.

Based on various fieldwork surveys, most of the Kenya’s services and supplies are tendered to companies under the ownership of prominent politicians or civil servants, mostly without any declaration of such indirect and direct ownership. Among state officials and those who take part in the bidding process, fiscal gains appear to cloud ethics and integrity issues in the procurement process. Most of the suppliers and cartels are quite preoccupied with searching for ways of having piece of the pie instead of uncovering the manipulation and unethical behaviors of such cartels.

Ethical behavior incorporates prevention of conflicts of interest. Thus, it is essential in procurement in the public sector since it entails the spending of public funds and is subject to forensic audit from the public. Public officials must in most cases behave fairly and ethically, incorporating in their business transactions. Ethical behavior entails accountability and openness in a procurement process and confers suppliers’ efficacy to take part in the general marketplace. Ethical behavior can as well lower the cost of risk management linked with
theft, fraud, corruption among other inappropriate behavior; and improve confidence in public administration.

Still, procurement is a crucial area in Kenya that allows the purchase and sale of products and services, resulting to proper managing of different organizations, both private and public. As a result, as regards green procurement procedure carried out in adherence with the ethical codes of conduct, reference is accorded to moral acquisition, procurement and sourcing.

Ethical acquisition is utilized here as generic term to factor purchasing, sourcing and procurement. That is, it is the purchase of products via supply chains and sub-contractors in a proper way, with regards to the factors which the products and services are delivered and a technique that fosters developments. Whenever business or people engage in contracting as a way of procurement for their organization, there can be problems concerning who the organization will work with.

To factor equality when bidding, the government, via the Public Procurement Oversight Authority (PPOA) set up procedures of choosing a contractor. They encompass the selection of minority run organizations that constitute female owned enterprises as well. The entity is supposed to have put in place Equal Opportunity employment regulations and should not have a record of unjust handling of bidders as highlighted by Fisher and Lovell (2009).

Similarly, the state should distribute the wealth among the contractors in the selection process. It ascertains that contractors and their entities are properly handled when chosen for a contract. Hence, it is important for the person awarding the contract to be just and impartial, and should not be impacted by external elements.

The government of Kenya is a bigger entity that depends on contractors to deal with many of the logistics essential to ensure a smooth operation. Moreover, most big parastatals and organizations in Kenya depend on procurement to have their goods, via sourcing and buying
and also contracting tendering. The Kenyan government seems to devoid of the manpower, skills or equipment to construct buildings and streets, therefore it has independent organizations bid on contracts for this task. Also, this process has been quite effective; however, it should be regulated and ensure that proper ethical behaviors are in play.

2.3.3 Application of ICT in the Procurement Process

Croom (2005) explains e-business as the application of systems and clear communication networks for exchanging information and business transactions between companies. E-procurement is a particular part of e-commerce that includes both internal procedures and also B2B platforms.

In the contemporary world, things are changing at a rapid rate which means that companies with the most competitive supply chain stand to win. Firms using the internet in the management of the supply chain have an edge over those without. E-procurement responses strive to computerize workflows and align the process of procurement to render the supply chain highly efficient.

Procurement is in most cases the biggest expense components in a firm’s cost framework and may impact on an organization’s aggregate performance heavily. Procurement is an essential process in all firms even if private, governmental or public. Managers in the procurement departments are in constant search for answers to reduce the high procurement expenses (risks and processes) by computerizing the supply chain as indicated by Trkman and McCormack (2010).

For years, the Information, Communication and Technology (ICT) sector in the government has witnessed immense reforms and also notable investments in Information, Communication and Technology is procurement. In an attempt to reduce the chance for corruption, raise accountability and foster transparency, procurement has seen huge forces to transition the
prevailing processes. By using ICT, basically via e-procurement, it is easier to transform how public procurement works.

Mota and Filho (2011) established that global e-procurement attempts have been implemented on a wide scale especially in the public sector. Nevertheless, such efforts have been linked with different success levels. In other scenarios, the implementation of e-procurement has led to the expected results, whereas in other circumstances, poorly formulated adoption procedures have aggravated the degrees of failure and financial waste. There have been big changes in the implementation along with particular e-procurement dimensions in the European Union according to Varney (2011). Nonetheless, e-catalogues and e-procurement based solutions, enjoy much less focus.

Varney (2011) indicated that the challenges of incepting ICT in the developing nations can be categorised to three classes, precisely: strategic, operation and contextual. Some other challenges that impact emerging economies from using ICT are inadequate of proficient human resources has explained as the main barrier barring the diffusion and effective application of ICT in the developing nations.

The Public Procurement Oversight Authority (PPOA) in (2011) pointed out that computerization of the procurement processes entails integration of the operations between Procurement Units and the possible beneficiary of the services. It will accelerate routine transactions and communications in and outside the procuring organizations.

2.4 Competitive Procurement Levers and the Goldilocks Procurement Strategy

The GPS is a fragile balancing process, given procurement's extensive variety of development levers and top officials' desires that the function gives more incentive than any other time in recent years (Fields, Craighead & Ketchen, 2015). Exhibit 1 gives a typical perspective of the procedures constituent of procurement, alongside the supporting
frameworks underneath that end up characterizing and supporting how procurement works. All the levers illustrated in Exhibit 1—category management and strategic, purchase to pay, demand management, supplier relationship management, and contract administration—is fixated on a part of procurement's desire to generate value. We should take each lever each one in turn.

Category management and strategic sourcing are profoundly interrelated procedures that are especially essential for procurement associations as far as assets, exertion, and perceived value. All things considered, they are overflowing with illustrations where a GPS has not been accomplished (Fields, Craighead & Ketchen, 2015). Category management includes characterizing a sourcing methodology for a category, alongside the coordination, administration, and performance management for that class, ordinarily utilized as a key part of limited vital sourcing activities. Ordinarily, category management will likewise utilize a wide cluster of procurement levers outside of key sourcing, incorporating institutionalization endeavors and internal process change.
The purchase to pay (P2P) incorporates the greater part of the means from demand for products or services through purchase order, receipt, lastly payment/settlement for those merchandise or services. Procurement associations regularly deal with the P2P procedure by setting up and authorizing characterized purchasing channels (for instance, e-lists), instalment channels (e.g., p-card), and buying arrangements that manage who, how, when, and what can be obtained and paid for (Fields, Craighead & Ketchen, 2015).

Demand management is the act of arranging the stream of products and services to minimize cost, alleviate risks, or enhance customer experience. The concentration of demand management is not consulting with providers yet instead shaping internal demands for goods and services so as to foster enhanced results. Demand management practices are regularly implemented through strategies and controls built up in the P2P procedure (Fields, Craighead & Ketchen, 2015). A noteworthy change in risk management is every now and again connected with changing internal demand, as procurement can without much of a stretch end up plainly to be known as administrative, prohibitive or bureaucratic group.

