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Accepted: November 3, 2018

### ABSTRACT

*This study sought to establish the effect of asset disposal practices on the performance of state owned enterprises in Kenya. The study targeted all the 187 state owned enterprises senior procurement officers. A descriptive research design was adopted. Coefficient of determination (R<sup>2</sup>) was used to measure how far the regression model's ability to explain the variation of the independent variables. The coefficient of determination is between zero and one. The data showed that the high R square is 0.748. It showed that the independent variables in the study were able to explain 74.80% variation in the procurement performance while the remaining 25.20% was explained by the variables or aspects outside the model. This implied that these variables were very significant and they therefore needed to be considered in any effort to boost procurement performance in the state enterprises. The study therefore identifies variables as critical elements of asset disposal practices which affect procurement performance of state owned enterprises in Kenya. The study recommended for a well formulated disposal committee to offer advisory on the ways to reduce costs. They should verify the disposal recommendations to the satisfaction of our customers. The disposal committee should have plans which recognize the current and future risks to the reduction costs and they resolve immediate problems that would disrupt the work. There is need to use the asset approach to evaluate the return on investment to the customer satisfaction. They should use income approach to estimate the impact of activities on maximum value for the properties being disposed. The study recommended that there is need to have a notification of a review and the tender notified as determined by the review board. The review board should complete its review within the stipulated period after receiving the request for the review. There is need to comply with the administrative review procedures to enhance public trust to enhance customer satisfaction. There should be compliance to the prescribed methods of disposal to enhance timely delivery of services. They should comply within a reasonable time after assets become unserviceable, obsolete or surplus. The organization should comply with the criteria for formulation of disposal committee to enhance customer satisfaction.*

**Key Words:** Disposal Planning, Valuation Methods, Disposal Process Audits, Compliance, Asset Disposal

## INTRODUCTION

The business activities of governments in public procurement have economic and political implications. Governments remain the biggest entities that undertake procurement and disposal on a large scale hence, public procurement and disposal is a big business that attracts a myriad of players and stakeholders (Alala & Deya, 2013). Estimates suggest that between 8 and 25 per cent of the gross domestic product (GDP) of the Organization for Economic Co-operation and Development (OECD) countries and 16 per cent of the European Union (EU) GDP is attributable to government purchases of goods or services (OECD, 2009). Thus, the extent to which correct public purchasing and disposal procedures are followed plays a major role in making the government more responsive and responsible to the needs of the citizens, increasing the national income and spurring development. Observing the correct procedures ensures that the funds dedicated to purchasing of supplies and disposal is spent effectively and efficiently hence benefiting all individuals who obtain supplies and services from the government (ibid). The expenditure that is incurred is in effect taxpayers' money and hence the government should be accountable to the public in whose name procurement and disposal money is expended (Baily, 2005).

Assets are one major resource available to an agency. Both government and non-government organizations procure both fixed and non-fixed assets for day to day use. Assets are procured to suit needs of the users and when the need for the particular assets ceases, disposal of the assets is inevitable (Ndosi, 2013). This implies that these assets are only of value if they continue to cost effectively support the delivery of an agency's services, as reflected in its results and services plan or corporate planning documents. Asset disposal is the final stage in the asset life cycle hence proper planning and management is an integral part of the total asset management (TAM) strategic

process. Goods to be disposed of still have value for money in them and even when they undergo wear and tear and may still have financial value for the institution in question. Furthermore, to get value for money in disposing of goods and equipment methods the disposal could generate huge sum of money if the following methods resale, trade in, auction and disposal should be based on a fair market value for each surplus (Mensah, 2014).

State-owned enterprises (SOEs) have always played important roles in the political economics of nation-states. SOEs have often become inefficient burdens on national budgets, however, and policymakers have tried to improve their productivity and to privatize them to become parts of growing free market economies (McCord 2002) The prediction by many economist in the early 1990s that SOEs would become "a relic of the 20th century" has thus far proved incorrect-instead, SOEs " are far from extinction, are thriving, and in many cases seek to expand beyond their own borders particularly in the energy and commodity sectors (Efird 2010).

