

**INFLUENCE OF THE PROCUREMENT REGULATORY FRAMEWORK ON THE
IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT ETHICS IN
GOVERNMENT MINISTRIES IN KENYA**

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ABSTRACT

The influence of procurement legal framework on the implementation of supply chain management ethics in Kenyan government ministries remains a key problem to date. The purpose of this study was therefore to determine the influence of the procurement legal framework on the implementation of supply chain management ethics in government ministries in Kenya. The study employed a descriptive and correlational survey research designs. The study applied a multistage sampling technique to select the sample size 144 respondents from 21 ministries. Descriptive statistics was used aided by Statistical Package for Social Scientists (SPSS) to analyze the quantitative data. The study utilized descriptive and multiple regression analysis to determine the relationship between procurement legal framework and implementation of supply chain management ethics in government ministries. The study results were that the major regulatory framework issues that affect implementation of supply chain management ethics includes; low level of procurement regulations awareness, lack of enforcement of the implementation of procurement regulations, poor monitoring of how government ministries implement procurement procedures, lack of increased efficiency, transparency and accountability in the execution of supply chain management ethics and lack of effective procurement policies in the ministries. The study recommendation were that the government should promote the level of procurement regulations awareness, enforce implementation of procurement regulations, monitor how government ministries implement procurement procedures and apply internal control

systems that leads to increased efficiency, transparency and accountability in the execution of supply chain management ethics.

Key Words: *Procurement Regulatory Framework, Supply Chain Management Ethics*

Introduction

Supply chain management ethics entails ethical principles that ensures that the individuals entrusted in running of the supply chain activities' perform their tasks within the stipulated legal framework which ensures best practices are upheld (Svensson,2008). Many enterprises around the world are unaware of how effective supply chain ethics and compliance programs can help them avoid costly recalls and brand damage that results from supply chain ethics and compliance programs can help the avoid costly recalls and brand damage that results from supply chain ethics scandals (Callaghan, 2009).

Effective application of supply chain management ethics is a major challenge facing many organizations around the globe, the level of application of supply chain management ethics have been used as a measure of the state of organization corporate image and corporate social responsibility practices hence supply chain management ethics is nowadays considered a core factor for business success (Wood, 2009).

The role of ethical consideration in Kenyan procurement management approaches remains underexplored and there lacks a guiding framework on how government ministries should embrace sound SCM ethical practices. The current procurement management system in Kenya ministries is deficient of SCM ethical inclination and ministries should therefore employ ethical consideration to create a favorable environment for effective delivery of various public services.

Procurement regulatory framework is the set of rules and regulations that provide guidelines on how procurement functions should be undertaken in public entities. In Kenya, procurement regulatory framework comprises of Public Procurement and Disposal Act, 2005 (PPDA) Public Procurement and Disposal Regulations, 2006 (GOK, 2006) and the Supplies Practitioners Management Act, 2007 (KISM,2009). These regulations govern the choice of suppliers, products and the methods and procedures to be used to communicate with suppliers (Patrick, 2009). Low level of procurement regulations compliance by government ministries and lack of effective enforcement of regulations implementation by the government encourages cases of unethical supply chain management practices. Most ministries also fail to take legal responsibility and this leads to undermining of supply chain management ethics in Kenya (Kapila, 2008).

Literature Review

Githui (2012) found out that the rise of supply chain management and procurement in Kenya has given rise to a number of unethical business practices that violates codes of conduct. For instance when tendering processes is not executed in a transparent manner, then suppliers may have chances and vantages to solicit for consideration by advancing bribes and other forms of corruption. According to Gray et al (1997), transparency, fair treatment in bidding and awards of tenders, accountability and responsible purchasing and supply have a positive implication on procurement processes in any organization and could thus result into increased performance and delivery. This is not possible without employing ethical theories and principles which form the basis and foundations of ethical organizations (Githui, 2012).

In order to be fair during the bidding process, the Government, through the Public Procurement Oversight Authority (PPOA) has established guidelines when selecting a contractor. These

guidelines include the hiring of minority owned companies which include female owned companies. The company has to have established Equal Opportunity hiring policies and must not have a history of unfair treatment of bidders (Fisher & Lovell, 2009). Another thing the Government must do when selecting a contractor is it must spread the wealth among the contractors. This assures that all contractors and their companies are fairly treated when being considered for a contract. The possibility is good that the smaller, minority owned companies will eventually be chosen to work on a contract. Now all we have to do is make sure that the person that awards the contract is also fair and impartial, and not influenced by outside parties (Githui, 2012).

According to Rossi (2010), compliance with the formal elements gives an indication of knowledge of the rules. Gelderman (2006) maintained 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) stated that lack of familiarity with procurement rules results into poor compliance levels and this leads to inefficiency which negatively affects organizations performance.

Methodology

The study adopted a descriptive and correlational research design since the study intended to gather quantitative data that described the influence of procurement legal framework on implementation of supply chain management ethics within government ministries in Kenya. Correlational research design was applied to help in establishing the nature, degree and direction of relationships between research variables. The target populations comprised of all the ministries in current Kenya government which totals to 42 according to inspectorate of State Corporation (2012).

