

**PUBLIC PROCUREMENT AND DISPOSAL REGULATIONS, (2006)
IMPLEMENTATION AND PERFORMANCE OF KENYAN STATE CORPORATIONS**

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ABSTRACT

The main objective of the study was to assess the effect Public Procurement and Disposal Regulations, (PPDR, 2006) implementation on organizational performance of Kenyan state corporations. The study applied a survey research design with a target population of 187 state corporations as per the list of the Taskforce on Parastatal Reforms (2013). The study sample comprised 250 procurement staff and 60 Accounting officers. Simple random sampling was used to select the respondents. The main data collection instrument was the questionnaire that contained both open ended and close ended questions. The questionnaire was pilot tested on five entities that helped to improve the instrument while exploratory factor analysis was used to extract factors with reliability value of 0.70. Factor loadings that were less than 0.70 were discarded. Data collected was analyzed using descriptive statistics and multiple linear regressions. Results indicated a significant effect of the PPDR, (2006) implementation on performance of state corporations. Study concluded that implementation of the PPDR, (2006) improves performance of state corporations. The key notable problems that lead to poor implementation of the regulations include; poor organizational structure, use of noncompetitive procurement methods, inadequate procurement planning, poor records management and unfamiliarity with rules and regulations. Study recommended Accounting Officers to establish all relevant structures that support effective implementation of procurement rules and regulations, publish procurement opportunities to increase competition and participation of bidders, prepare and implement procurement plans that are linked with the strategic work plans, establish records management units staffed with qualified personnel and train all officers involved in the procurement process on procurement rules and regulations.

Key Words: Public procurement, regulations, implementation, organizational performance.

Introduction

Procurement is a crucial element in the working functions of any state as it is used for purchasing of goods and services in the right quality, from the right source and the right price all to meet a specific need. Every government has the obligation to provide essential services to its citizens through public procurement (PP). According to Calender and Mathews (2000), PP is an important function of government because of the great impact it has on the economy and needs to be well managed through a sound procurement system. The authors further observed that PP has two groups of goals: procurement goals and non procurement goals.

The procurement goals normally include quality, timeliness, cost (more than just the price), minimizing business, financial and technical risks, maximizing competition, and maintaining integrity. Non-procurement goals normally include economic goals (preferring domestic or local firms), environment protection or green procurement (promoting the use of recycled goods), social goals (assisting minority and woman-owned business concerns), and international relations goals. To this end the PP and Disposal Act and Regulations were supposed to supplement towards this goal by making PP more transparent (PPOA, 2007).

Organizational Performance

Many developing countries have introduced performance management as a means to measure organizational and individual efficiency in order to ensure that public sector organizations meet the needs of the public (Ohemeng, 2009). Measuring performance is a graceful way of calling an organization to account (Bruijn, 2007) and in public sector performance measurement; accountability is the central concern (Heinrich, 2007). Performance measurement is viewed as a warning, diagnosis and control system that is used to keep track of economy, efficiency, effectiveness and efficacy (Teelken & Smeenk, 2003).

Measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and ability to adapt to the ever changing environment among other objectives (Waiganjo, Mukuru & Kahiri 2012). Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance construct that incorporates non-financial measures including among others market share, product quality, and company image (Obong'o 2009).

State Corporations

The State corporations in Kenya are regarded as one of the factors that are and have a great potential to facilitate growth (Njiru, 2008). Most state corporations were first established during the colonial era where majority were in the Agricultural sector which predominate the country's economy since independence. As at 2012, Agriculture accounted for about 26% of the GDP (KNBS, 2013). The formation of state corporations was driven by a national desire to accelerate socio-economic development, need to redress regional economic imbalance, citizen's participation in economy and promoting indigenous entrepreneurship (Kobia & Mohammed, 2006). For state corporations in Kenya to play this role, it is important that they are governed and

managed efficiently, effectively and sustainably. This has not always been the case in the past, particularly in the recent past due to poor implementation of procurement regulations.

Many state-corporation have been a burden on the Exchequer over the decades due to its dismal performance, while many others have been operating below their potential (RoK, 2009; Taskforce on Parastatals Reform, 2013). Kenyan state corporations contribute around 16.3% to the GDP and this has remained largely unchanged since 2004 (Kenya Economic Development report, 2009). These organizations are faced with many challenges including rapid environmental changes, competition to provide innovative products and services, changing customer and investor demands, poor infrastructure and globalization (Waiganjo, Mukulu & Kahiri, 2012). The decisions made by the state corporations in terms of procurement activities should be in compliance to the regulations and should result into value adding to the services that customers receive from these entities. State corporations deliver services to all citizens regardless of their social-economic status. The citizens as customers pay for the services rendered by these corporations. The Government being the main stakeholder has expectations of high quality service for citizens by state corporations. The measurement of the services delivered or performance of state corporations is done using compliance to the procurement regulations.

After the approval of the procurement Act by Parliament, the PPD Regulations were developed and approved in 2006 by the Minister of Finance and gazetted. The regulations outline the various processes and procedures followed when goods, services or works are procured. These include internal organization of the PEs in terms of corporate governance and leadership in complying with the legal framework, organizational structure in terms of segregation of the procurement responsibilities among different committees, procurement planning, and management of records for all procurement transactions. The Regulations provide for a fully decentralized procurement process, leaving the full responsibility of undertaking procurements to the tender committees and the procurement unit at the level of the procuring entity (PPOA, 2010).

Statement of the Problem

Despite the regulations clearly stipulating how the procurement function should be conducted, implementation levels continue to be low in most public entities (PEs) and despite efforts by Public Procurement Oversight Authority (PPOA) to put in place measures to improve compliance levels. Procurement reviews carried out by PPOA, Ethics and Anti corruption Commission (EACC) and Auditor General reveal non compliance with rules and regulations. For instance, a study commissioned by PPOA in some PEs established that budget rules and procedures that support timely procurement, were inadequate; record keeping system and contract management were weak (PPOA, 2010).