Many African state-owned enterprises (SOEs) particularly those in infrastructure, have a long history of poor performance. For instance, the performance of Ghana's SOEs started deteriorating in the 1980s because of a number of reasons (Dadzie, 2013). As a result of poor performance and high debt levels of SOEs, the government of Ghana, the International Monetary Fund (IMF), and the World Bank initiated the Structural Adjustment Program (SAP) in the 1980s (Opoku, 2010). The paradigm shift to SAP emphasized privatization and commercialization of SOEs in Sub-Saharan African Countries because of SOE's unprofitable nature (Adams, 2011; Van-Dooren, 2011). The introduction of SAP reforms was intended to deregulate public enterprises and streamline structures; however, the reforms did not meet adequate standards in developing countries due to persistent leadership and

management challenges (Walumbwa, Avolio, & Aryee, 2011).

In the Liberian situation, most of the country's leading state-owned enterprises were allocated to belligerent parties in the country's civil conflict as a form of appeasement to help end the country's civil conflict. The Accra Comprehensive Peace Agreement called for the allocation of ministerial positions, deputy and assistant ministerial positions, headship of autonomous agencies, commissions, public corporations and state-owned enterprises shall be to parties to this agreement through a process of negotiation (CPA-Liberia, 2003). As result these State-Owned enterprises reported directly to their rebel parties instead of the established method of reporting.

State corporations in Kenya have been put under performance contracting as an effective and promising means of improving the performance of public enterprises as well as government departments. However, these corporations have continued to perform poorly compared to their private counterparts as evidenced in the poor performance contracting results by majority of enterprises (Kyalo, 2015). Specifically, only a few commercially oriented corporations have reported profit or surplus. This is an economic problem that policy makers are still grappling with (Linyiru, 2015).

State Corporations in Kenya are formed by the government to meet both commercial and social goals. They exist for various reasons including: to correct market failures, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. In 2013, the Presidential Task Force on Parastatal Reforms (PTFPR) published a list of all state-owned enterprises (SOEs) and recommended proposals to reduce the number of State Corporations from 262 to 187 in order to eliminate redundant functions between parastatals, close or dispose of non-performing organizations,

consolidate functions wherever possible, and reduce the workforce. However, progress is slow.

### **Statement of the Problem**

The performance of State Owned Enterprises has been generally regarded as poor in many countries worldwide. In Kenya, these corporations have continued to perform poorly compared to their private counterparts as evidenced in the poor performance contracting results by majority of enterprises (Kyalo, 2015). Specifically, only a few commercially oriented corporations have reported profit or surplus making this is an economic problem that policy makers are still grappling with (Linyiru, 2015). The problem of poor performance of commercial parastatals represents a drain on the exchequer and also results into non delivery on intended services. This has a negative implication on the welfare of Kenyan Citizens and may also imply that Vision 2030 is not met. This is evidenced by Government report in 2011/12 for instance where eleven (11) commercial State Corporations made losses, compared to twelve (12) in 2010/11 and sixteen (16) in 2009/10. This represents 21%, 23% and 31% respectively of all commercial oriented Government Owned Entities. The pattern of stock of publicly guaranteed debt to State Corporations in Kenya shows a decline in 2007 from 2006, but has been on an upward trend since then (Linyiru, 2015). Some of the well-known cases of gross underperformance is exhibited by enterprises such as Uchumi Supermarket and Rift Valley Railways.

Part of this poor performance has been linked to the procurement and disposal functions in the SOEs. It is estimated that inefficiencies in the processes of public procurement and disposal cost Kenya about Kshs. 30 Billion annually due to poor disposal planning (Wahome, 2015). In most SOEs; assets, stores and equipment have been held for the government's day to day operations since time immemorial. However, disposing these stores and

equipment has become a big challenge. Lack of procurement planning for disposal, lengthened disposal cycles and financial risks related to disposal like under-pricing goods for disposal are some of the major challenges bedeviling asset disposal in government enterprises in Kenya (Susan & Namusonge, 2014). In addition, with the guidance of the Act and the Regulations on how to carry out procurement planning for disposal of assets by public entities: it becomes questionable when visits to public sector organizations reveal that assets lie idle; vehicles grow grass in parking yards; offices have dusty equipment that are not being used; and storage facilities hold items that have not been issued or used in many years (Susan & Namusonge, 2014). This has been found to result to increased risks of unnecessary expenditure on storage costs; misguided management effort; gradual loss of the value in those items; and the possibility of disposing assets, at a value lesser than the residual value or best achievable value in the market. However, no much attention has been directed towards assessing the effects of these practices on the performance of the SOEs if even they have been shown to impact the efficiency of their operations and ultimately, their performance.