The study population comprised of staff in procurement department, finance department and administration department in Job group K and above. The study targeted staff in these departments since they were the one involved in execution of the ministry supply chain management practices and thus stood high chances of providing reliable information on the influences of regulatory framework on implementation of supply chain management ethics government ministries in Kenya

The study applied a multistage sampling technique involving a combination of purposive and stratified random sampling technique to select a sample size for the study. The study used a purposive sampling technique to select three departments from each of the 21 ministries. The study applied a stratified sampling technique to stratify the respondents into three departments as; Procurement staff, Finance staff and Administration staff. Simple random sampling was finally applied to select a sample of 30% of the population from each stratum leading to a total of 144 respondents.

Primary data was collected using questionnaire as the main data collection instrument. A Structured questionnaire containing both open ended and close ended questions with the quantitative section of the instrument utilizing both a nominal and a Likert-type scale format was used.

The Statistical Package for Social Sciences (SPSS) was used to process and analyze the gathered data. Descriptive statistics was applied to analyze and present the gathered data in form of percentage. Linear regression model was employed to establish the significance of the independent variable on the dependent variable. Pearson correlation was applied to establish the

strength of the linear relationship between independent variables and the dependent variable. The regression model applied was of the form;

$$Y = BO + B1 X1 + \acute{e}.$$

Where:

Y= Supply Chain Management Ethics

X1= Procurement regulatory framework

BO = constant of regression

B1 = slope (gradient) showing rate dependent variable is changing for each unit change of the independent variable.

Results and Findings

The purpose of this study was therefore to determine the influences of procurement regulatory framework on implementation of supply chain management ethics government ministries in Kenya in Kenya. The specific variables addressed by the study included; Procurement regulations awareness; level of procurement regulations compliance; Procurement procedures; efficiency in procurement processes; transparency and accountability ; Cases of loss of procurement funds and Procurement policies Descriptive results revealed that 0.7 percent of the respondent indicated that, the awareness of procurement regulation is high which does not influence the implementation of supply chain management ethics in the government ministries in Kenya, 1.4 percent of the respondent indicated that at small extent, the awareness of procurement regulation is high which influenced the implementation of supply chain management ethics in the government ministries in Kenya, 4.3 percent of the respondent indicated that at moderate extent, the awareness of procurement regulation is high which influenced the implementation of supply chain management ethics in the government ministries in Kenya, 15.1 percent of the respondent indicated that at large extent, the awareness of procurement regulation is high which influenced the implementation of supply chain management ethics in the government ministries in Kenya, 78.4 percent of the respondent indicated that at very large extent, the awareness of procurement regulation is high which influenced the implementation of supply chain management ethics in the government ministries in Kenya.

On the efficiency in procurement processes, 0.7 percent of the respondent indicated, in efficiency in procurement processes, had no influence on the implementation of supply chain management ethics in the government ministries in Kenya, 21.6 percent of the respondent indicated, small extent in efficiency in procurement processes, which influenced the implementation of supply chain management ethics in the government ministries in Kenya, 64.0 percent of the respondent indicated, moderate extent in efficiency in procurement processes, which influenced the implementation of supply chain management ethics in the government ministries in Kenya, 11.5 percent of the respondent indicated, large extent in efficiency in procurement processes, which influenced the implementation of supply chain management ethics in the government ministries in Kenya and 2.2 percent of the respondent indicated, very large extent in efficiency in procurement processes, which influenced the implementation of supply chain management ethics in the government ministries in Kenya.

On Transparency and accountability, 0 percent of the respondent indicated, that transparency and accountability had no influence on the implementation of supply chain management ethics in the government ministries in Kenya, 14.4 percent of the respondent indicated, small extent in

transparency and accountability which influenced the implementation of supply chain management ethics in the government ministries in Kenya.

77.7 percent of the respondent indicated, moderate extent in transparency and accountability which influenced the implementation of supply chain management ethics in the government ministries in Kenya, 5.0 percent of the respondent indicated, large extent in transparency and accountability which influenced the implementation of supply chain management ethics in the government ministries in Kenya and 2.9 percent of the respondent indicated, very large extent in transparency and accountability which influenced the implementation of supply chain management ethics in the government ministries in Kenya.

It was noted that 0.7 percent of the respondent indicated there was No Cases of loss of procurement funds that had no influence in the implementation of supply chain management ethics in the government ministries in Kenya, 58.3 percent of the respondent indicated at small extent there was No Cases of loss of procurement funds and 30.9 at moderate extent that influenced the implementation of supply chain management ethics in the government ministries in Kenya, 7.9 percent of the respondent indicated at large extent there was No Cases of loss of procurement funds that influenced the implementation of supply chain management ethics in the government ministries while 2.2 percent of the respondent indicated at very large extent there was No Cases of loss of procurement funds that influenced the implementation of supply chain management ethics in the government ministries.

