



**EFFECT OF ETHICAL PROCUREMENT PRACTICES ON PERFORMANCE OF STATE CORPORATIONS IN KENYA: A  
CASE OF KENYA PORTS AUTHORITY**

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**ABSTRACT**

*The aim of the study was to determine the effect of ethical procurement practices on performance in Kenyan state corporations. The target population for the study was 249 employees of Kenya Ports Authority from respective departments. The sample size was 153 which was arrived at by using Slovin's formula from the target population. Data analysis and interpretation was based on descriptive statistics as well as inferential statistics mainly regression analysis and Pearson correlation which was employed during analysis of data. Data presentation was done through frequency distribution tables. The study results indicated that ethical procurement practices (measures of procurement integrity, professionalism, confidentiality and transparency) had significant and positive influence on the performance (in terms of cost reduction and quality). The study recommended that procurement managers and other key players in the procurement doctrine in terms of top corporate policy makers in the organization should be able to emphasize the value of integrity in procurement organization activities across to all staff and other related departments through providing adequate trainings and seminars on code of conducts and ethics in the organization which are underlined in the public procurement and Asset Disposal Act (PPADA) 2015. The study recommended that top corporate leadership in the organizations have a vital role of ensuring that all procurement staff and other staff in other departments follow and practice the transparency ethic especially when undertaking the procurement activities. This can be achieved by providing amicable workshops and other learning sessions to the staff which makes them to improve the organization performance. The study aimed at exploring the ethical procurement practices on performance in Kenyan state operations.*

**Key Words:** Procurement Integrity, Procurement Professionalism, Procurement Confidentiality, Procurement Transparency

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## INTRODUCTION

Procurement is one of the key drivers important in many organizations due to the increased development of information and communication technologies and globalization. Procurement function has been identified by many researchers as key to organizations function due to their contributions on critical decision making especially in regards to the procurement of capital goods (Boyer, 2014). Globally, public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring, rules and regulations. Public procurement refers to the acquisition of goods, services and works by a procuring entity using public funds. According to Mohamoud (2013) public bodies have always been big purchasers, dealing with huge budgets they represent 18.42% of the world GDP.

In Kenya, there has been significant development in procurement reforms in the past three decades from a country with no regulatory system in 60s to a system regulated by the central government department of treasury in the 70s, 80s and 90s (GoK, 2015). The Procurement Regulations of 2006 brought the introduction of new standards for public procurement in Kenya. However, the regulations were not operating efficiently and that the state was losing a lot of money through corruption (Anderson, 2014). These regulations became effective in Kenya on 1st January 2007 after the gazettment of the Public Procurement and Disposal Regulations Act 2005 which was further revised in December 2015. The purpose of this Act is to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public entities to achieve efficient management of public funds.

The act contains eighteen (18) parts according to PPADA (2015) the Principal reason for the enactment of the Act was to have a legal regime that weeds out inefficiencies in the procurement process, remove patterns of abuse, and the failure of the public

purchaser to obtain adequate value in return for the expenditure of public funds PPADA (2015). However, these objectives have never been fully achieved in practice. Further key provisions of the Act and the Regulations are replete with textual weaknesses that have often been abused by procuring entities (GoK, 2015). In his study Wanyama (2014) states that the Regulations do not envisage contemporary market realities hence the need to continuously revise them to keep pace with these developments.

In a study conducted in Kenya by the PPOA, the introduction of the legal and regulatory procurement framework; the establishment of the PPOA as an oversight body; the development of a framework for contract administration and the new appeals mechanism were among those aspects of the procurement system rated as having been positively affected by the Regulations (GoK, 2015). In contrast, the existing institutional development capacity in procuring entities and functioning of the procurement market were assessed as being among the weakest aspects of the system.

The report noted that although procedures supporting systematic procurement planning have been established, research showed that these are far from always being complied with. It was found out, for example, that there was a low share of procurements that were done through open tendering. Another study by KPMG International carried out after the introduction of the Regulations, it was still found out that public procurement still suffers from fraud and misconduct KPMG (2010). KACC also noted that public officials distort the Regulations to restrict the participation of interested firms in procurement, or still direct the outcome of others, per their report (KACC, 2012).

Kenya Ports Authority is a state corporation in Kenya situated in Mombasa county and is the key entry and exit point for cargo belonging to a vast hinterland that include Kenya, Uganda Rwanda, Burundi,

Democratic Republic of Congo, Tanzania, South Sudan, Somalia and Ethiopia. The port of Mombasa dates back to 18th century when the Portuguese and the Arabs came to the East African Indian ocean shore for spice and slave trade (KPA, 2014).