A review of existing literature shows that link between disposal practices and performance of SOEs has not been studied in depth. Some of the existing studies that are close to the study only touch on disposal, though not in depth but do not show how they affect performance. For instance, Susan and Namusonge (2014) focused on the factors affecting the rate of disposal of assets in public sector organizations: a case study of Yatta Sub-County-Kenya; Mensah (2014) focused on strategies for effective disposal of goods and equipment in public institutions while Ndosu (2013) focused on disposal of assets in government executive agencies in the case of Tanzania Institute of Accountancy. Hence, this study sought to fill this gap by conducting an assessment of

the effect disposal practices on performance of SOEs in Kenya.

### **Objectives of the Study**

The purpose of this study was to assess the effect of asset disposal practices on the performance of state owned enterprises in Kenya. The specific objectives were:-

- To examine the effect of disposal planning on the performance of state owned enterprises in Kenya
- To determine the effect of valuation methods on the performance of state owned enterprises in Kenya
- To establish the effect of disposal process review/audits on the performance of state owned enterprises in Kenya
- To explore the effect of compliance to disposal procedures on the performance of state owned enterprises in Kenya

### **LITERATURE REVIEW**

#### **Theoretical Review**

Theoretical review explanations about a phenomenon and according to Marriam (2011). Theoretical framework provides the researcher the lens to view the world. A theory is an accepted fact that attempt to provide a plausible or rational explanation of cause- and-effect (causal) relationship among a group of observed phenomenon (Kothari, 2004). Theories provide a general explanation to an occurrence and that a researcher should be conversant with theories that are applicable to his area of study (Ngumi, 2013). A theoretical framework guides the researcher in determining what statistical variables need to be measured. Thus the theoretical literature helps the researcher to see clearly the variables of the study, provides a general framework for data analysis and helps in selection of applicable research design (Ngumi, 2013). The current study is anchored on



public choice theory, institutional theory, control theory and the Transaction Cost Theory.

### **Public Choice Theory**

Public policy theory is considered to be relevant on understanding how public policy affects public procurement framework and disposal of stock in Kenya and hence provides a theoretical background for this study. Ajzen (1985), argues that overall, the TAT provides an informative representation of the mechanisms by which design choices influence user acceptance, and should therefore be helpful in applied contexts for forecasting and evaluating user acceptance of information technology. TAT is one of the most influential extensions of Ajzen and Fishbein's Theory of reasoned action theory of reasoned action (TRA) in the literature. It was developed by Fred Davis and Richard Bagozzi (1989), Bagozzi, Davis and Warshaw (1992). TAT replaces many of TRA's attitude measures with the two technology acceptance measures ease of use, and usefulness. TRA and TAT, both of which have strong behavioural elements, assume that when someone forms an intention to act, that they will be free to act without limitation. In the real world there will be many constraints, such as limited freedom to act (Bagozzi, Davis & Warshaw 1992).

### **Institutional Theory**

The institutional theory is the traditional approach that is used to examine elements of public procurement (Luhmann, 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. According to Scott (2004), institutions are composed of cultural-cognitive and regulative elements that, together with associated activities and resources give meaning to life.

In Kenya, public procurement is guided by the PPDA Act 2005, regulations and guidelines which are from time to time issued by the Public Procurement Oversight Authority only and which must comply with to the latter by all the public entities and providers of Public procurement regulations (2006) and guidelines directing procurement activities (Barrett, 2010). Institutional theory states that there should be compliance with Public procurement regulations to ensure competitive bidding, transparency, and professionalism in procurement process (Andrew, 2008).

### **Control Theory**

According to Bierstaker (1999), the basics of control theory is that for business or system to stand, one individual should authorize the purchase and the selling of products, while another should take custody of the sale and the third individual should account for the number of products sold (Bierstaker, 1999). The better the running of a system operations, the less the cost and greater the benefit associated with.

The advantage of planning is that it forces management to take account of possible decisions from anticipated path. According to the AICPA Audit Committee Toolkit (2004), it will be found that while all of an organization's people are an integral part of internal control, certain parties merit special mention for instance the board of directors (including the audit committee), internal auditors, and auditors. The primary responsibility for the development and maintenance of internal control rests with an organization's management.