Supplier relationship management (SRM) concentrates on actualizing a manageable model for supplier integration that guarantees advancement, operational and quality discipline, and long run value for the enterprise from the expanded supply chain (Fields, Craighead & Ketchen, 2015). SRM is a part where an extensive variety of development levels exist in light of the organization's culture and charter for procurement. While a few associations have completely held onto SRM as a crucial part of procurement, most people continue to view supplier relationships as additional about reducing costs and getting operational metrics to line up with agreed upon service-level agreements (SLAs).

Contract management alludes to the foundation, support, monitoring, and implementation of formal contracts with the supply base. At the point when utilized fittingly, contract
management catalyses spend compliance, empowers category management and sourcing value, and reduces hazards by monitoring service-level agreements for parts such as timely delivery and quality standards (Fields, Craighead & Ketchen, 2015). Most procurement experts have distinct meanings of contract management; the development of this lever fluctuates generally over various entities.

2.5 A Framework for Managing Service Suppliers

Our research revealed four generic strategies used to manage suppliers of professional services. To understand these strategies and their appropriate use, it is necessary to identify the two key components of "service": product and transaction. Each strategy is based on specific decisions to maximize value by managing these two components. K product is a vehicle for meeting a specific need. In corporate finance, products include new securities, such as investment-grade bonds or common stock, project financing, certificate of deposit (CD), commercial paper, or even an acquisition. In marketing, products include a brand advertisement or a corporate image campaign. In legal services, products include a patent, litigation, unlawful detainer, contract review, or general legal advice (Baker, W.E., & Faulkner, 1991). A transaction is the actual implementation, execution, or activation of a product. Underwriting and distributing a new issue of corporate securities is an example of a transaction; similarly, making an acquisition, conducting a sales promotion, and writing a contract are all transactions that implement products. Multiple transactions for a given product occur over time. Issuing bonds at two different times is an example of two transactions of the same product. The key idea for overseeing suppliers is making value by linkage. Value is made if a procedure yields efficiency, lessens costs, enhances quality and adequacy, or improves bargaining power. Product linkage is the choice to make value by incorporating items—acquiring at least two items from a similar provider. For instance, it is frequently more effective to utilize a similar accounting firm for the yearly review and tax...
analysis/readiness since data uncovered by the review is required for tax preparation.

Transaction linkage is the choice to create value by coordinating at least two exchanges of a similar item—that is, by assigning various transactions to a similar supplier. For example, Irvine Co. of Newport Beach, California, a major real estate developer, obtains quantity discounts when it links multiple transactions for a single legal product, such as assigning all its unlawful detainer business to a single law firm. Irvine's transaction linkage economizes on the cost of legal services, and reduces its search, bargaining, decision, and management costs.

Frequent flyer programs are attempts by airline carriers to create value by linking multiple transactions. Passengers obtain this value (upgrades, free tickets) by repeat purchases from the same carrier. The four generic techniques of supplier management of professional services are established by the choice to link products and/or transactions. Each strategy is illustrated in Figure 1. (In this figure, products are arrayed along the vertical dimension, transactions along the horizontal dimension. Linkage is represented by shaded areas that connect products and/or transactions.) In the relational strategy, value is determined by linking products and by linking transactions; all products, and all transactions of each product, are assigned to a single supplier. In the fractional strategy, value is created only by linking transactions over time; multiple transactions of the same products
are obtained from one supplier (hence the horizontal bars in Figure 1), and a another supplier utilized for every item (i.e., products are not linked). We call this fractional because products are divided among multiple suppliers, with each supplier receiving a fraction of the total products obtained. In the serial strategy, value is created by linking products only (hence the vertical bars in Figure 1); transactions are not linked over time. We call this serial because a new supplier is used in each time period. Finally, the transactional strategy is the reverse of the relational strategy: value is maximized in the transactional strategy by avoiding product linkage and transaction linkage altogether. (The complete absence of linkage is represented in Figure 1 by unconnected shaded squares).
Relational Strategy—The relational strategy—linked products and linked transactions—has been the conventional means of obtaining professional assistance. For example, each firm once maintained a strong, exclusive, long-term tie with a single investment banking house, known variously as its "principal banker" or "traditional banker." In the past, long-term relationships were valuable for a number of reasons (Baker, W.E., & Faulkner, 1991). The traditional banker's reputation, for instance, certified a firm's quality, facilitating the issuance of new corporate securities. Exclusive relationships with reputable bankers, lawyers, and accountants also lent legitimacy by conforming to prevailing business norms. Various conditions and circumstances changed and diminished the value of close professional relationships. Outside professional services became an increasingly large fraction of total expenditures, making cost reduction a critical objective. Price competition was absent in professional services, however, long known for established fees like the traditional 15% advertising commission and fixed securities brokerage commissions. Long-term relationships were anathema to direct competitive bidding; moreover, because a long-term relationship was a barrier to competition, the incumbent supplier lacked a credible threat of lost business, eliminating the possibility of implicit price competition. Exclusive long-term connections were unable to provide the expanded variety of expertise and international coverage sought by increasingly complicated services and markets. Sole-source was sufficient when financial products were limited to different seniorities and maturities of debt and equity, for example, but the proliferation of financial products and innovations meant that corporate managers now needed ties with multiple suppliers to increase information flow, keep abreast of new developments, and find the right expertise. Similarly, the rise of innovative advertising media, such as direct mail, and the globalization of marketing create needs that a sole-source relationship can no longer meet. Finally, business norms changed and professional service firms became more opportunistic. Professional relationships don't offer the protection they
once did. Just ten years ago, banks rarely financed hostile takeovers but now it's common—even if a relationship exists with the bank. When Time Inc. and Wamer Communications began a friendly merger. Time paid its relationship banks large "lockup" fees (an unusual practice that by itself indicates bank opportunism) so they would not finance a hostile takeover. Wamer received similar assurances from Citibank. Yet Citibank arranged $14 billion in financing for takeover rival Paramount Communications. In a similar case, Merrill Lynch offered to aid client USG Corporation when Desert Partners launched a hostile takeover against it, but soon after promised to lend Desert Partners $200 million for its hostile bid. The relational strategy is not always bad business practice, but its application is limited today. While an estimated 60 U.S. advertising agency-client relationship have lasted more than 30 years, such long-term relationships are not the norm: a study of agency relationships with the 100 largest firms showed that 63% of all ties that existed with agencies in 1981 were broken by 1987." Our study of corporations and investment banks uncovered that only 30% of the 1,530 largest organizations employ a relational strategy—and all of these were special cases.'- Some of the 30% used the relational model because they conducted few external financial transactions and therefore lacked the opportunity or the need to use multiple sources. Others used the relational model because they lacked internal financial resources and were more dependent on external financing intermediaries, while still others lacked the organizational and human resources to manage multiple bank ties. And a few used this model because products such as a hostile takeover defense or financial restructuring revealed confidential information and were more safely obtained from trusted long-term advisors. In general, the relational strategy is called for only when the need for outside services is low, internal alternatives are few, management capabilities are limited, or the nature of the products require trust. When these change, however, a shift to another strategy will increase the value of professional services.
Fractional Strategy: In the fractional strategy, value is generated by linking transactions only: a single supplier is employed for every good and is granted all transactions of its assigned commodity. A distinct supplier utilized for every good. In this manner, transactions are linked over time for each product, but products themselves are not linked. The fractional strategy is often used by corporate managers of relations with advertising agencies; for example, 76 of the 100 largest companies use this strategy. Burger King, IBM, and Sara Lee are classic examples of the fractional strategy (Baker, W.E., & Faulkner, 1991). In the late 1980s, Burger King faced declining market share and experienced two different owners, high executive turnover, and franchisee dissatisfaction with advertising agency N W Ayer's campaign. As part of its strategic reorientation. Burger King dropped its relationship with N W Ayer and fractionalized its single advertising account into two products: "brand identity" or chain-image advertising, assigned to D'Arcy Masius Benton and Bowles, and "brand retailing," short-term and product specific advertising, assigned to Saatchi and Saatchi Advertising. What Burger King calls its "dual agency structure" (i.e., fractional strategy) elevates the sales promotion component of its program, which had not received adequate attention, and maximizes value by procuring the specific expertise of each of its new agencies. IBM made similar changes. The firm recently decentralized its marketing system and adopted a fractionalized strategy. It dropped the firm's traditional relationship with the Lord Geller agency and fractionalized its $138 million advertising account, splitting it between two agencies. Lintas received desktop products, such as personal computers and office equipment, and Wells, Rich, Greene received corporate advertising, mainframe and midrange computers, and other lines.