PEs make purchases outside procurement procedures, heads of procurement units do not have professional qualifications as required by section 26 (8) of PPDA (2005), and mandatory committees are not established. In another survey conducted by PPOA and Kenya National Bureau of Statistics (KNBS), it was established that PEs were procuring items at about 60% above market prices (Juma, 2010) resulting to financial loses that affect performance of these PEs. The key notable problems that lead to poor implementation of regulations includes; non

establishment of organizational structures that support the implementation of the regulations, use of non competitive procurement methods, non procurement planning, poor records management and unfamiliarity with rules and regulations (PPOA, 2010).

Non-compliance problem affects not only the third world countries but also countries in the developed economies (Tukamuhabwa, 2012). According to Common Wealth of Australia (2012), inadequate regulatory compliance is a major obstacle. Gelderman et al., (2006) contend that compliance in PP is still a major issue. Hui et al., (2011) while analyzing procurement issues in Malaysia established that procurement officers were blamed for malpractice and non-compliance to the procurement policies and procedures. Other studies which have centered on PP non compliance include Ntayi, et al., (2012); Eyaa and Oluka, (2011); Osei-Tutu, Mensa and Ameyaw, (2011); Ofori -Mensah and Rutherford, (2011); and Ojo and Gbadebo, (2014). Besides, most of the studies on PP compliance have been conducted outside Kenya. The notable exception is Ogot, Mulinge and Muriuki, (2010); Onyinkwa, (2013); Ombuki et al., (2014); Njeru et al., (2014); Gesuka and Namusonge, (2013); Sang and Mugambi, (2014). However, these studies concentrated on procurement regulations compliance challenges in general and thus failed to specifically explain the effect of PPDR, (2006) implementation on performance of Kenyan state corporations. This study therefore sought to assess the effect of the PPDR, (2006) implementation on organizational performance of Kenyan state corporations using institutional theory and legitimacy theory.

Institutional Theory

Institutional theory adopts a sociological perspective to explain organizational structures and behavior. It draws attention to the social and cultural factors that influence organizational decision-making and in particular how rationalized activities are adopted by organizations (Scott, 2001). The institutional theory is the traditional approach that is used to examine elements of PP (Obanda, 2010). Scott, (2004) identifies three pillars of institutions as regulatory, normative and cultural cognitive. The regulatory pillar emphasizes the use of rules, laws and sanctions as enforcement mechanism, with expedience as basis for compliance. The normative pillar refers to norms and values with social obligation as the basis of compliance. The cultural-cognitive pillar rests on shared understanding on common beliefs, symbols, and shared understanding. In Kenya, PP is guided by the procurement Act, regulations and guidelines which are regularly issued by the PPOA only and which must be complied with to the letter by all the PEs and service providers.

From the three pillars of institutions propounded by Scott (2004), organizational culture, social influence, organizational incentives and enforcement are identified as antecedents of compliance to procurement rules. It is therefore crucial to strengthen institutions in order to attain high levels of performance. Procurement and disposal processes in the public sector need a body that is not only focused but committed in attaining of the set up goals and objectives (Hilletoft, 2009). Skills required by purchasing professional have changed due to the role shift of the purchasing function itself from that of a buyer to that of a professional managing strategic long-term, complex agreement between internal stakeholders and suppliers (Carr & Smeltzer, 2000).

Consequently, professionals require a complex set of managerial and technical professional skills. These role shifts affect professionals in both developed and developing countries. It

affects procurement professionals in central and local government systems as well as those in the public and private sector environments. For purchasing to be at a strategic level, professionals need to possess a set of skills and competencies (Carr & Smeltzer, 2000).

Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts institutional theories of organizations provide a rich, complex view of organizations. In these theories, organizations are influenced by normative pressures, sometimes arising from external sources such as the state, other times arising from within the organization itself (Zucker, 1987). Under some conditions, these pressures lead the organization to be guided by legitimated elements, from standard operating procedures to professional certification and state requirement, which often have the effect of directing attention away from task performance (Zucker, 1987).

Subjecting the Kenyan procurement laws and regulations to such views makes the compliance of the same almost untenable. Previous examples have been given where state operators have pushed their tenders through though not qualified according to the laid down rules and procedures. The proponents of this theory offer an explanation that must be overcome if meaningful results are to be realized from the set laws and regulations. This affirms that the PE does not exist in isolation of the wider macro environment. The procurement functions are performed in a complex environment (Eriksson, 2005) where the accounting officer is a political appointee answerable to a wider spectrum of persons who are not necessarily within the organization.

According to Arrowsmith, Linarelli & Wallace (2000), in recent years, public sector performance and its capacity to delivery services has received a renewed focus given the declining morals and increasing levels of corruption. There is hardly any country in the world that has escaped the incidence of corruption in PP. PP plays a central role in governance and anti-corruption efforts because of its sheer impact on society considering that, PP officials around the globe control spending that is equivalent to 10-30% percent of GDP in any given year Callender and Mathews (2000). Nevertheless, it is an area in need of attention since resources are not being properly managed in many countries. This calls for a high degree of professionalism in the conduct of this important function of public significance (Wittig, 1999).

Legitimacy Theory

Legitimacy theory derived from the concept of organizational legitimacy, was defined by Dowling and Pfeffer, (1975) as a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part (Guthrie, Cuganesan & Ward, 2006). When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy. Theory posits that organizations continually seek to ensure that they operate within the bounds and norms of their respective societies. According to Wilmshurst and Frost (2000), the legitimacy theory postulates that the organization is responsible to disclose its practices to the stakeholders, especially to the public and justify its existence within the boundaries of society. This theory, which focuses on the relationship and interaction between an organization and the society, provides a sufficient and superior way for understanding state corporations procurement practices (Hui et al., 2011).

Generally in a society, individuals' actions influence each other. This explains why some laws and regulations set up to regulate the procurement function are at times compromised. Lindblom, (1994) identifies four courses of action that organizations can take to obtain or maintain legitimacy and they include; seeking to educate and inform its 'relevant publics' about changes in the organ's performance and activities; seeking to change the perception of the "relevant publics", seeking to manipulate perception by deflecting attention from the issue of concern to other related issues through an appeal to emotive symbols and seeking to change external expectation of its performance.