### **Statement of the Problem**

Ethical behaviour in procurement performance is of particular relevance in the twenty first century, because of stakeholder pressure (Barasa, 2016). This has led to the call for ethics in humanitarian procurement as organizations are realizing that ethics can lead to improved operational and financial performance (Meggie, 2014). Supply chain managers, more than any other group within a firm, encounter daily situations that put ethics to the test and while supply chain managers can be viewed as “organizing the optimal flow of high-quality, value-for-money materials or components from a suitable set of innovative suppliers” Oluoch (2015), they are also exposed to a range of selling techniques, some of which are less ethical than others. For instance, compromising in ethics to create short cuts in processes or to generate less review during the audit process is costing companies their reputations, as well as profits. Thus, understanding ethics and its impact on procurement performance is a key responsibility of supply managers Muthoka (2014). Irrespective of the effort put in to improve performance of the procurement function, many organizations are still stained by shoddy works, poor quality goods and services.

KPA has an average procurement expenditure of Kshs 4 billion per year against annual operating revenue of Kshs 13 billion (KPA report, 2018). According to Standard newspaper of 18<sup>th</sup> November, 2018, EACC detectives were investigating the claims that colossal sums of money amounting to KES241 million were transferred from KPAs bank account to individual accounts. Further, according to daily nation report of 22<sup>nd</sup> April, 2019, KPA awarded tender for the construction of Kipevu oil terminal to a Chinese firm

which had been blacklisted by World bank. The tender was inflated from KES 15 billion to KES 45 billion.

Majority of reviewed literature has focused on procurement practices. For instance, a study by Nderitu and Ngugi (2014) investigated the effect of green procurement practices on manufacturing firms’ performance. Mokogi *et al.*, (2015) carried a study on the effects of procurement practices on performance of state owned enterprises in Nairobi County. Makabira and Waiganjo (2014) did a study on the role of procurement practices on performance of public institutions in Kenya. However, from the reviewed extant literature none of the studies focused on ethical procurement in Kenya Ports Authority. The current study sought to fill this gap by holistically investigating the effect of ethical procurement practices on performance at Kenya Ports Authority.

### **Objectives of the Study**

The general objective of the study was to investigate the effects of ethical procurement practices on performance at Kenya Ports Authority. The specific Objectives were;

- To establish the effect of procurement integrity on performance at the Kenya Ports Authority.
- To determine the effect of procurement professionalism on performance at the Kenya Ports Authority.
- To investigate the effect of procurement confidentiality on performance at Kenya Ports Authority.
- To assess the effect of procurement transparency on performance at the Kenya Ports Authority.

The research hypothesis were;

- **H<sub>0</sub>1:** There is no significant effect of procurement integrity on performance at Kenya Ports Authority
- **H<sub>0</sub>2:** There is no significant effect of procurement professionalism on performance at the Kenya Ports Authority.

- **H<sub>03</sub>**: There is no significant effect of procurement confidentiality on performance.
- **H<sub>04</sub>**: There is no significant effect of procurement transparency on performance at the Kenya Ports Authority.

## LITERATURE REVIEW

### Theory of Procurement Contracts

It is evident that the procurement problem has generated substantial attention in the recent past. Bajari and Tadelis (2011) asserted that the primary focus of literature touching on procurement problem has been on the public sector procurement. It is argued that public sector procurement is of huge importance to the economy of any given country. According to Laffont and Tirole (2009), modern economic theories of procurement employ mechanism design to structure the procurement problem as one of ex ante asymmetric information coupled with moral hazard. In light of the foregoing, the seller is argued to possess information regarding production costs that the buyer does not have.

The buyer is said to screen the seller by offering a list of contracts from which the seller selects a particular contract, a situation that end up revealing the buyer's private information. In this case, the seller has an upper hand in terms of requisite information. It is, however, noted that the descriptive engineering and construction management does not demand for a list of contracts (Laffont & Tirole, 2009). Rather, the vast majority of contracts in this sector are variants of simple fixed price and cost-plus contracts. In the former (fixed price) contracts, the buyer offers the seller a prespecified price for completing the project. On the other hand, cost-plus contracts do not specify a price; instead, they reimburse the contractor for costs plus a stipulated fee.

### Game Theory

Game theory is a discipline approach to understanding and controlling an objective thought process. Steve Norton (2016) Game theory is a model

of optimality taking into consideration not only benefits less cost, but also the interaction between the participants. Game theory attempts to look at the relationship between participants in a particular model and predict their optimal decision. Angus Craig (2013) in his book *Power of Game theory in Procurement* describe game theory as a crucial tool to have in a modern business environment especially when it come to the art of negotiation which is crucial in supplier management.