Serial Strategy: A serial strategy is optimal when product linkage creates value but transaction linkage does not (Baker, W.E., & Faulkner, 1991). There are many scenarios when gains are obtained by procuring several goods as an integrated package from a single
service supplier, but making use of a another supplier the next time, a set of goods is required. For example, Union Carbide used a serial strategy when it aborted its conventional investment bank, Morgan Stanley, and gave a major piece of business, including a tender offer, bridge loan (interim financing), an equity offering, and a private placement to First Boston, all of which First Boston provided as an integrated package (i.e., as linked products). For the next set of deals, however, either investment bank could be used (i.e., transactions are not linked) as Carbide considers the banks to be “equal runners” for future business. Carbide's serial strategy created value in several ways. It generated the immediate benefits of better terms, creativity, and prompt attention. But the value created went far beyond the deal itself. Carbide placed its conventional bank on notice. The firm's actions also attracted the solicitations of other investment banks, increasing competition and the flow of information, market intelligence, and innovative ideas. The classic example of the serial strategy is the typical relation between firms and their auditing/accounting companies. Generally, a corporation makes a commitment to a single supplier for the annual audit and related activities. The value of informational efficiency is created, but there is a public relations value as well. A company that switches auditors in the middle of an audit might be perceived by investors and regulators as shopping for favorable numbers. (It is much more common, for example, to switch advertising agencies in the middle of a campaign; indeed, doing so may send a positive signal to investors.) But companies have increasingly adopted the serial strategy, switching auditors between auditing periods, which has increased competitive benefits by creating a credible threat of loss of business. How is value created in the serial strategy by linking products? Product linkage creates value when products are complementary. Because information revealed by the annual audit is needed for tax preparation, using the same accounting firm avoids duplication of effort and makes efficient use of information. Value can also be created when products are interdependent: the
provision of one product may be contingent on the provision of another. An example is Union Carbide's need to obtain bridge financing for its tender offer.

2.6 Staffing Competency

Committed, strong, and ethical workers are in most cases difficult to get, and employing people with the required and unique proficiency is difficult (Lan, Riley& Cayer, 2005). Hence, the need to train individuals (Sauber et al, 2008). A skill can be described as the capacity to carry out some particular behavioral job or the capacity to execute some particular cognitive process associated with a certain job (Peterson & Van Fleet, 2004). Skills needed by people in the procurement department have transitioned because of the mandate change of the buying role itself. From being a purchaser to an expert overseeing tactical long run, complex contract between the internal stakeholders and suppliers as stated by Faes et al. (2001); experts are supposed to possess particular skills to carry out administrative and specialized tasks. These such changes of roles influence experts in both developed and emerging economies.

To ensure that buying is strategic, experts are supposed to be skilled (Carr and Smeltzer, 2000). The state utilize public procurement to attempt open works, construct roads, give medical services, and give training (Errigde and Mcllroy, 2002). The professionals who deal with this role for the most part confront many difficulties (Thai, 2005).

The problems vary between local and central government practitioners though there exist a number of common problems. For instance, experts in purchasing and supply management have confronted a testing moral condition (Cooper, Farank and Kemp, 2000) which can show up in any sector. Obviously, it might be heightened in public sector procurement conditions as a result of the high dangers in the procurement procedure. On the other hand, the elements, complexity and differences, synonymous in the global environments have resulted in
expanding requests on skills in management and leadership required by procurement experts as mentioned by Jokinen (2005). Albeit a lot has been composed regarding the skills expected of a purchasing/supply management individual, little scholarly exploration has been embraced on this area (Dawn, 2000). Different types of professions are influenced by globalization of business sectors and the data innovation upheaval (Amos and Chance. 2001).

The interest in supply chain management has rendered a significant part of the information regarding the matter located in less wide operational silos of purchasing, logistics, IT, and advertising. It has partially led to absence of agreement on the conceptual and study procedures of supply chain management (Burgess, et al, 2006); with the inclusion of public procurement. The primary concern is in supply chain management, yet very little consideration has been paid to the purchasing experts who are in charge of overseeing and executing the new methodologies (Humphreys, 2001). Public procurement experts need to endeavor to accomplish three contending requests (Errigde and McIlroy, 2002) of achieving organizational interests with key topics of significant worth for money, economy, proficiency and viability; the administrative interests with crucial subjects of rivalry, transparency, fairness and consistence and the social interests whose main topics incorporate public interest, work concerns, social prohibition, monetary advancement and environment policy.

With an end goal to achieve these requests, employees with skills important to manage the broad variety of undertakings confronted by procurement experts (Monczka et al, 1998). Procurement experts in a local authority will without a doubt be relied upon to have a variety of abilities to deal with the basic procurement procedures.