Social values are a consequence of human interactions which are structured and governed by informal institutions. Social values promote cooperative tendencies with people who are considered close not necessarily following the law to the spirit and letter (Jones & Rachlin, 2006). For example in most developing countries, the procurement function is transitioning from a clerical non strategic unit to an effective socio-economic unit that is able to influence decisions and add value (Knight et al., 2007; Facolta di Economia, 2006). Developing countries in one way or another have reformed their PP. The reforms have not been limited to regulations only, but also include public procurement process, methods, procurement organizational structure, and the workforce.

Public Procurement & Disposal Regulations, (2006)

After the approval of the procurement Act by Parliament, the PPD Regulations were developed and approved in 2006 by the Minister of Finance and gazetted. The regulations outline the various processes and procedures followed when goods, services or works are procured. These include internal organization of the PEs in terms of corporate governance and leadership in complying with the legal framework, organizational structure in terms of segregation of the procurement responsibilities among different committees, procurement planning, and management of records for all procurement transactions. The Regulations provide for a fully decentralized procurement process, leaving the full responsibility of undertaking procurements to the tender committees and the procurement unit at the level of the PE (PPOA, 2010).

Public entities are required to put structures in place to support effective implementation of the procurement rules and regulations. Organizational structure such as distribution of authority, stream of organizational relationship, hierarchies, the span of control of managers and communication (Daft, 2009) can facilitate channeling, alliance, accountability, stipulate the level of formality and power distribution and complexity prescription (Bowerex, 1986). The law requires that the head of procurement report directly to the Accounting Officer of the institution (PPGM, 2009). On the flipside, the regulations do not give a blanket position of the head of procurement. The head of procurement could be reporting to the Accounting officer but hierarchically they are placed on the third or lowest level of the organizations' organ gram and thus making no impact. This is still a major challenge in many entities as still procurement is either part of Finance department or a section reporting to the head of finance as head of department. Worse still procurement is ranked as operational in many entities such that even if procurement were to report to the Accounting Officer but do not sit in the senior management meetings where board of management decisions are made.

The open tender is the preferred method of procurement and alternative procurement methods are used only if specific conditions are met (PPDA, 2005). open tender method is thus considered as the default method when no special circumstances permit the application of restrictions to the level of competition and when the estimated value is not below the thresholds permitting the application of a restricted competition such as request for quotation (RFQs) or restricted tender (RT) for efficiency purposes (RoK, 2005). The procurement threshold matrix established for each class of PE has to be adhered to when using any method (PPRA, 2006).

Procurement plans are prepared as part of the annual budget preparation and are necessary as they inform cash flow preparations (Reg. 20 (2- 3)). It is one of the pre-requisites for the effectiveness and efficiency of the procurement function thus leading to the ultimate success of the organization. It provides a good basis for monitoring the entire procurement process and prevents procurement irregularities. Through a procurement plan template, the PE can quickly and easily define its procurement requirements, the method of procurement and the timeframes for delivery (Basheka, 2008).

However, many government entities are still faced with the challenges of improper planning and linking demand to budget (Ambe & Badenhorst-Weiss, 2011a). Cost- effective procurement depends on a specialist's skills to ensure that buying requirements are reliably determined, appropriate contract strategies are developed, contracts are well managed and opportunities are seized to secure the best deals at the right time and at the right price (Ambe & Badenhorst-Weiss, 2012).

The importance of drawing up accurate and realistic strategic plans cannot be over estimated. At times there is an absence of coherent plans and some procuring entities cannot properly quantify needs of those requiring services or properly estimate costs, nor accurately track, control and report on expenditure (Luyt, 2008). Poor planning and budgeting affect implementation of PP. Ambe and Badenhorst-Weiss, (2012) recommend that procurement practitioners should adequately link demand planning to budget.

Public entities are required by law to keep records and documented information for the procurement process entire lifecycle. According to Sec. 45 (1) of the PPDA, (2005), PEs should be to keep records for at least six years. The records will include a brief description of the goods or service procured, method of procurement used, copy of the advertisement, if open tender method was used, names of persons that responded to the tender, price, summary of terms and conditions of tender/proposal/quotation, evaluation criteria and report, minutes of the committee that awarded the contract and evidence of delivery of goods and services Sec. 45 (2) (a- h).

Procurement staff, all those involved in the acquisition process and suppliers are required to be familiar with the procurement rules and regulations. According to Rossi (2010), compliance with the formal elements gives an indication of knowledge of the rules. Gelderman et al., (2006) maintains that procurement managers will comply with the rules if they perceive them as clear. Lack of clarity increases the possibilities for procurement regulations noncompliance. Eyaa and Oluka, (2011) noted that lack of familiarity with procurement rules results into poor compliance levels and this leads to inefficiency which negatively affects organization's performance.

Empirical review

Ogot, Mulinge and Muriuki (2010) in their study on the impact of the PP Regulations on 54 profit oriented public corporations in Kenya established that regulating procurement had significantly promoted transparency, quality and value for money. However, the study revealed that the ability by the PEs to bargain with suppliers for the best deal and speedy response to business opportunities were some of the areas adversely impacted by the regulations. The study did not indicate the impact of the inability to bargain with suppliers and failure of speedy response to business opportunities had on the firms' profitability and growth; for accountability of the firms; profit generation and growth cannot be alienated from the managers' discretion to control cost of inputs, that is, procurement.

In an attempt to determine the factors influencing compliance to procurement regulations in public secondary schools in Nyamache sub-county, Onyinkwa (2013) conducted a survey in 15 secondary schools with a sample size of 135 respondents. The study established that ethics, awareness and training influence compliances with procurement regulations. Study recommended offering ethics education to school tendering committee members in order to ensure they serve in ultimate objectivity, accountability, and non discrimination. Whilst the research brought to light some of the factors influencing non compliance in secondary schools, the study fell short of expounding on the extent of influencing from each of the factors under study and its effect on organizational performance.