### Virtue Ethics Theory

Virtue ethics focuses on the nature of the acting person. This actor should base his actions on the right virtues. So, the central theme in virtue ethics is shaping people into morally good and responsible creatures. Virtue ethics is rather similar to duty ethics. But, whereas duty ethics is based on certain rules/norms, virtue ethics is based on certain virtues. Virtue ethics is strongly influenced by Aristotle. He stated that every moral virtue is positioned somewhere between two extremes (Bryman, 2015). The transparency virtue is linked to virtue ethic theory where parties involved in procurement are supposed to promote transparency in all their procurement procedures and other vital duties performed under procurement. In fact, the correct moral virtue equals the optimal balance between these two extremes. For example, to be courageous, you need to find an optimal balance between the two extremes of cowardice and recklessness. Sadly, there are downsides to this idea.

The optimal balance often depends on the situation, which a person is in. Also, moral virtues are subjective: you cannot generally say that the courageousness of one person is better than the courageousness of the other (Gathoga, 2015). Care ethics is a rather new ethical theory. It emphasizes that the development of morals is not caused by learning moral principles. Instead, people should learn norms and values in specific contexts. Other people are of fundamental importance here. By

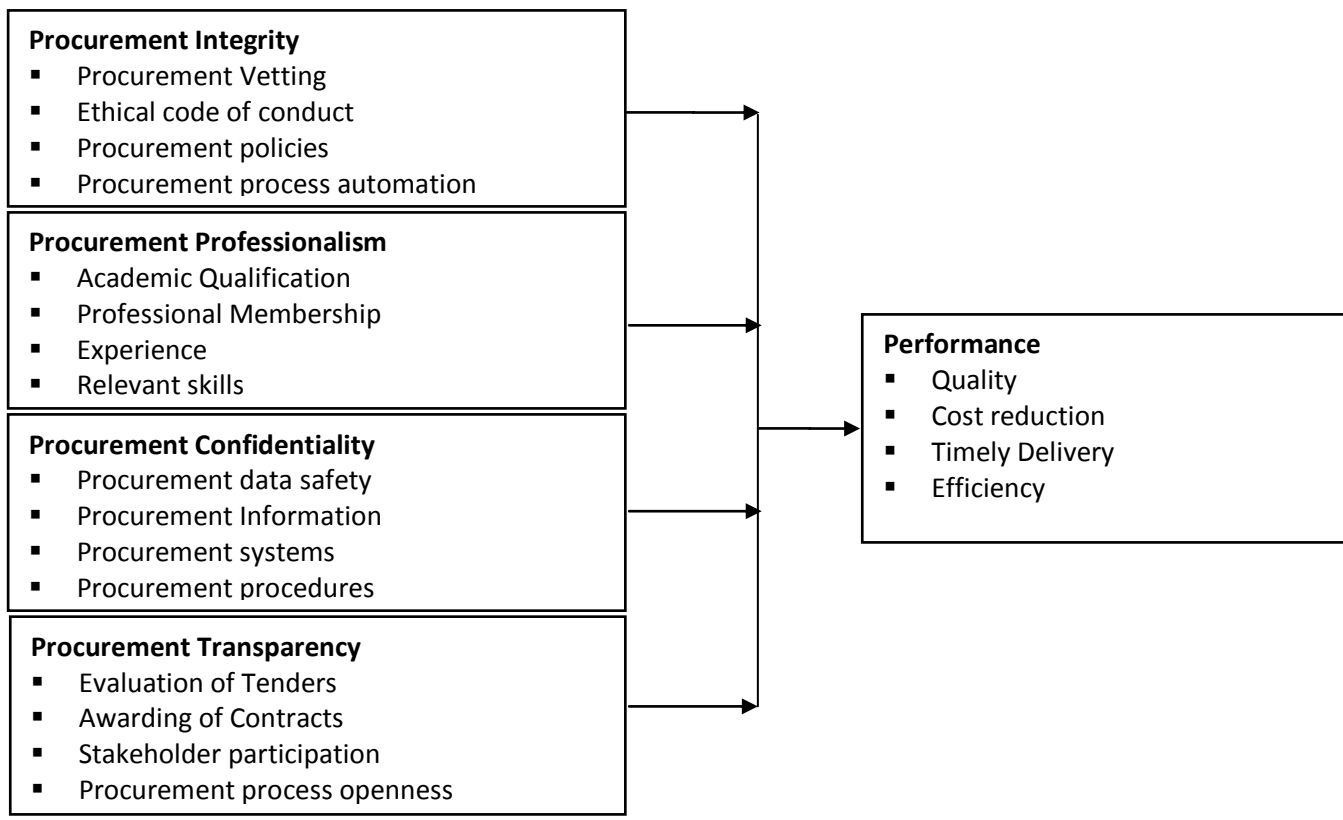
contacting other people, and by placing yourself in their shoes, you learn what is good or bad at a particular time. The solution of moral problems must always be focused on maintaining the relationships between people. So, the connectedness of people is the key.