Purchasing (procurement) experts are not any more in charge of non-value adding exercises and paperwork processing. Instead, they ought to be in charge of processes, which lead successfully to the performance measurements of a company.
The contemporary procurement managers should underline cross-functional communication with individuals not directly associated with buying. The requirement to be adaptable, versatile and limit spreading over are subsequently vital qualities for both businesses and people (Monczka et al., 1998). The essential commitment that purchasing and supply management may have on organizational output has been recognized (Humphreys, 2001). This acknowledgment straightforwardly impacts the abilities procurement experts require (Humphreys, 2001). As indicated by Guinipero, Handfield and Eltantawy, (2006) purchasing experts require value-based and vital abilities.

Transactional skills are needed to oversee transactional processes like doing transactions with suppliers, utilizing e-systems to acquire standard or indirect items via lists, producing and sending material discharges and overseeing creditor liabilities. Key skills needed to oversee strategic tasks like strategic connections, creating broad electronic frameworks, creating and managing alliances and associations and additionally overseeing basic items.

The top skills needed to reinforce the strategic task of procurement managers are: (1) Teamwork; (2) Budgeting skills (project scoping, setting goals and implementation); (3) Good communication skills (presentations and speeches); (4) Technical skills and; (5) Skills in finance (cost accounting). Similarly, Kolchin & Guinipero in 1993 were of the opinion that communication and technical skills are essential to the procurement role.

Business skills incorporate abilities of advertising investigation, consulting with partners, overseeing internal and external connections. They additionally incorporate worldwide sourcing advancement, change administration, and organizational skills. Relational skills incorporate taking risks, conflict settlement, impact and influence, initiative, critical thinking, relational and cultural awareness. Specialized abilities incorporate cost analysis, product awareness, PC education, total quality management and state enactment. Likewise, Murphy
(1995) recognized 4 aptitudes critical for buyers that incorporate; negotiation, management, PC proficiency and arithmetic. Carr and Smeltzer in 2000 stated that they recognize 35 buying skills, which were categorized into three classes of specialized, conduct and expertise methods. Public Procurement is presently a worldwide practice. Those overseeing its implementation at both central and local levels are supposed to be global pioneers. Worldwide pioneers have sought mental attributes which Jokinen (2005) recommends to incorporate good faith, self-control, social judgment aptitudes, sympathy, inspiration to work in a universal domain, subjective abilities, and in addition acknowledgment of intricacy and its disagreements. The behavioral expertise for world leaders incorporate social and networking skills and intelligence as well. Purchasing management has various assets accessible to attain its goals and should work consistently to enhanced usage of these assets. Globalization is related with a noteworthy transformation in data and communication technology. There is requirement for more noteworthy dependence on the utilization of data and on online data innovation to aid in purchasing and supply management decision-making as indicated by Guinipero, Handfield and Eltantawy (2006). ICT continues to be integral in the modern business environment (Eriksson-Zetterquist, et al; 2009).

From a fiscal-related point of view, Storer and Rajang (2002) watched that the basic transitions that had influenced companies expanded the significance of specialized skills, risk management abilities, IT proficiency, business mindfulness and behavioral skills. Professions are an open, ecological framework in which professionals exit in relationship. In everyday practice, professionals mobilize an assortment of assets both substantial and conceptual (Lamont and Molnars, 2002). Abilities mirror certain qualities, practices, aptitudes, qualities and information (Jokinen, 2005). Public procurement experts in current circumstances ought to have worldwide abilities.
2.7 Conceptual Framework

In carrying out the research, a conceptual framework will be created to indicate the association between independent and dependent variables. In this research, the dependent variable is effective procurement practices and independent variables include transparency, supplier management, sourcing techniques, inventory management, ICT adoption, staff competency and procurement policies. The relationships and constructs between study variables are shown in the figure below.
In the process of carrying out its business operations, for example, procurement practices, Kenya Power should comply with the rules instituted by the public procurement authority (PPOA) of Kenya. Being the main supplier of electricity in the country, sufficient budget should be allocated to ensure that the products and services procured are high quality. In addition, in most cases, for the corporation to supply electricity to different households and businesses, it selects suppliers based using different techniques and enters into a contract with the suppliers. The contractual terms cover their payment based on proficiency or level of skills. Moreover, to minimize and manage procurement expenditure, a proper and inclusive budget is created. With the adoption of ICT in the procurement, it becomes simpler to ascertain that procurement process is done in a transparent and accountable way and also quality of products bought will be high. Most importantly, by employing competent workers
and making sure that those present are trained on procurement essentials ensures that they are understand and comply with the procurement laws of Kenya and precisely, the company’s.

2.9 Chapter Summary

The literature review described the role of procurement process in the public sector. In addition, the various challenges faced in procurement especially in the public sector in Kenya. Also, the review provided an in-depth description of the role of ICT in procurement. The various study variables were highlighted in the conceptual framework.
CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This part explains the methods utilized to collect and analyze data. The process and methods of collecting data, sampling strategy, size of the sample and study population will also be explained in this chapter.

3.1 Research Design

It is the coordination of activities that lead to the collection and analysis of data in a way that minimizes the costs especially within a strict or limited budget or resources for the researcher. Research design is the design in which the researcher will be in a position to understand the structure of the research and the various steps to be undertaken in the process of the research (Kothari, 2010), the research design used in the exploration is the descriptive and interpretive case study assessed via a qualitative method with small a small quantitative component.

3.1.1 Research Strategy

This study was descriptive in nature and intended to employ a case study strategy. Furthermore, a descriptive survey research is desirable for the research because it factors elements like economy of the design, effective data collection and applicable in broad studies. This strategy was very useful due to nature of the study as it required the researcher to have intensive study. As per Mugenda and Mugenda in 2003, a descriptive survey strives to gather information from targeted population to find out the prevailing condition with regard to a single or more factors. Mugenda and Mugenda (2003) add that descriptive approach is reliable since it is able to relay an actual report. The design explored the challenges facing the procurement department in public sector taking Kenya Power as the case study. Moreover, the study required an empirical investigation, which in any way had to be carried out in the real-life setting, in this case, in Kenya Power. According to Yin (2013)
case study strategy allows the researcher to acquire the genuine characteristics of real-life events. This strategy was employed due to its ability to allow the researcher to find the link between phenomena under investigation and the real life of the population. Besides, it allowed the application of different techniques of gathering information such as observation, surveys, semi-structured interviews and documentation as utilized in the collection of data in this research (Kothari, 2010).