Basheka (2008) undertook a study among 99 local government stakeholders selected from 11 districts of Uganda, using a correlation research design. The data was analyzed using principal component factor analysis that aimed at identifying the critical components of procurement planning and accountable local government systems in Uganda. Results of the study indicated a significant positive relationship between procurement planning and accountable local government procurement systems. He critically analyzed the contribution of the roles of a manager one of which is planning. However, the scholar failed to acknowledge that while planning is key in the roles and responsibilities of managers, there are other roles including; coordinating, organizing, leading and controlling. This study dwelt on planning only and did not take cognizance of other roles. Further study fell short of explanation on the sample. It did not highlight whether the sample was representative of the local government agencies to enable generalization of findings. Conversely, Eyaa and Oluka (2011) conducted a cross sectional study on the causes of non-compliance in PP in Uganda that targeted 120 Central Government Procuring and Disposing Entities (PDEs). The authors' model indicated a 52.4% variation in compliance with the regulations.

Sang and Mugambi (2014) conducted a study on factors affecting compliance with PP laws and regulations in PEs in Mombasa county with a target population of 60 respondents who are directly involved in PP. A sample size of 45 was selected using purposive sampling and a questionnaire was used as a main tool of data collection. Findings indicated staff awareness of rules and regulations, personnel skills and competence as the main factors that affect PP

compliance. Study recommended PPOA to work with PEs to create awareness of staff on the procurement rules and regulations.

In another study by Migosi, Ombuki, and Evusa (2013) on the determinants of non-compliance of PP regulations in Kenyan secondary schools in Kitui Central, targeting 12 public schools out of the 33 registered schools, with respondents of 120 committees members, 12 school principals and 60 suppliers, it was established that those involved in the procurement process were not familiar with the new procurement rules and regulations. Study recommended that PPOA and PEs train all those involved in the PP process on the rules and regulations to improve compliance.

Conversely, Mungai and Muturi (2014) conducted a descriptive study on effects of procurement regulations on efficiency of the procurement of foodstuffs in Public Secondary Schools in Kenya. Purposive sampling was used in selecting the sample size of 74 respondents of the principal and school accounts officer. Study revealed that procurement regulations have significantly improved the quality of food delivered in schools. Study recommended every attempt be made in implementing the procurement regulations especially in areas that enable schools cut down unwarranted costs in purchasing of food.

In an attempt to establish influence of procurement policies on implementation of effective procurement practices in Tertiary Public Training Institutions in Kenya, a descriptive research design targeting procurement staff across the 40 institutions was adopted by Njeru, Ngugi, Arasa and Kahiri (2014). Stratified random sampling technique was employed in selecting a sample size of 160 respondents with the use of questionnaire as the main data collection instrument. Findings indicated low level of procurement regulations compliance, application of poor procurement policies, lack of top management support, use of poor procurement procedures, poor relationship between management and stakeholders, poor method of managing organization resources and lack of effective policy making process as some of the procurement policy elements that affect implementation of effective procurement practices.

Chekol and Tehulu (2014) conducted a study on factors leading to effective PP implementation in Ethiopia. The study collected data from 42 PP officers using questionnaires and analyzed it using multiple linear regressions. The findings indicated that familiarity with PP rules and regulations, transparency in PP processes, ethics in PP and efficiency had a positive and statistically significant impact on effective PP implementation. Findings further indicated that accountability in PP, though having a positive association with effective PP implementation, did not have a significant impact on effective PP implementation.

Nzau and Njeru (2014) conducted a study on the factors affecting procurement performance of public universities in Nairobi County with 166 respondents working in the procurement department drawn from three of the four major public universities in Nairobi County. It was established that the universities prepare procurement plans for the activities outlined in the work plans; procurement staff had inadequate skills in supply chain management; and the universities offered adequate support to procurement units. Study recommended user departments to submit their procurement plans within the set timeframes; purchases to be implemented within the

budgetary provisions and within delivery time schedules; employing qualified procurement staff and continuous training and sensitization of those involved in the procurement process on the PP Act and Regulations.

In a survey conducted by the World Bank (2009) to assess the implementation of the PP regulations in Bangladesh, it was revealed that though there was a clear recognition and appreciation of the new rules and regulations, its implementation performance was poor to average in terms of efficiency of the procurement process and contract management, competitiveness and transparency. Study further established that procurement processing delays was a major challenge due to the hierarchy level of procurement decision making.

An assessment of the implementation of the procurement regulations in Uganda by the Public Procurement and Disposal of Public Assets Authority (PPDA) in 2012, it was established that PEs conducted procurement outside procurement plans which lead to budget overruns and accumulation of domestic debt, continued use of direct tender method without sufficient adequate justification and poor records management. Authority recommended procurement to be done within the provisions of the budget and procurement plans, records to be well maintained, retrospective approvals to be avoided and disciplinary action to be taken against violators of the rules and regulations.

Study Methodology

Study adopted an explanatory survey design with a target population of 187 state corporations as per the list of the Taskforce on Parastatal Reforms (2013). Stratified random sampling was used to randomly select a sample size of 125 (250 Procurement practitioners and 60 Accounting officers) from the five functional categories of state corporations of purely commercial agencies, agencies with strategic function, regulatory agencies, executive agencies and research institutions, public universities, tertiary education training (Taskforce on Parastatal Reforms, 2013). The study used questionnaires as the main data collection instrument that contained both open ended and close ended questions. It was supplemented with interview guides which were used to gather in-depth information from the accounting officers on the effects of the PPDR, (2006) implementation on organizational performance. The questionnaire was pilot tested on five entities that helped to improve the instrument while exploratory factor analysis was used to extract factors with reliability value of 0.70. The study managed to get respondents from 112 corporations giving a response rate of 90%.