Bierstaker and Wright (2004) says that with increased significance placed on the control environment, the focus of internal control has changed from policies and procedures to an overriding philosophy and operating style within the organization. Emphasis on these intangible aspects highlights the importance of top management's involvement in the internal

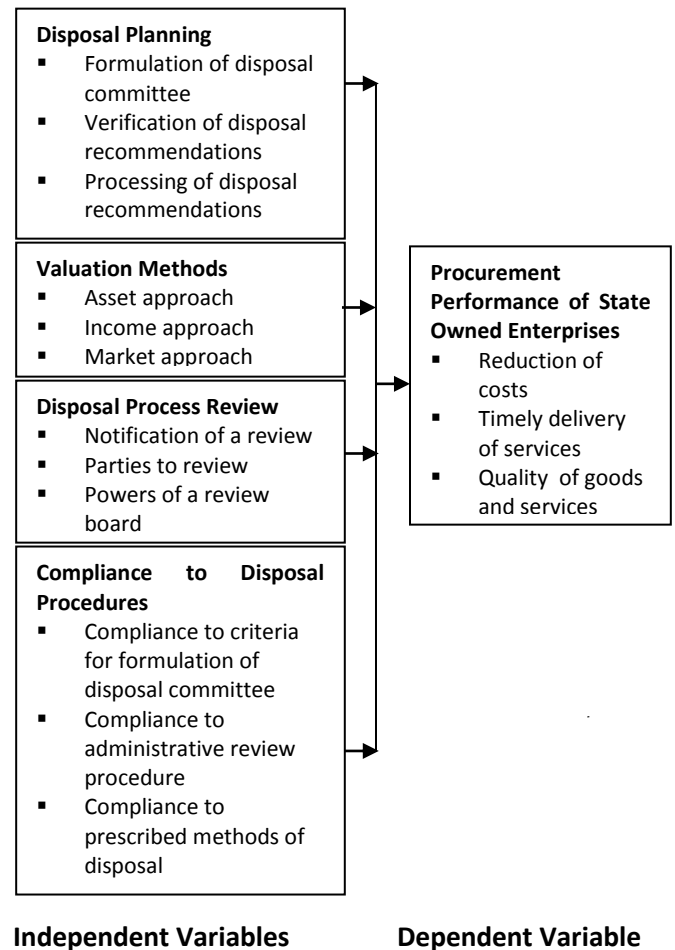
control system. If internal control is not a priority for management, then it will not be one for people within the organization either. As an indication of management's responsibility, top management at a publicly owned organization will include in the organization's annual financial report to the shareholders a statement indicating that management has established a system of internal control that management believes is effective. The statement may also provide specific details about the organization's internal control system (Bierstaker, 1999).

### Transaction Cost Theory (TCE)

The TCE attempts to bring out the concept of cost of doing business in a very wide perspective and looks at how to monitor them. One of the ways proposed by this theory for monitoring internal costs of doing business is use of internal monitoring. The objective of TCE is to explain different forms of organization based on the differences in transaction costs. Firm is seen as a governance structure, rather than as a production function, Williamson, (1996). In addition, TCE tries to identify and mitigate contractual hazards, Williamson, (1996) and links the possible hazards to behavioral assumptions. The first assumption relates to bounded rationality, Simon, (1976), the notion that decision makers' capabilities are bounded in terms of formulating and solving problems and processing all information during the decision-making process. The second assumption deals with opportunism or possible conflicts because individuals are promoting their own self-interest. Opportunism is a variety of self-interest seeking, but extends simple self-interest seeking to include self-interest seeking with guile. It is not necessary that all agents be regarded as opportunistic in identical degree. It suffices that those who are less opportunistic than others are difficult to ascertain and that, even among the less opportunistic, most have their price, Williamson, (1979). These behavioral assumptions lead to

incomplete contracting and as a consequence, monitoring of the contract is required to prevent or to handle conflicts. Governance is the economizing response to infuse order and to realize mutual gains, Williamson, (1999).