The present study used the employees working at Kenya Power; being those working within the procurement department and those in other department where the department was regarded as a single case to give an in-depth assessment of the procurement management in a government unit. The study questions determined the research design based on what was required to respond to the questions, the location of information and how to obtain it and analyze. Quantitative and qualitative research techniques were utilized to maximize the theoretical implications of study findings. Nonetheless, the former was employed deeply and qualitative data was used as supplement. Even though an integration of various study techniques can be disregarded due to their wide and distinct theoretical backgrounds and procedures of collecting data, a combined technique was valuable in this research. It resulted in wider comprehension and offered wide perception of the prevailing challenges facing the procurement department at Kenya Power.

3.2 Study Area

The study intended to determine the challenges facing the public procurement department at the working organization in Kenya taking Kenya Power as the case study. Kenya Power was selected because of the little empirical study done to reveal its effectiveness with regard to procurement procedures. In addition, it is within the researchers’ reach as the amount of funds allocated for this research is limited.
3.2.1 Population

The research will be done in Kenya with an emphasis on Kenya Power. Population is described as a collection of people, objects and items where samples are obtained for analysis. The study sought to use the employees of Kenya Power head offices in Nairobi as lead informants. Population of the study included employees working at Kenya Power which its number amount to 50 employees. This study included all departments, in other words, Accounts, supplies, procurement Management Unit, HR and Administration and internal audit. All these departments, in one way or another, influence or are influenced by the procurement activities. This population was sought to be included due limited empirical study on the effectiveness of the institute on procurement performance.

3.3 Sampling Design and Procedures

3.3.1 Sample Size

The totals of 50 participants were involved in the study and were selected from employees working at Kenya Power. This sample was selected by using purposive and systematic sampling methods. Sampling in research is a statistical process associated with picking of people to produce or acquire intelligence about a certain issue or phenomenon (Mugenda, 2003). Moreover, the strategy is conducive since the study will concentrate on obtaining particular information regarding procurement process issues at the company. It is advisable for a researcher to employ around 30% of the entire target population to serve as the sample size since it is considered a perfect representative. This sample was found to be reasonable due to its representation as per Mugenda’s perception.
3.3.2 Distribution of Sample

Table 1: Sample Distribution

<table>
<thead>
<tr>
<th>Departments</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>7</td>
</tr>
<tr>
<td>Accounts</td>
<td>10</td>
</tr>
<tr>
<td>Procurement Management Section</td>
<td>17</td>
</tr>
<tr>
<td>Administration</td>
<td>4</td>
</tr>
<tr>
<td>Supplies</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

3.3.3 Sampling Procedure

The study used the purposive sampling procedures and systematic random sampling procedure. The purposive procedure was applied when selecting the key informants especially the head of the departments. The selection of these respondents was based on the supreme choice of the researcher where all seven heads of different departments were selected. The researcher deliberately selected the heads of the department as the key respondents who could respond to prepared questions. The researcher was aware that these respondents would have the required information. On the other hand, the researcher applied the systematic sampling procedure when selecting other respondents. The researcher was given with the list of all employees and from the list the researcher selected the 3th in the list. The researcher was aware of the danger of being bias; however, the researcher tried to be impartial and working without bias (Kothari, 2010).

3.4 Method and Methods of Data Collection

Primary and secondary data collection methods were used to get information from respondents and other sources respectively.
3.4.1 Primary Data Collection Methods

Primary data collection methods were used by the researcher to collect data from the field; these methods were interviews and questionnaires.

(i.) Interview

The researcher interviewed the heads of the department in order to obtain information about the procurement procedures and the challenges they face. This method of data collection created the understanding of the application of the Procurement procedures and regulations in Kenya Power. Also, it enabled the researcher to gather additional information that cannot be given by the respondents when filling in the questionnaires. This method involved presenting oral questions and replies in terms of oral (verbal) responses. The method was used due to its advantage of allowing the interviewer to demonstrate the quick gathering information and to be able to control the respondents.

(ii.) Interview by administration of Questionnaires

Questionnaires were used to obtain information from the other respondents including those who were interviewed. This aimed at complementing and supplementing information obtained under interview. The reason is to obtain consistency of responses to the questions asked in repeated measurements. The questionnaires were designed and distributed to workers during the work hours for workers and were collected later so that they can have a plenty of time to answer the questions accurately. The questionnaires included both open and close ended questions.

3.4.2 Secondary Data Collection Methods

Journals, magazines, newspapers, textbooks, legal procedures and entity annual reports are some of the documents that were reviewed.
3.5 Data Analysis Techniques

There are three aims in data analysis; figuring out the data, weighing integrity of the information, and responding to study question. The takes note of that building up the decency of information, confers reliability to all analyses and results since it quantifies the unwavering quality and the legitimacy of the measures utilized as a part of the investigation. In the wake of get-together information from all questionnaires, they were checked sufficiently for reliability and illumination. The data was analysed with the help of quantitative techniques, where the results were illustrated in form of frequency distribution tables whereas qualitative techniques were included in the research to allow for the description and explanation of the study outcomes.

3.6 Pre-testing/Piloting Study

The Pilot research was done keeping in mind the end goal to test the reliability of the surveys. A few misguided judgments which were rising were remedied in order to get dependable information for the research. The gathered information were verified for their reliability utilizing reliability analysis. The researcher reviewed the properties of estimation scales with a specific end goal to guarantee reliability of information. Since the reliability of information runs with the exactness or accuracy of a measuring instrument, in this study, reliability deals with the surveys' consistency of reactions to the questions asked in rehashed estimations. In other words, piloting the research instruments was crucial since it allowed the researcher to identify demerits like irrelevant and vague questions. As a result, it enabled the researcher to rephrase them till they communicated or fulfilled their intended purpose. The instruments were piloted in the study area.

3.7 Validity and Reliability

Piloting of the instruments will be implemented to uncover their shortcomings and determine inappropriate questions that will be rephrased to an extent that they relay similar meanings to
all participants. As such, it will enhance validity of the study instruments. The researcher will as well seek help from the supervisor to aid foster validity. Reliability on the other hand, is the extent to which study instruments that will be utilized for collecting data bring forth consistent outcomes on several trials. The test re-test strategy which implies administering similar instruments more than once to similar group of participants’ after some time will be used to determine reliability of the research instruments.

3.8 Ethical Consideration

The study will adhere to high ethical standards. In addition, privacy and confidentiality will be observed when dealing with the respondents in the process of collecting of data. In addition, if possible, an ethical consent form will also be signed.

3.9 Chapter Summary

This section clearly highlighted the design strategy, target population, area of study, sampling approach, instruments and methods of collecting data and data analysis technique. Additionally, in its execution, the researcher will adhere to proper ethics and codes of conduct.
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction
This section showcases the findings and discussion of the results obtained from the field. It covers four research questions that guided the study. It starts by presenting the response rate and demographic information. It presents the role of public procurement at Kenya Power; the challenges facing procurement department at Kenya Power; effects resulted from the challenges that face the public procurement; and last the chapter presents about the strategies for eliminating the challenges in Kenya Power. In this chapter, the research findings are discussed and analyzed. Findings were analyzed by referring to the results obtained from the interviews, questionnaires, and documentary analysis. The findings of the study were analyzed in accordance with the specific objectives. The study aimed at exploring the challenges facing the public procurement in the working organization.