Data collected from the field was coded, cleaned and categorized according to the questionnaire items using frequency distribution tables and percentages. On the other hand bivariate regression analysis was used to determine the statistical significance level of influence of the independent variable on the dependent variable. P-value and t statistic were used to determine the significance of the coefficients. The F statistic was used to determine the model significance. Multiple regression analysis technique was used to test the hypothesis. The regression model was used to represent the relationship between the dependent variable (Y) as a linear function of the independent variable (X), with ϵ representing the error term (Cooper & Schindler, 2006):

$$Y = B_0 + B_1X_1 + \epsilon$$

Where:

Y = Organizational Performance

X_1 = Procurement and Disposal Regulations, (2006)

B_0 = Constant of Regression

B = slope (gradient) showing rate dependent variable is changing for each unit change of the independent variable.

Results and Discussion

The objective of the study was to assess the effect of the PPDR, (2006) on the performance of the Kenyan state corporations. The factor analysis showed a collinearity tolerance of 0.549447 and variance inflation factor (VIFs) of 1.82001. This implied that data gathered on PPDR, (2006) implementation was reliable for further analysis.

Study sought to establish the structures that the organizations had put in place to support effective implementation of the PP regulations. To achieve this, respondents were required to answer questions on the establishment of relevant mandatory committees (tender committee, procurement committee, tender processing committee and disposal committee), methods of procurement used for purchase of goods and services, records management, procurement planning and familiarity with rules and regulations by all those involved in the procurement process. Table 1.1 presents the analysis of the variable PPDR, (2006).

Organizational Structure

To establish the strategic significance of the procurement unit and its position in the organizational hierarchy, study used first indicator on table 1.1 to establish the department which the procurement unit reports to. The measure was on an ordinal scale of 1 to 5 representing Operations, Human Resource, Administration, Finance and the Accounting Officer's office. 30 respondents indicated reporting to Operations department, 29 to Human Resource department, 25 to Administration department, 11 to Finance and Control department and 17 to the Accounting officer. On average the procurement unit reports to Operations department. Findings are in agreement with a study carried out by Ogachi (2014) on the procurement standards in East Africa with a total number of 415 respondents. Study found out that 40.1% of the organizations report to the chief executive, 16.4% reported to the deputy chief executive, 27.1% reported to the head of finance and 10.3% reported to Human resources and legal departments.

However, the findings are contrary to those of Eyaa and Oluka, (2011). The authors conducted a study on the causes of non compliance in PP in Uganda and observed that governments delegate the authority to the state corporation managers who are the agents; the managers in turn delegate the authority to procurement practitioners who executes procurement functions. Procurement has an important contribution to organizational performance (Cousins, Lawson & Squire, 2006; Humphreys, 2001) and should therefore report directly to Chief Executive Officer who is the agent of the government in ensuring compliance to the procurement rules and regulations and improved performance.

Indicator two was used to establish the appointing authority of the relevant committees that deliberate and adjudicate on procurement and disposal issues. The measure was on an ordinal scale of 1 to 5 representing Operations, Human Resource, Administration, Finance and the Accounting Officer. 38 respondents reported that the committees are appointed by the head of

Operations, 35 by head of Human Resources, 26 by head of Administration, 8 by head of Finance & Control and 5 by the Accounting officer. On average the committees are appointed by head of Operations. This is contrary to the provisions of Regulation 7 of the PPDR (2006), which mandates the Accounting Officers to put in place structures to ensure compliance with the public procurement legal framework without delegating. Findings imply that the relevant committees are in place but the appointing authority is delegated.

The study sought to establish how often tender evaluation committee is appointed for each tender under consideration. The measure was on an ordinal scale of 1 to 5 representing never, occasionally, often, very often and always. 51 respondents indicated that tender evaluation committees are never appointed, 14 respondents indicated that the committees are occasionally appointed, 4 respondents indicated that the committees are often appointed, 29 respondents indicated that committees are very often appointed and 14 indicated that the committees are always appointed for each tender under evaluation. On average the tender evaluation committee is never appointed for each tender. The study concurs with Abebe (2012), who observed that PEs do not thoroughly evaluate tenders, do not use the basis of criteria specified in the tender documents and use unqualified committees.

The fourth indicator measured how often the disposal committee meets to deliberate on disposal issues. The measure was on an ordinal scale of 1 to 5 representing never, monthly, quarterly, half yearly and annually. 48 respondents reported that the committee never meet to deliberate on disposal, 26 reported that the committee meets monthly, 10 respondents reported that the committee meets quarterly, 19 indicated that the committee meets half yearly and 9 respondents indicated that committee meets annually. On average the disposal committee never meets to deliberate on disposal issues. Findings are inconsistent with Regulation 92 (3) of the PPDR (2006), which requires that the disposal committee meet at least once on a quarterly basis to discuss disposal issues. The purpose is to ensure the PE achieves best available net return when selling. Findings were supported by the interview results where majority of the respondents indicated that disposal was not regularly done. One responded indicated that the corporation was not able to carry out disposal due to lack of financial resources for replacement of the old equipments and for contracting an auctioneer to perform the disposal.

Sixth indicator measured how often delivered goods and equipment are inspected by the inspection and acceptance committee. The measure was on an ordinal scale of 1 to 5 representing never, occasionally, often, very often and always. 36 respondents reported that goods delivered are never inspected, 28 respondents indicated that delivered goods are occasionally inspected, 7 respondents reported that delivered goods are often inspected, 31 respondents indicated that delivered goods are very often inspected and 10 indicated that the committee always inspects delivered goods. On average delivered goods are never inspected by a committee. The findings are in agreement with Abebe (2012), who conducted a study on the efficiency, accountability and transparency in public procurement and observed that public entities in Ethiopia receive poor quality goods and equipments thus not meeting the objective of value for money.