**Corporate Culture Theory**

The functionalism view and described culture as pattern of basic assumption invented, discovered, or developed by a given group of people that learn to cope with problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore to be taught to new members as the current way to perceive, think, and feel in relation to those problems (Schein, 2015). This theory is relevant to the study as ethical practice

leads to transparency and competition and how they influence procurement of goods and services in public sector.

The underlying purposes and Procurement Laws and policies are to: Permit the continued development of procurement policies and practices; Provide for increased public confidence in the procedures followed in public procurement; Ensure the fair and equitable treatment of all persons who deal with the procurement system of the state; Provide increased economy in state procurement activities by fostering effective competition; and Provide safeguards for the maintenance of a procurement system of quality and integrity, State of Arkansas Procurement Act (2014). However such noble objectives cannot be realized if there is lacking good ethical organizational Culture.



**Independent Variables**

**Dependent Variable**

**Figure 1: Conceptual Framework**

## **Empirical Review**

Thai (2013) conducted a research in Uganda to explain the causal factors for the unethical practices among public procurement officers in Uganda using the Bandura's moral disengagement variables and Durkheim's notion of anomie. The data was collected from both Central and Local Government. The study established that the interactive effect of moral disengagement and procurement planning behaviours diminishes the social construction of procurement officers' deviant behaviours.

According to a study by Segal and Summers (2012) on how to enhance transparency in pharmaceuticals in Latin America and the Caribbean region, it was established that accountability is a government's obligation to demonstrate effectiveness in undertaking the goals and producing the types of services that the public wants and needs. Accountability, they observed, comprises of three vital dimensions, that is, measurement of goals and results, justification of results obtained to internal or external monitors, and punishment or sanctions for poor performance of corrupt behaviour.

Organizations for Economic Cooperation and Development, (2014), study posited that enhancing professionalism in public procurement requires not only management procedures but also a clear set of values and ethical standards clarifying how to achieve these objectives. Hunja, (2011) carried out seven studies using experimental and naturalistic studies in the United States of America (USA) on the factors that affect ethical standards in the public sector. The studies revealed that upper-class individuals behave more unethically than lower-class individuals. In this sense, the unethical attitudes of the upper class breeds unethical behaviour in the public sector procurement.

Wanyama, (2013) conducted a research on public procurement ethics in the Less Developed Countries (LDCs) through the Norwegian Agency for

Development Co-operation (NORAD) platform. The research established that the public procurement unethical behaviors manifest in terms of direct conflict of interests. In this sense, the research established that the causes of unethical issues in public procurement.

Ndolo and Njagi (2014) in a study on the role of ethics in procurement process effectiveness in Kenyan water sector established that a code of ethics is very necessary as a remedy to the malpractices in the procurement process. The study recommended that the procurement personnel should be trained in ethics to provide them with the much needed knowledge and also improve efficiency in procurement.

Nduta (2015) developed a conceptual framework of organizations' corporate and business ethics across organizations and divided it into four separate but at the same time interconnected principal areas as; across organizations; ethical structures; ethical processes; and ethical performance. The conceptual framework was continuous as it contained a series of consecutive organizations that were seen as mutually interdependent, that is one depends upon the other, and vice versa. It goes beyond corporate judicial boundaries and refers to the ongoing attention to ethical concerns across organizations.

## **METHODOLOGY**

This study adopted a descriptive research design in which data was collected for the objectives of the study. The choice of this research design was motivated by its suitability for the instrument to collect a large amount of data. The study targeted 249 employees of Kenya Ports Authority from various departments in procurement, finance, human resource and corporate services. The study targeted staff in these departments since they were the ones involved in execution of the Kenya Ports Authority ethical procurement practices and thus stood high chances of providing reliable information on effects

of ethical procurement practices on performance in Kenyan state corporations. To obtain the study's objectives data, a mixture of structured questions and open ones was used in the questionnaire. Information relating to the Kenyan state corporations in annual and published financial statements in national newspapers, during annual general meetings messages and in-house magazines was used to provide secondary data information on relevant indicators. Other important business disclosure in journals, manuals and state corporations in Kenyan documents were used for secondary data collection. The secondary data collected was used to cross validate the primary data collected.