4.1 Response Rate
The researcher disbursed 50 questionnaires to the selected workers of Kenya Power. All the respondents filled in and returned the questionnaire to the researcher; this has resulted to the contribution of 85 percent response rate. Such an admirable response rate was due to the data collection methodology, where the researcher controlled questionnaires and sat tight for participants to fill, and collected the surveys after they were completely filled. The response rate shows an eagerness of the participants to partake in the research.

4.2 Demographic Information
4.2.1 Age Bracket of the Respondents
The research outcomes reveal that 38% of the participants were between 36-45 years, 40% of them mentioned that they were between 30-35 while 22% of the respondents indicated that they were 46 above years. These results show that dominant part of the workers at Kenya
Power are moderately aged and elderly. It infers they are experienced workers who study area. The outcomes are as illustrated below.

**Table 2: Age of Respondents**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 – 35</td>
<td>20</td>
<td>40%</td>
</tr>
<tr>
<td>36 – 45</td>
<td>19</td>
<td>38%</td>
</tr>
<tr>
<td>Above 46 years</td>
<td>11</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**4.2.2 Distribution of Respondents**

Participants in this research were drawn from all five the departments and that both female and male employees were included and achieved various education levels and positions at the company. The analysis shows in table 4.2 that only 4 (8%) were the administration and human resources, 7 (14%) were auditors, 10 (20%) were drawn from the department of accounts while the department of procurement management unit comprised of 17 (34%) and supplies department 12(24%) of the total respondents.

**Table 3: Departments**

<table>
<thead>
<tr>
<th>Participants Category</th>
<th>Size of the Sample</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit/Department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration &amp; HR</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Audit</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Accounts</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Procurement Management</td>
<td>17</td>
<td>34</td>
</tr>
<tr>
<td>Supplies</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>----------</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3 Academic Qualification

The research outcomes uncover that 25 percent of the participants had a post-graduate degree and 60% stated that they had a university degree and 15% was for college diplomas. Such good qualifications academically show that the participants could be informative in the research process. Moreover, the study has revealed that out of six staff in the procurement department only one has not registered in the board of procurement. This indicates that almost all staffs in that department have required qualification.

*Figure 1: Academic Qualification*

![Academic Qualification Chart]

The findings on the academic level of the respondent, shows clearly that the employees working at Kenya Power have the level of knowledge which is required. On the level of knowledge, it can be argued that in any way this cannot be a challenge to the public procurement in the respective department. Generally, it can be argued that the level of
education of the respondents have indicated that, it does not contribute to challenges in the department.

4.3.1 Working Experience

The research showed that most of the participants (64%) had experience of more than 3 years. This fact contributed to the confidence that the participants were aware of what was taking place in the organization in relation to procurement procedures. Work experience can bring about the challenges to the organization in terms of procurement activities within the department. Having enough experience shows that, one can have skills on doing what is supposed to be done. This to mean that work experience has some influences on the challenges that the procurement department faces. The researcher was aware that the age can influence the performance in the organization likewise; low level of experience can be a challenge to the performance in general. It has therefore revealed that the respondents have enough work experience. See the table below.

Table 4: Tenure at Kenya Power

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>3 years</td>
<td>32</td>
<td>64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.4 The Role of the Procurement Department

Each of the 50 respondents (100%) said that procurement is essential out in the public foundations. It was held that procurement expenditure covers a high proportion of aggregate organization expense. In this manner, the procurement work is basic in service delivery and to a great extent decides expenses of foundation's utilities. This is in accordance with
sentiments communicated by Caldwell et al, (2009) who contend that associations with legitimately constituted procurement capacities accomplish up to 25% savings on cost as shown in figure 2.

*Figure 2: Role of the Procurement Department*

4.5 Challenges Facing Procurement Department

The primary aim of the research was to determine the challenges that face the procurement department at Kenya Power. This study looked at the challenges that the public procurement faces in its general operations. It has been noted from various literature that procurement face a lot of challenges. The challenges normally affect negatively the performance of the organization at large.

4.5.1 Poor Planning

The research sought to see if the inadequate planning is one of the difficulties that public procurement practices encounters. 60% of the respondents in the investigation showed that they don't know whether there is procurement design in spite of the fact that lion's share of the respondents from the procurement divisions affirmed that they arranged yearly procurement designs. As per the interview with the staffs from the procurement office, it was
affirmed that the procurement plans exist, however the planning is done every year and it is implemented by the procurement division. This gives the view that the procurement plans are readied not in a participatory way. These outcomes connect with the view that, one of the real difficulties in public procurement is inappropriate planning and management of the procurement procedure which incorporate requirements that are not very much distinguished and evaluated, unlikely spending plans and insufficiency of the skills of staff in charge of procurement. The findings have been presented in figure below.

*Figure 3: Poor Planning at Kenya Power*

4.5.2 Poor Management of the Public Procurement Practices

The study further aimed to determine if the internal control mechanisms implemented within the department with regard to public procurement is efficient. 42% pointed out that there was inadequate control of contracts. The research also uncovered that 58% of the respondents were unaware of any project progress reports kept with the management.

4.5.3 Low Knowledge on the Compliance to Laws and Regulations

The researcher intended to find out whether the respondents are competent enough or informed of the laws governing the public procurement practices. Most (78%) of the
participants agreed that they know that there is Act which governs the procurement practices while 22% of the respondents said they are not sure. These findings have been depicted on the table shown below.

Table 5: Informed of the Rules and Regulations

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>39</td>
<td>78</td>
</tr>
<tr>
<td>Unsure</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

The study further wanted to find out whether employees have received any training about procurement practices as a way of improving their competency level. The findings showed that most of the informants (70%) have not got any training about the procurement practices while only 30% of the respondents have got training and they know how the procurement practices are supposed to be carried out (see figure 4).
These findings imply that low knowledge of the employees on the laws and regulations of the procurement practice affects the efficiency and effectiveness of the procurement functions.

4.5.4 Corruption

The study, under the main objective of identifying the challenges facing the public procurement, wanted to determine the effects of unethical behaviors on the procurement processes. The results revealed that 76% of the respondent accepted that there are corruption practices. On the other hand, 20% of the respondent said corruption does not sure and 4% said corruption does not exist within the working organization (Kenya Power). Table 5 presents these findings. This implies that corruption is one of the challenges that results to poor performance of the procurement entity at large.