Methods of Procurement

The most preferred method of procurement that ensures competition among suppliers is open tendering. The method was used as an indicator to measure when it is used depending on the value of the procurement. The measure was on an ordinal scale of 1 to 5 representing 1 million, 3 million, 4 million, 5 million and 6 million respectively. 23 respondents used open tenders above 1 million, 35 respondents used 3 million, 26 respondents used 4 million, 20 respondents used 5 million and 8 respondents used 6 million and above. On average the respondents used Kshs.3 million for open tenders. The study findings are in tandem with Witting and Jeng (2005), who conducted a study on the challenges in PP in Gambia and observed that open tendering method, should be used for all procurements except where the value is small and competition is uneconomical. Findings collaborate well with Ogachi (2014) who did a study on procurement standard practices in Africa and established that open competitive bidding when used predict well success of projects procured.

Restricted and direct tender methods are approved by the tender committee before commencement of the procurement process as per section 72 of the PPDA (2005). Study sought to establish how often the methods are approved using an ordinal scale of 1 to 5 representing never, occasionally, often, very often and always. 12 respondents indicated that the methods are never approved, 33 respondents indicated the methods are occasionally approved, 22 respondents indicated the methods are often approved, 30 respondents indicated methods are very often approved and 15 respondents indicated methods are always approved. On average restricted and direct tender methods are occasionally approved. Study is supported by the findings of Ameyaw, Mensa and Osei - Tutu (2012), who carried out a study on the implementation challenges of the Procurement Act, (2006) in Ghana and established that restricted and single source methods accounted for 40% and 28% respectively of the procurement budget without prior approval and this justified lack of strong application of transparency procedures.

Procurement Planning

Procurement planning is central to proper procurement management. The study sought to establish whether state corporations prepare procurement plans and how effectively they were implemented. To measure this sub variable, the respondents were presented with a YES/NO question. Figure 1.1 shows that majority of respondents 75.4% prepare annual procurement plans in their organizations while 24.6% reported not to have prepared the plans. Findings were supported by the interview guides whereby one respondent indicated that the plans are indeed prepared but are not very accurate as the users did it as formality. Respondent further indicated that the plans are not based on market values and the organization does not have financial resources to carry out market surveys before preparing the plan.

Findings compare well with those of Ambe and Badenhorst-Weiss (2012), who studied procurement challenges in the South African public sector and established that procurement plans prepared were not accurate and realistic as they were either over or underestimated. In addition, Aduamoah and Campion, (2012) established that lack of procurement planning affects the total cost of operations and lead to material shortages or surplus, cash flow problems and unnecessary delay in delivery of goods and services.

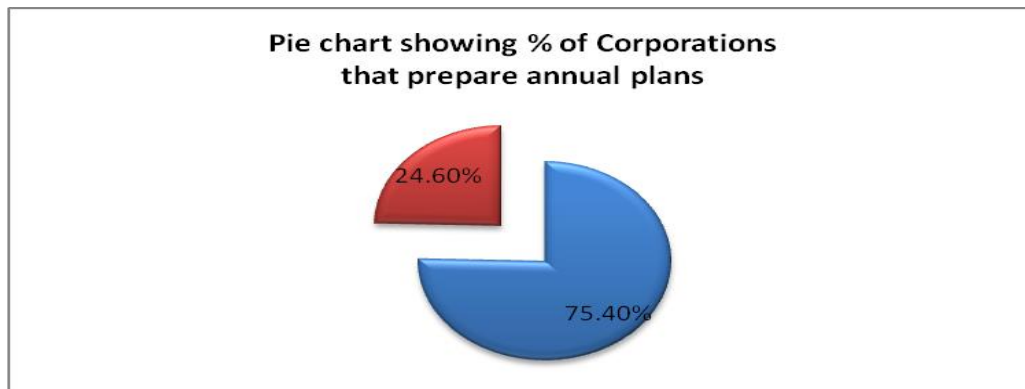


Figure 1.1: Corporations that Prepare Procurement Plans

The study also sought to establish whether entities update the procurement plans. Respondents were presented with a YES/NO question and from figure 1.2, majority of respondents 77% update their procurement plans to suit project needs while 23% reported not to have updated their procurement plans. This is consistent with the provisions of the PP Manual, (2009) that require PEs to regularly update the procurement plans to facilitate prioritized purchasing. Findings are also in agreement with Ogachi, (2014) who observed that organizations prepare procurement plans based largely on available budgets and aligned with corporate plans. These findings were corroborated by a number of interview respondents who indicated that it was very necessary for the plans to be updated due to budgetary constraints and user departments changing what they planned for during implementation.

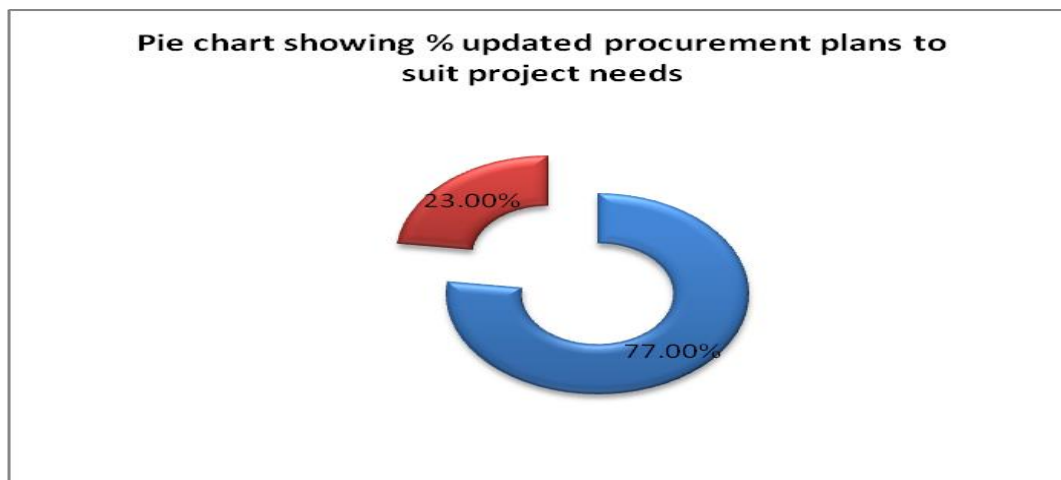


Figure 1.2: Corporations that update Procurement Plans

Records Management

Procurement records must be safeguarded to facilitate meaningful audits of all procurement transactions. The study sought to establish whether state corporations have in place records management units. From figure 4.10, majority of respondents 79.7% reported their organization to have a records management unit while 20.3% reported not to have any. Findings are in agreement with those of Rembe (2010), who acknowledges that effective records management

will require establishment of a records management unit staffed with professionally qualified staff. These findings were supported by one chief Executive who confirmed that the state corporation had established a records management unit with an annual budget of Kshs. 15 million. This was also supported by the PPOA audit report for 2010 where this particular entity had scored 73% on records management.