## FINDINGS

### Procurement Integrity

The study sought to find out how the institution had adhered to procurement integrity through adoption of institutional standards and procurement processes. A Likert scale data was collected rating the extent of agreement in a scale of 1 to 5 where 1 is the strongly disagree whereas 5 is the strongly agree indicator. The mean score for each item was calculated and the findings were shown in Table 1.

**Table 1: Procurement Integrity**

	Mean	Std. Deviation
Adoption of institutional and administrative infrastructure to the firms by KPA	4.89	1.158
Employee adherence to ethical code of conducts while in business	4.93	1.150
Procurement process and confidentiality by suppliers	4.14	.882
Evaluation of tender documents and its effectiveness on pricing	4.07	1.101
Staff adherence to code of conduct in line of duty	4.77	1.090
Procurement integrity and performance at KPA	4.53	1.366

Majority of the respondents agreed that to ensure integrity in KPA, institutional and administrative infrastructure has been adopted in the firms in order to pose restrictions on how to structure the procurement process having mean score of 4.89 and a standard deviation of 1.158, implication that organization adhering to proper procurement process would enhance supplier confidentiality. Respondents had agreed that the firm evaluation process of the tender documents and its effectiveness is evaluated separately from the price and that the price is considered only after the completion of the evaluation with a mean of 4.07 and standard deviation of 1.01 which implies that integrity is paramount ethic when it comes to evaluation process in procurement which evaluation committee have to adhere to it.

Majority of the respondents had agreed that the organization has procurement process that give rise to specific claims of confidentiality by potential suppliers having mean score of 4.14 and standard deviation of 0.882 and a percentage of 68.2 indicating that most organization have made efforts in following the procurement rules and acts which has added value to their procurement works. Majority of the respondents agreed that the firm employees in the procurement department follows an ethical code which dictates their behavior and actions while conducting business having mean score of 4.93 and standard deviation of 1.158. This result confirms Amos and weathington (2010) conclusion that important way to maintain ethics and integrity best standards need to be followed up to maintain aspects such as confidentiality and ethical codes.



## Procurement Professionalism

The study sought to find out the extent of professional standards adhered to by the organization. The results were presented in Table 2.

**Table 2: Procurement Professionalism**

	Mean	Std. Deviation
Changes in public procurement reform efforts and priorities	4.23	.923
Recognition of public procurement process in proper public resource usage	4.51	.608
Cost effectiveness of purchasing process for public authorities and suppliers	4.81	1.330
Uncertainty and unrealistic timelines in the purchasing process and its outcome on procurement	4.78	1.055
For one to become professional in the firm candidates must have a combination of education and work experience in procurement	4.21	.897
professionalism mechanism and its contribution to performance	4.22	.980

From Table 2, respondents agreed that the firm's reform efforts often occur in cycles as public procurement has gone through substantial changes in terms of priorities with mean of 4.23 and standard deviation of 0.923 implying that there was high response rate from respondents based on the fact that procurement ethics plays significant role in the organization. Majority of the respondents agreed that the firm public procurement is increasingly being recognized as a profession that plays a significant role in the successful management of public resources having mean score of 4.51 and standard deviation of 0.608 signifying that procurement professionalism is crucial in any given organization therefore managers and players need to embrace it fully. Most of the respondents agreed that the firm purchasing process has been cost effective for both public authorities and suppliers having mean score of 4.81 and standard deviation of 1.330 implication of better policies and regulations in place to stabilize the procurement performance of the organization.

Respondents further agreed that the firm uncertainty and unrealistic timelines can undermine market confidence discredit a purchasing process and devalue the outcome of the procurement having mean score 4.78 and standard deviation of 1.055. The result implied that organization need to establish solid and robust procurement policies that will ensure procurement ethics is followed by the entire staff.

Most of the respondents agreed that for one to become professional in the firm candidates must have a combination of education and work experience in procurement having mean score of 4.21 and standard deviation of 0.897. The results replicate that professionalism is the aspect that entirely contributes to the well procurement performance of the organization in ensuring adherence of the regulations (Mutegi, 2015).

Most of the respondents had great extent that the firm had the best professionalism mechanism in place where it majorly contributes to performance with support of 4.22 mean and standard deviation of 0.980 signifying that organization need to establish proper procurement ethical rules that would ensure procurement performance. It is supported by Wymer and Regan (2013) who states that, procurement professionalism is required to ensure due diligence in accessing procurement and other non-organizational information that could affect a contract bid or the award process.