The study indentified that 0 percent procurement policies are up to date and that did not influenced the implementation of supply chain management ethics in the government ministries in Kenya, 1.4 percent at small extent, procurement policies are up to date and influenced the implementation of supply chain management ethics in the government ministries in Kenya.

73.4 percent and 17.3 percent indicated that at large extent and moderate extent respectively procurement policies are up to date and influenced the implementation of supply chain management ethics in the government ministries in Kenya, 7.9 percent indicated that at very large extent procurement policies are up to date and influenced the implementation of supply chain management ethics in the government ministries in Kenya.

It was revealed that majority of the respondents with an average percentage of 38.84, 22.58 and 18.72 rated all the regulatory factors to influence the implementation of supply chain management ethics to a moderate extent, to a large extent and to a very large extent respectively. This hence indicated that majority 80.14% of the respondents indicated that the major factors influencing regulatory framework to affect implementation of supply chain management ethics included; procurement regulations awareness, awareness of procurement regulation is high, efficiency in procurement processes, transparency and accountability, cases of loss of procurement funds and procurement policies are up to date. These findings concurred with findings by Kapila, (2008) that implementation of supply chain management ethics in many government ministries was hindered by lack of procurement regulations awareness, lack of efficiency in procurement processes, lack of transparency and accountability, increased cases of loss of procurement funds and lack of updated procurement policies. The study hence deduced that the major factors influencing regulatory framework to affect implementation of supply chain management ethics included; procurement regulations awareness, awareness of procurement regulation is high, efficiency in procurement processes, transparency and accountability, cases of loss of procurement funds and procurement policies are up to date.

The results of Analysis of Variance (ANOVA) for regression indicated that the significance of the F statistics was 0.00 which was less than 0.05. This implied that there is a significant

relationship between procurement regulatory framework and implementation of supply chain management ethics

The regression model of regulatory framework gave a coefficient of determination $R^2 = 0.172$ and $R = 0.414$ at 0.05 a significant level. The coefficient of determination indicates that 41.4.5% of the variation on implementation of supply chain management ethics is influenced by regulatory framework issues. This showed that there existed a strong positive relationship between regulatory framework and implementation of supply chain management ethics. The test of beta coefficients were presented in table 1 below.

Table 1: Coefficients

Unstandardized Coefficients			t	Sig.
	B	Std. Error		
Regulatory Framework	5.230	.915	5.7	.000
	.395	.074	5.3	.000

The test of beta coefficients shows that the significant relationship between regulatory framework and implementation of supply chain management ethics is positive. The coefficient significance of regulatory framework 5.230 was significantly greater than zero since the significance of the t statistics 0.00 is less than 0.05. This demonstrates that application of regulatory framework measures has a positive effect on implementation of supply chain management ethics. These concurred with findings by Kapila, (2008) that implementation of supply chain management ethics in many government ministries is hindered by regulatory framework challenges such lack of procurement regulations awareness, lack of efficiency in procurement processes, lack of transparency and accountability, increased cases of loss of procurement funds and lack of updated procurement policies

Conclusions and Recommendations

Based on the study findings, the study concluded that the major regulatory framework issues that affect implementation of supply chain management ethics includes; low level of procurement regulations awareness, lack of enforcement of the implementation of procurement regulations, poor monitoring of how government ministries implement procurement procedures, lack of increased efficiency, transparency and accountability in the execution of supply chain management ethics and lack of effective procurement policies in the ministries

The study recommendations were; to ensure that regulatory framework helps in promoting the implementation of supply chain management ethics in government ministries in Kenya. Supply chain practitioners in the government ministries should be trained on how to comply with Public Procurement and Disposal Act, 2005 (PPDA) Public Procurement and Disposal Regulations, 2006 (GOK, 2006) and the Supplies Practitioners Management Act, 2007 (KISM,2009). The government should promote the level of procurement regulations awareness, enforce implementation of procurement regulations, monitor how government ministries implement procurement procedures and apply internal control systems that leads to increased efficiency, transparency and accountability in the execution of supply chain management ethics. Effective procurement policies should also be designed and implemented in all ministries.

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Appendix I

Table 1 Coefficients

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.230	.915		5.716	.000
	REGURATORY FRAMEWORK	.395	.074	.414	5.328	.000

a. Dependent Variable: SUPPLY CHAIN MANAGEMENT ETHICS

Appendix II

Table 2 Regulatory Framework Factors

Regulatory framework factors	Not at all	small extent	moderate extent	large extent	very large extent	Total
a) Procurement regulations awareness. The awareness of procurement regulation is high.	78.4	15.1	4.3	1.4	0.7	100
b) There is efficiency in procurement processes	0.7	21.6	64.0	11.5	2.2	100
c) There is transparency and accountability	0	14.4	77.7	5.0	2.9	100
d) No Cases of loss of procurement funds	0.7	58.3	30.9	7.9	2.2	100
e) Procurement policies are up to date	0	1.4	17.3	73.4	7.9	100
Average	26.6	22.16	38.84	19.84	3.18	100