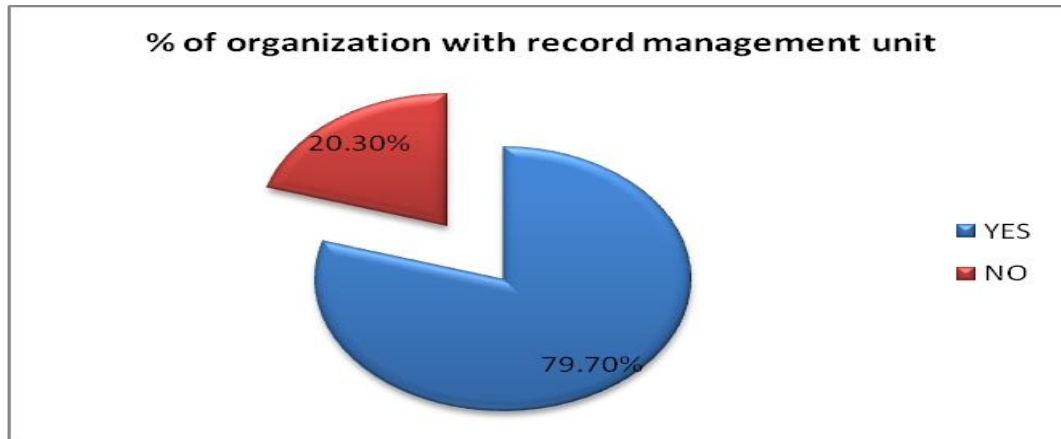


Figure 1.3: Corporations with Records Management Unit

The study also measured how often the procurement records are accurate and readily available, level of relevant training of the records management staff and number of years it takes for records to be disposed. The measure for accuracy and availability of records was on a scale of 1 to 5 representing never, occasionally, often, very often and always. 24 respondents never keep procurement records accurately, 34 respondents occasionally keep procurement records accurately, 27 respondents often keep the records, and 27 respondents very often have their procurement records accurately and readily available. On average the procurement records are occasionally accurate and readily available. Findings are in tandem with those of Rembe (2010). Rembe conducted an assessment of the records management on PEs in Kenya and identified poor procurement record keeping as one of the major impediments to procurement process efficiency. Findings were also supported by one chief executive who confirmed that records management in the PE was a big challenge and this was attributed to the state of fragmented records in the organization and lack of resources for effective records management.

The measure on the level of relevant training of the records management staff was on an ordinal scale of 1 to 5 representing O level, Certificate, Diploma, Higher diploma and First degree. 43 respondents indicated 0 levels training of the records management staff, 32 respondents indicated Certificate training, 7 respondents indicated diploma training, 26 respondents indicated higher diploma training and only 3 respondents indicated first degree. On average the records management staff had O level training. These findings were corroborated by a number of interview respondents who indicated that despite having established the records management units, the corporations lacked qualified officers in the field of records management. One respondent indicated that no employee was willing to work in the records department

The last indicator on this variable sought to establish the number of years it takes for procurement records to be disposed. The measure was on an ordinal scale of 1 to 5 representing 2, 3, 4, 5 and 6 years respectively. 11 respondents indicated a period of 2 years, 41 indicated 3 years, 15 indicated 4 years, 31 indicated 5 years and 14 indicated 6 years to dispose procurement records. On average it takes 3 years for records to be disposed in organizations. This is inconsistent with the provisions of the PP procedure manual, (2009) that require PEs to dispose procurement records after a period of six years. These findings were supported by a number of interview respondents who indicated that due to lack of space and equipments for storage of records, PEs are forced to dispose the records before the stipulated time to create space for current records.

Familiarity with rules and Regulations

Study also sought to confirm whether individuals in organizations who are involved in procurement process are conversant with the procurement rules and regulations. Figure 1.4 shows that majority of the respondents 70% are not conversant with procurement rules and regulations within the organization while the remaining 30% are conversant. On average majority of individuals involved in procurement process are not conversant with procurement rules and regulations. The findings compare with those of Sheoraj, (2007) who identified shortage of skills and capacity as the single greatest impediment to the success of PP in South Africa. Findings were supported by one interview respondent who indicated that its corporation depends on the exchequer for funding and the budget provided for training was not sufficient to train all the officers that are involved in the procurement process. The respondent further indicated that most of those who had been trained had benefited from the free trainings conducted by PPOA and that most of them were from the procurement department.

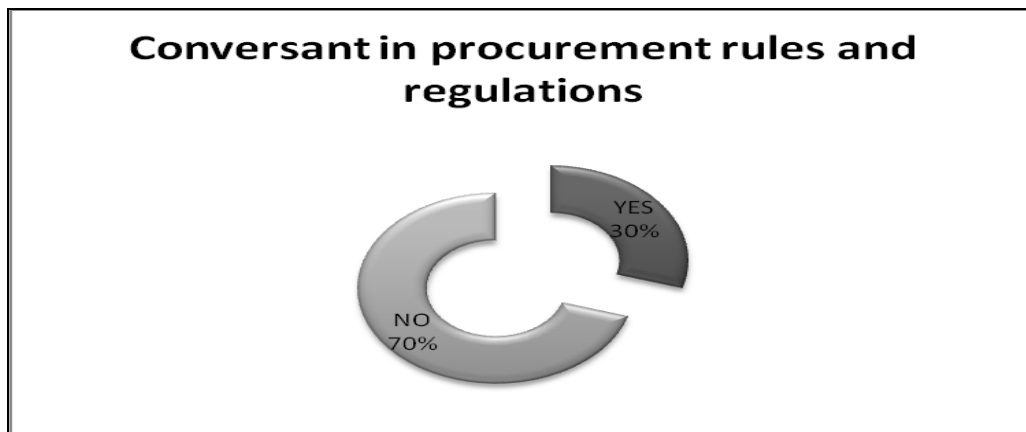


Figure 1.4: Familiarity with Procurement Rules and Regulations

Table 1.1: Public Procurement and Disposal Regulations, (2006)