### Procurement Confidentiality

With regard to the effect of procurement confidentiality the data that was collected through the Likert scale measuring the level of agreement of the respondents with respect to the given aspects of procurement confidentiality. The results were as presented in Table 3.

**Table 3: Procurement Confidentiality**

	Mean	Std. Deviation
Procurement process quality check	4.24	0.860
Employee breach of Confidentiality provisions and disqualification by the firm.	4.31	1.067
Adopted procedures of handling confidential sensitive information and disclosure	4.25	0.919
Evaluation process of procurement process in regard to potential suppliers	4.05	0.808
Maintenance confidentiality and its level of success in procuring procedure	4.18	0.917
Extent of procurement confidentiality influence on performance	4.23	0.893

Results in Table 3 indicated that majority of the respondents agreed to the moderate extent that a quality check of the firm procurement process is essential in order to confirm the suitability of the goods in question having mean score of 4.24 and standard deviation of 0.860. Majority of the respondents agreed that any employee of the firm who breaches the provisions of confidentiality was guilty of gross misconduct and any breaching of confidentiality has been disqualified by the firm having mean score of 4.31 and standard deviation 1.067. The organization had adopted procedures to ensure the security and confidentiality of documents submitted has helped guide officials in handling sensitive information and in clarifying what information should be disclosed as indicated by a mean of 4.25 and standard deviation 0.919.

The results showed that organization should adopt procedures to ensure security and confidentiality of

documents submitted which helps in handling confidential information. The firm maintaining confidentiality in a procurement process ensures success of the whole procuring procedures in procurement sector having mean of 4.18 and standard deviation of 0.917. The results showed that organization should ensure proper procurement ethics which enhances procurement performance (Robinson, 2015). The findings are supported by Ndolo and Njagi (2014) in a study on the role of ethics in procurement process effectiveness in Kenyan water sector established that a code of ethics is very necessary as a remedy to the malpractices in the procurement process and it ensures confidentiality in procurement processes.

#### **Procurement Transparency**

The study sought to determine the effect of procurement transparency. The results were presented in Table 4.

**Table 4: Procurement Transparency**

	Mean	Std. Deviation
The firm's stakeholders such as suppliers, customers, employees and government know and understand the actual means by which contracts are evaluated and awarded.	4.13	0.940
In the firm's procurement process the criteria for assessing the suitability of bidders and for assessing the tenders in order to award a contract forms part of the minimum information contained in the letter of invitation or contract notice.	4.07	0.950
In cases where the award wishes to get the lowest bid all the criteria that the firm wishes to achieve is clearly stipulated in the tendering documents specifically in descending order of performance.	4.41	0.845
To ensure transparency the firms has to establish and posts items of use on the procurement site to discourage fraud and misuse of information.	4.21	0.869

As shown in Table 4, majority of the respondents moderately agreed that the firm's stakeholders such as supplier's customer's employees and government know and understand the actual means by which contracts are evaluated and awarded with mean score of 4.13 and standard deviation of 0.940. The results implied that organization should encourage and engage customers, suppliers and other government agencies in well-being running of the organization.

Majority of the respondents agreed that there exist fair and equal treatment of providers and integrity in the firm's procurement process and there exists no preference to any group of suppliers with mean of 4.07 and standard deviation of 0.950.

In cases where the award wishes to get the lowest bid all the criteria that the firm wishes to achieve is clearly stipulated in the tendering documents specifically in descending order of performance as indicated by a mean of 4.21 and standard deviation of 0.869.

The results replicated that organization need to understand properly the procedures during tendering so as to observe transparency of the highest order and remove the doubts in the public domain during the procurement process (Muthoka, 2014). To ensure transparency the firms has to establish and posts terms of use on the procurement site to discourage fraud and misuse of information with mean of 4.10 and standard deviation of 0.854. The results implicated that procurement transparency plays exorbitant role in ensuring that organization staff have to create conducive environment for doing business.

### Performance

Performance involves analyzing a company's performance against its objectives and goals. In other words, performance comprises real results or outputs compared with intended outputs. The findings were on means and standard deviation showing the extent of the respondents' agreement on performance. Results were shown in Table 5.