Table 6: Presence of Unethical Behaviors

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>68</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Unsure</td>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>
These findings correlate with the literature review which identified corruption as one of the challenges. It was recommended that corruption which exists is due to unethical behaviors of the public servants. Respondents termed corruption as a major obstacle in public procurement, a perception agreed by Shaw (2010). A significant number of tenders were entangled or obtained in a corrupt manner. The findings on the corruption has indicted that there many tenders which are issued to tenders who have some relationship with the procurement department staffs. This leads to reduced accountability and transparency as well as limit the competitive elements within the department.

Corruption indicates that ethics in the procurement activities by the staff within the department is low. This argument goes in line with believe that with proper ethics of doing any activities eliminate someone from acts which are out of the set principles.

4.6 Staff Competency within the Procurement Department

The research aimed to determine if employees in the procurement department possessed the required skills to conduct procurement duties successfully and if their proficiencies had an impact on the challenges within the procurement department. From the results, 65% of the participants pointed out that the procurement employees were well equipped to perform various tasks properly both in the short and long term. The research also found out that competency impacts performance in the procurement department and the whole organization. In addition, competent workers are reliable, successful and provide responses to procurement challenges compared to incompetent employees who are termed unreliable and ineffective hence leading to dismal performance by the company. Finally, participants mentioned that a proper and reliable procurement procedure can only be attained through good planning by highly qualified workers or else it would signal failure in the end. Well-equipped workers can guarantee that products are bought as and when desired.
4.7 Effects of the Challenges of Procurement Department

4.7.1 Reduction in Focus and Accountability

The study sought to find whether poor planning has any impact to the public procurement practices. The results have been depicted in figure 4.3. The findings uncover that 70% of the participants pointed out that procurement programs in the department are affected negatively on procurement performance whereby the remaining (30%) stated that the procurement plans failed to impact procurement output. These results indicated that procurement plans are formulated at the time when there is a need to do so, there is no annual plan and is not reviewed annually or bi-annually. These have a negative effect on accountability and focus in the process of procuring products that bar that impede credibility of the procurement role.

The participants pointed out that poor procurement programs affect procurement performance in a way that they reduce proper and efficient utilization of the existing resources. More so, the respondents indicated that poor procurement plans reduce the ability of the responsible personnel to determine what to purchase, period, means or procurement mechanisms. The results revealed that majority of the respondents especially during the interview don’t know whether the procurement plans are formulated annually or bi-annually whereby the remaining few participants stated that the procurement plans are formulated in the division every year.

4.7.2 Reduced Management Performance

The research aimed to establish if the suppliers has any impact on the procurement management output. From the results, 64% of the participants mentioned that contract management impacts the procurement process to a big level whereas 36% of the participants stated that contract management failed to affect procurement output. 62% of the participants revealed that there were lags in remittances to suppliers which impacted the delivery process greatly. These findings have been depicted in table 6.
Table 7: Procurement Performance

<table>
<thead>
<tr>
<th>Forms of Effects Reviewed</th>
<th>Yes</th>
<th></th>
<th></th>
<th>No</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Percent</td>
<td>No</td>
<td>Percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sluggish Implementation</td>
<td>31</td>
<td>62</td>
<td>19</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Management Performance</td>
<td>32</td>
<td>64</td>
<td>18</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced Focus and Accountability</td>
<td>29</td>
<td>58</td>
<td>21</td>
<td>42</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.7.3 Strategies on Reducing the Procurement Department Challenges

4.7.3.1 Training

Training was identified as one of the important strategy in eradicating challenges facing the public procurement. In the study, it was revealed that 61% of the respondents agreed that training will increase knowledge on procurement practices while 39% respondent were against the power of training on reducing the procurement challenges. This implies that in order to reduce those challenges the organization should ensure that the employees dealing with the procurement they understand all the requirements of the PPA and its regulation.

4.7.3.2 ICT Adoption

The respondents were asked to point out the strategies on reducing procurement challenges. E-procurement was pointed as one of the solutions; the argument for this strategy is that it will enhance transparency of the procurement process, efficiency and policy coherence.

4.7.3.3 Provide Planning Skills

Poor Planning was identified as one of the challenges of public procurement. The respondents suggested that the public procurement practitioners should be provided with adequate planning skills. This means that the planning should be reviewed bi-annually and it should be participatory in nature. Also, the participants mentioned that proper process of procuring products can only be attained through effective planning by highly skilled workers or else failures in the process.
4.8 Study Limitations

Time was a significant barrier in the research process. A large part of the time was used to collect data. The questionnaires which were in hard copy were supposed to reach around 50 respondents at the selected company. Nonetheless, because of insufficient time and uncooperative participants, a number of the questionnaires were left unanswered. For example, a number of them stated that they were devoid of enough time to respond to the questions. Because the researcher used a constant operating timeline and schedule, the unfilled questionnaires were returned and thus, did not play a crucial role in the analysis or making deductions. Presumably, if additional time was granted, all the questions would have been answered in a timely manner and contributed in the analysis process.

Monetary barriers also impacted the study adversely. The process of gathering and processing data can be quite expensive. For instance, expenses linked with the assessment of the participants’ making phone calls to various units, generating hard copies of the responses among other research necessities. In the study, because of insufficient funds, it was hard for the researcher to conduct wide survey to obtain primary data. Accordingly, the researcher was left with no alternative but rely on the data regarded as inadequate though can be obtained cheaply.

4.9 Chapter Summary

The chapter indeed provided an insight into the minds of the participants regarding the procurement challenges at Kenya Power. The data obtained from the questionnaire supplied to the respondents was tabulated and presented in pie charts for clarity and comprehension purposes. Despite the various limitations, all the study objectives and research questions were well answered and articulated in this study chapter.
CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

This section is apportioned to three phases. The first part describes the summary of the findings; the second part presents the conclusion of the study where next to conclusion are the recommendations based on the results and the literature review and the suggestions of area for further research.

5.1 Summary of the Main Findings

This research sought to investigate the challenges facing the procurement department practices at Kenya Power. The study wanted to answer an important question “what are the challenges facing the procurement department at the working organization?’ in answering this question, the study was controlled by the below aims;

- To determine the role of procurement department in working organization;
- To determine the challenges faced by procurement department at Kenya Power;
- To assess the effects of the challenges facing the procurement department practices;
  and
- To determine the strategies which can be used to eradicate the challenges that face the procurement department at Kenya Power.