Indicators	Frequencies					Median
	1	2	3	4	5	
Department to which procurement unit reports	30	29	25	11	17	1
Appointment of relevant committees	38	35	26	8	5	1
Frequency of appointment of evaluation committee	51	14	4	29	14	1
Frequency of disposal committee meetings	48	26	10	19	9	1
Inspection of goods by a committee	36	28	7	31	10	1
Use of Open tender method.	23	35	26	20	8	2
Approval of alternative Procurement methods	12	33	22	30	15	2
Availability of accurate procurement records	24	34	27	27	0	2
Training of records management staff	43	32	7	26	3	1
Disposal of records	11	41	15	31	14	2

Regression analysis results in Table 1.2 shows that the value of R and R² of .583 and .339 respectively. This shows that there is a positive linear relationship between PPDR, (2006) Implementation and organizational performance. The R² value indicates the explanatory power of the independent variables of 0.339. This means that 33.9% of the variation in performance is explained by the model $Y = \beta_0 + \beta_1 X_1$. The remaining 67.1% is explained by other factors not considered in this study.

Table 1.2: Cover Summary for PPDR, (2006) Implementation and Performance

R	R Square	Adjusted R Square	Std. Error of the Estimate
.583 ^a	0.33942	0.33341	7.59532

The ANOVA results had an F statistic with a significance level of 0.000. This shows that the coefficient in the equation fitted is not equal to zero implying a good fit since it is less than 0.005. This demonstrates that there is a positive significant relationship between PPDR, (2006) implementation and performance of the Kenyan state corporations.

Table 1.3: ANOVA for PPDR, (2006) and Organizational Performance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3260.57	1	3260.57	56.52	.000b
Residual	6345.78	110	57.689		
Total	9606.35	111			

From Table 1.4, the PPDR, (2006) had a coefficient value of 8.267. The model was thus $Y = 10.942 + 8.267 X_1$. The model estimates were both significant at the 0.05 level of significance. This is because the significances both 0.000, were all less than 0.05. The constant term implied that at zero implementation of the regulations, organizations perform at 10.942 measures. Increasing the implementation of the PPDR (2006), increases the performance by 8.267. This implies that effective implementation of the PPDR, (2006) improves performance of state corporations. State corporations should therefore focus more on increasing implementation of the regulations to increase implementation and performance.

Table 1.4: Coefficients for PPDR, (2006) and Organizational Performance

	Unstandardized		t	Sig.
	B	Std. Error		
(Constant)	10.942	2.666	4.105	0.000
Public Procurement & Disposal Regulations, (2006) implementation	8.267	1.1	7.518	0.000

Since the p value for the coefficient was less than 0.05, study rejected the null hypothesis which stated that there is no significant effect of the PPDR, (2006) implementation on the performance of Kenyan state corporations and accepted the alternative hypothesis which stated that there is a significant effect of PPDR, (2009) implementation on organizational performance of Kenyan state corporations.

Conclusions and Recommendations

Study concludes that implementation of the PPDR, (2006) improves performance of state corporations. Competitive open tender method is used by state corporations and executed in accordance with established procedures set out in the procurement guidelines and detailed in the standard bidding documents. However, the method only accounted for 30% of the procurement budget. Procurement plans are prepared, however implementation of the same is not 100% due to budgetary constraints and change of the procurement requirements by the user departments after approval of the plan by the board of directors. The level of familiarity with the procurement rules and regulations was low as most of those involved in the procurement process had not received any relevant training. Records management was found to be a challenge for most state corporations and this undermines legal reforms thus creating room for malpractices and negatively affecting enforcement of procurement rules and regulations.

Study recommends that state corporations procurement plans for all requirements should be prepared and linked with the approved work plans and budget of the organization. Competitive open tender method to be used for all procurements and where alternative methods are used, justification, should be provided. Tenders should be evaluated within the stipulated timeframe and as per the criteria stipulated in the bid documents. Tender processing committee to be appointed for all procurement under consideration and due diligence conducted before award of contracts. The disposal committee should meet on a quarterly basis to adjudicate on disposal issues. It is extremely important that procurement records be complete, accurate, accessible,

comprehensive and securely maintained for efficient performance of both the internal and external auditors. Lastly, state corporations should train all those involved in the procurement process on the rules and regulations to increase the implementation levels.

Limitations of Study and Areas of Further Research

The present study was conducted in Kenyan state corporations. It is suggested that a more elaborate study cutting across all other PEs in the central and county governments governed by the PPDR, (2006) be undertaken to determine further effect of the implementation on organizational performance of those PEs.

The study relied on procurement practitioners and accounting officers; future studies could analyze the effect of the PPDR, (2006) implementation on organizational performance from the perspective of both the users of procured goods and services and all those involved in the procurement process including service providers. The PPDR, (2006) was amended effective June 2013. Study recommends further studies to be conducted to establish the effect of the amendments of the regulations on organizational performance of Kenyan state corporations and all government entities.

Implications of the Study

Results of study indicated that (78% of respondents) individuals in organizations who are involved in the procurement process were not conversant with the procurement rules and regulations. This is a cause of non implementation and non compliance to the PPDR, (2006), PPOA and state corporation managers should focus on training to increase familiarity and therefore improved implementation, compliance and performance. From the descriptive statistics, the study revealed that records management in most organizations is a challenge. State corporations should therefore focus more on ensuring that records are accurate and readily available. This can be done through establishment of records management units, employing professionally qualified records officers and ensuring that they receive relevant training.

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