**Table 5: Performance**

	Mean	Std. Deviation
Critical Analysis of business activities and supply chain	4.08	0.772
Supplier selection and improved code of ethics process	4.18	0.898
Supplier relationship and observance of ethical code	4.21	0.859
Suppliers management and reduced operating costs	4.26	0.783
Supply management and quality of goods	3.92	1.001
Transparency and fraud detection in the process	4.19	0.892

From the results in Table 5, majority of the respondents believed that there is an improved critical analysis of business activities that affect the firms supply chain due to the ethical orientation of the firm having mean score of 4.08 and standard deviation of 0.772. The results depicted that critical analysis of the business had an influence to the performance. The process of selecting suppliers to the firm had improved due to the code of ethics process employed in identifying the same where

majority of respondents had great extent with mean score of 4.18 and standard deviation of 0.898. Respondents agreed that there had been an improvement in supplier relationship due to observance of ethical code of conduct by the firm employees (mean=4.21, standard deviation=0.590).

The results showed that when organization improves its supplier relationship in accordance with ethical code of conduct thus it leads to performance. The organization has effective management of supply

chain that improves the quality of goods with mean score of 3.92 and standard deviation of 1.001. The results depicted that effective management of supply chain improves the quality of goods. Majority of the respondents agreed that to ensure transparency the firms has established post terms of use on the procurement sites to discourage fraud and misuse of

information having mean score of 4.19 and standard deviation of 0.892.

### Correlation Analysis

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

**Table 6: Bivariate Pearson correlation**

		Procurement Integrity	Procurement Professionalism	Procurement Confidentiality	Procurement Transparency	Procurement Performance
Integrity	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	132				
Professionalism	Pearson Correlation	.499**	1			
	Sig. (2-tailed)	.002				
	N		132			
Confidentiality	Pearson Correlation	.562**	.610**	1		
	Sig. (2-tailed)	.037	.000			
	N	132	132			
Transparency	Pearson Correlation	.584**	.318**	.415**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	132	132	132		
Performance	Pearson Correlation	.490**	.507**	.326**	.274	1
	Sig. (2-tailed)	.000	.000	.000	.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Correlation results in Table 6 showed that there was a moderate positive correlation of ( $r=0.490$ ,  $P=0.000$ ) between procurement integrity and performance. Correlation results also indicate a moderate correlation of ( $r=0.507$ ,  $P=0.000$ ) between procurement professionalism and performance. Further there was a positive correlation of ( $r=0.326$ ,  $P=0.000$ ) between procurement confidentiality and performance. Finally, the correlation results showed that there is a weak correlation of ( $r=0.274$ ,  $P=0.000$ ) between procurement transparency and performance.

### Regression Analysis

The study conducted a multiple regression analysis in order to investigate the effect of ethical procurement practices on performance at the Kenya Ports Authority. In this model, coefficients of determination explain the extent to which changes in dependent variable can be explained by the changes in the independent variables or percentage of variation in dependent variable (procurement performance for this study) that was explained by all four independent

variables (procurement integrity, professionalism, confidentiality and transparency).

The results for the model summary were presented in Table 7.

### Model Summary

**Table 7: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 <sup>a</sup>	.567	.539	1.20063

a. Predictors: (Constant), Procurement integrity, Procurement professionalism, Procurement Confidentiality, Procurement transparency

According to regression results in Table 7, the regression equation between ethical procurement practices and performance had a moderate regression. In the model summary, the R<sup>2</sup> is 0.567. This implied that the four variables studied explained 56.7% of variance in the performance. This meant

that, the other factors not considered in the study contribute 43.3% of variance in dependent variable.

### Model Validity Results

Analysis of variance was employed to test the overall significance of the regression model. The results are presented in Table 8.

**Table 8: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	628.392	4	157.098	41.637	.000 <sup>b</sup>
	Residual	479.130	127	3.773		
	Total	1107.522	131			

a. Dependent Variable: Performance

b. Predictors: (Constant), Procurement integrity, Procurement professionalism, Procurement Confidentiality, Procurement transparency

From Table 8, The F critical at 5% level of significance was at 41.637 since F calculated was greater than F critical (value = 2.11) this showed that the overall model was significant. The significance was less than 0.05, thus indicating that the predictor variables (procurement integrity, professionalism, confidentiality and transparency) explained the

variation in the dependent variable which is performance.

### Multiple Regression Coefficients

The multiple regression coefficients results were provided in the Table 9.

**Table 9: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.241	1.307		3.245	.000
	Integrity	.130	.063	.223	2.064	.038
	Professionalism	.266	.104	.093	2.558	.009
	Confidentiality	.186	.090	.138	2.067	.000
	Transparency	.109	.048	.089	2.271	.041

a. Dependent Variable: Performance

$$Y=4.241 + 0.130X_1 + 0.266X_2 + 0.186X_3 + 0.109X_4$$

The estimates of the regression coefficients, t-statistics and the p-values for the relationship between ethical procurement practices and performance were presented in Table 9. Based on the regression results, the researcher concluded that at the point where the independent variables are absent (all at zero), performance would be at a level of 4.241. Regression results further indicated that an increase in the procurement integrity by one unit would lead to increase in performance by 0.130 units.