From the findings, it has been found that the respondent perceived positively that the procurement unit is very important in the organization as it facilitates the provision of public services through its procurement function. However, procurement department is faced with several challenges. It has been shown that procurement department face the challenge of poor planning where by the procurement planning is only done yearly and there is no mid-year review. The study has discovered that Kenya Power have the procurement unit which organizes the public procurement activities. It has been found that the procurement planning is done only once in the year and other department are seldom involved in the planning
process. It was noted that procurement department at Kenya Power is faced by the emergencies in procurement needs which arise especially when the accidents occurs. Also it has been revealed that the procurement department faces the challenges of inadequate resources allocated to the unit. Through the study, it has been revealed that corruption is one of the challenges of the public procurement practices. Some public servants lack ethical behavior to the extent that they are involved in the corruption practices. The study has revealed that inadequate knowledge of the staffs with regard to laws and regulations guiding the public procurement practices especially from other departments other than public procurement unit contribute to poor management of the public procurement management in general. It has been found that the challenges of procurement department can result to delay in the public procurement practices. This is as a result of inadequate allocation of resources and corruption, to mention just few.

The study has determined other effects of the public procurement which is, reduced focus and accountability with regard to public procurement resources.

From the findings, it has been determined further that, the procurement department can be smoothly run if the following strategies are implemented; these are providing training to personnel responsible for the procurement processes. The study found further that the procurement practices require citizens, stakeholders and the practitioners to be aware of the laws and regulations guiding their practices. However this will be possible if these personnel are familiar and aware on how it is supposed to be implemented. It has been found that the challenges of corruption can be eradicated by introducing electronics procurement. E-procurement will enhance competition, transparencies and provide equal opportunities.

It has been found that procurement department requires planning skills. The persons will be competent if they are aware on what is supposed to be done with regards to planning
including making participatory planning and following what is supposed to be done when planning is conducted.

### 5.2 Recommendation

With the findings that have been determined, the researcher concludes that, the challenges can be overcome through providing planning skills to the staff responsible with the procurement activities. The proper planning which also involves other departments in the participatory will result to effective in the implementation. Also, the procurement department has to stick on e-procurement, whereby allowing transparency in the whole process and increasing competition. The government needs to take initiative to introduce the training to the procurement department and other departments on the laws, regulations and guidelines with regard to procurement activities. The study has also indicated that within the procurement department, providing enough resources in line with the plan can result to reduced challenges.

The study has shown some effects, and hereby the researcher recommends the following. The procurement department should conduct review of its activities quarterly, bi-annually and annually. This will help them to identify problems whenever arises. The government should provide the fund to the department timely and in line with the requirement of the plan from the department. The procurement department should provide tenders to tenderers who have enough capital to provide the services to the extent that if there is any delaying, the contractor can carry on providing services.

It is also recommended that the government should be committed to create environment which will enable transparency of the public procurement activities, this include giving more emphasis on the e-procurement. All these in essence will result to transparency, accountability, efficiency and cost effective in the whole process of the procurement of public sector.
Implying that proper management of assets from the Purchasing perspective is not optional but necessary for the organizations to invest by using the required personnel able to embrace and act in a professional manner. The application of professionalism especially in the procurement process can reduce or get rid of challenges highlighted.

5.3 Conclusions

The public procurement is the very important sector in any government. Government operations and activities cannot be effective unless this sector is taken care of and the challenges which it faces are eradicated. According to the study, the success of any country depends on purchases of social services be it in schools, health facilities among many others, the procurement is given an important consideration. It has been noted even in the government of Tanzania that public procurement is the larger spender in the country following the public emolument. Despite the challenges that procurement department face, which are hereby going to be concluded, still its roles in the organization will prevail all the time and its contribution will remain to be important.

The main challenge was revealed to be procurement planning then contract management as highlighted by a large number of the participants. Reason being, proper planning and coordination leads to reliability and a sign of success in the attainment of various aims. It can be concluded that improper planning and management have a negative effect on the procurement process. Therefore, the management of an organization (in this Kenya Power) should be at the forefront to ensure that professionalism is embraced in the procurement process.

Corruption is among of the challenges facing the procurement department; this is on the part of the organization. One can argue that corruption is the challenge which faces the department and it comes from the internal of the organization as the members within the organizations are the ones who do not show that they can reveal the growth in procurement
ethics. There is also limited control of the public procurement process including execution of the laws and regulation. The guidelines that government detailed to lineate the procurement activities are well document but the problem is on making clear control.

The challenges that face the procurement department at Kenya Power, results to the following effects; the research has identified the delay in the provision of services being one of the effects of corruption, poor planning and poor management. The delaying leads to another effect of lack of accountability in the procurement department. In Kenya Power, another effect is reduced management performance. The performance of the management will be effective if the principles of the procurement are revealed within the department and the organization at large. The study has generally shown that the challenges within the department result to reduced principles of procurements which are key to the performance of any procurement department.
References


Appendices

Appendix 1: Questionnaire

You are requested to answer the following questions, for many questions, choices are given, you may kindly select the appropriate letter in case of the question of multiple choice for few other questions you can provide your views in your own words in the space provided.

SECTION A: Socio-economic characteristic of the participant.

1. Name of your Organization __________________________

2. Department/Section __________________________

3. Sex

   (i) Male ( )

   (ii) Female ( )

4. How long have you be working with Kenya Power?

   (i) 0 > 1 year ( )

   (ii) 1 – 3 years ( )

   (iii) 3 < years ( )

5. What is your academic qualification?

   (i) College diploma ( )

   (ii) University degree ( )

   (iii) Postgraduate degree ( )

SECTION B:

6. Are you aware concerning Procurement department in your Institution?

   (i) Yes ( )

   (ii) No ( )

7. Do you think the fund allocated for procurement function adequate?

   (i) Yes ( )

   (ii) No ( )
8. Are you aware of the progress of various project in your organization?  
   (i) Yes ( )  
   (ii) No ( )  

9. Are you satisfied with the services delivered by the procurement department?  
   (i) Yes ( )  
   (ii) No ( )  

10. Do you experience any difficulties of PMU departments in its daily activities?  
    (i) Yes ( )  
    (ii) No ( )  

11. Do you think that PMU department is performing their role effectively in your institution?  
    (i) Yes ( )  
    (ii) No ( )  
    If yes to what degree  
    ______________________________________________________________________  
    ______________________________________________________________________  
    If No what are the challenges facing your responsibilities presumed that is caused by procurement department.  
    ______________________________________________________________________  
    ______________________________________________________________________  

12. How do you experience quality of goods, services and completed works delivered at Kenya Power?  
    (i) Satisfactory ( )  (ii) Excellent ( )  

13. Are goods, services and performed works done at MOI delivered in time  
    (i) Yes ( )  
    (ii) No ( )  
    (iii) Not always ( )
14. Is the procurement process transparent or have you noticed unethical behaviors in the process?

(i) Yes
(ii) No

Thank You for Your Time and Assistance