Results further indicated that an increase in the procurement professionalism by one unit would lead to increase in performance by 0.266 units. Further, the result showed that an increase in procurement confidentiality by one unit would lead to increase in performance by 0.186. Finally, the results indicated that an increase in the procurement transparency by one unit would lead to increase in performance by 0.109.

**Table 10: Hypothesis test results**

Hypotheses	Standardized beta	t-test	P-value	Decision
Procurement integrity has no significant effect on performance	0.130	2.064	0.038	Reject H <sub>0</sub> 1
Procurement professionalism has no significant effect on performance	0.266	2.558	0.019	Reject H <sub>0</sub> 2
Procurement confidentiality has no significant effect on performance	0.186	2.067	0.009	Reject H <sub>0</sub> 3
Procurement transparency has no significant effect on performance	0.109	2.271	0.041	Reject H <sub>0</sub> 4

### CONCLUSIONS AND RECOMMENDATIONS

On procurement integrity, the study concluded that KPA had developed institutional and administrative infrastructure so as to pose restrictions on how to structure the procurement process. The study concluded that KPA adhered to proper procurement process thus enhancing supplier confidentiality. The firm evaluation process of the tender documents and its effectiveness was evaluated separately from the price and that the price was considered only after the completion of the evaluation. The study found out that the organization had procurement process that give rise to specific claims of confidentiality by potential suppliers.

On procurement professionalism, the study concludes that the reform efforts often occur in cycles as public procurement has gone through substantial changes in terms of priorities and the KPA public procurement is increasingly being recognized as a profession that

plays a significant role in the successful management of public resources. This indicates that procurement professionalism is crucial in any given organization therefore managers and players need to embrace it fully. The study concludes that the firm purchasing process has been cost effective and better policies and regulations in place to stabilize the procurement performance of the organization.

On procurement confidentiality, the study concluded that the firm conducts quality check on the firm procurement process so as to confirm the suitability of the goods. The study recommended that any employee of the firm who breaches the provisions of confidentiality is guilty of gross misconduct and any breaching of confidentiality is been disqualified by the firm. The organization had adopted procedures to ensure the security and confidentiality of documents submitted had helped guide officials in handling

sensitive information and in clarifying what information should be disclosed.

On procurement transparency, the study concluded that the firm's stakeholders such as supplier's customer's employees and government know and understand the actual means by which contracts are evaluated and awarded. This implied that organization should encourage and engage customers, suppliers and other government agencies in well-being running of the organization. The study concluded that there exist fair and equal treatment of providers and integrity in the firm's procurement process and there exists no preference to any group of suppliers.

The procurement integrity on performance findings showed that it has a significant effect on performance. This meant that it is best to have individuals and partners operating within the context of Kenya Port Authority to understand best practices on ethics and integrity in order for them to execute their mandates with a lot of adherence to important aspects presented in the organization. These enlightening sessions can be done through training and development.

The study recommended that, since it was established that procurement professionalism affects performance, emphasis should be put on the importance of having standard operating procedures in areas where there is much interest by individuals such as procurement departments. Without having careful rules stipulated it is easy to find some rules being overlooked that can affect the expected output in terms of timeliness and efficiency. The KPA should invest more on putting clear standard operating procedures in order to promote professionalism

within the organizations and create proper awareness.

The study recommended that confidentiality should be upheld in the entire process of procurement. This would in turn negate corruption from fraudulent procurement officials. This meant that if the set every activity going on in the procurement department is keenly followed up then there is no reason why an organization should not perform according to the expected output.

The study recommended that the management of KPA should implement the transparency code of conduct to avoid conflict of interest or exposure of some individual practices put forth by the organization. The study recommended that KPA management should elaborate to all stakeholders such as suppliers, customers, employees and government know contracts are evaluated and awarded.

#### **Areas for Further Research**

This research provided empirical evidence on the effect of ethical procurement practices on performance in Kenyan State Corporations specifically studying on Kenya Ports Authority. This research however concentrated on only four ethical procurement practices namely; procurement integrity, professionalism, confidentiality and transparency which accounted for 56.7% variation in performance. Therefore, the study recommended another study be undertaken to factor other ethical procurement practices and establish how they would affect performance.

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