### Conceptual Framework



**Figure 1: Conceptual Framework**

Source: Author (2018)

### Empirical Review

#### Disposal Planning

Sergio (2010) carried out a study on effectiveness of develop strategies for effective disposal of goods and equipment in public institution. The study adopted qualitative approach and journals were used to

collect data that was later analyzed using SPSS version 21. The study findings revealed that there were existing practices of disposal of goods and equipment. However, the study findings further revealed the following strategies; the institutions should code all asset when they procured goods and equipment into their outfit to determine longevity of the asset, professional independent body should examine every asset when they are due for disposal, certificate of disposal should be issued by standing disposal committee, methods of disposal should be approved by the head of institution, economic returns and finally, asset disposal plan that would be effective , efficient and economical in all government institution.

Susan and Namusonge (2014) carried out a study on factors affecting the Rate of Disposal of Assets in Public Sector Organizations focusing on Yatta Sub-County- Kenya. The study adopted a census was carried out on all the 28 Government Departments whereby 60 employees who were considered to have relevant information to the study were taken as the respondents. Questionnaires, interview guide and observation schedule were used to collect data. The findings of the study indicated that, the rate of disposal in public sector organizations in Yatta sub-county was low and that the process of procurement planning for disposal was reported as long and tedious.

### **Valuation Methods**

Kimeu and Were (2013) study sought to establish the factors affecting disposal of unserviceable assets in public sector in Kenya, with reference to Nairobi City County. The study adopted a descriptive research design. The data was collected using questionnaires. Descriptive statistics was used to analyze the data. The study further undertook regression analysis to examine the relationship between asset valuation of the SOEs and disposal of unserviceable assets in Nairobi City County in Kenya. The study findings

revealed that asset valuation has a significance negative effect on disposal of unserviceable assets. The study findings concluded that effective sorting and grouping, that is asset valuation significantly affect disposal of unserviceable assets in Nairobi City County.

Nguyen (2013) conducted a study the valuation for State-Owned Enterprises equitization under Vietnam's. The study used a descriptive research design, data was collected using questionnaire. The study findings revealed that the Vietnam's valuation method currently applied in equitization was looking good but not working well as the method tends to either undervalue or over-values the assets of the SOEs involved in equitization. The study findings also implied that the application in practice was rather troublesome and time-consuming.

### **Disposal Process Review**

Kibet (2008) conducted a study to establish the role of internal audit in promoting good corporate governance in state owned enterprises. The study used exploratory research and primary data was collected via a questionnaire. The population comprised of all state owned enterprises headquartered in Nairobi. The study findings indicated that, to enhance the independence of the internal audit function, internal auditors should report to the board or the audit committee and that internal audit staff be dismissed after the approval of the audit committee. The study findings concluded that internal audit function plays a significant role in enhancing good corporate governance, the Board and management should offer the necessary support, appreciate the increasing status and role of internal audit in promoting good corporate governance practices.

Odoyo, Omwono and Okinyi (2014) study analyzed the role of internal audit in Enterprise Risk Management (ERM) on the Kenyan public sector



firms. The study examined the impact of Involvement in ERM by auditors and internal auditors' willingness to report a breakdown in risk procedures and whether a strong relationship with the audit committee affects willingness to report. The study used a cross-sectional survey and data was collected using questionnaires. The study findings concluded that management of State Corporation needs to create an environment that will harness commitment and support to internal audit if it is to effectively perform its responsibility of giving assurance that organizational risks are managed effectively. The study findings also recommended that the process regarding internal audit and regulatory compliance certification should be amended to ensure the corporations' trust in them.

### **Compliance Disposal Procedures**

Tomasic and Fu (2005) undertook a study on governance in Australia's and China's government-owned companies. Descriptive survey design was used and the data was cross-sectional. The study findings established that government-owned companies are often torn between pursuing contradictory goals unlike private corporations whose directors perform their functions in the company's interests as a whole, Parastatals merely serve the interests of one stakeholder group, the politicians, president or ministers.

Kamal (2010) conducted a study on governance in Indonesia's state corporations and the governance principles conform to the Anglo-American governance regime. The data collection using a semi-structured questionnaire. Qualitative and quantitative techniques were used to analyze the data. The study findings established that governance guidelines in Indonesia lack relevance as they seek to address governance issues present in publicly traded companies with dispersed and fragmented shareholders instead of state corporations which have government as citizens' representative.

### **METHODOLOGY**

The study used a descriptive survey design to help in indicating trends in attitudes and behaviors and enable generalization of the findings of the research study to be done. This design was appropriate for this study because it utilizes a questionnaire as the data collection tool that saves time, expenses and the amount of quality information yielded is valid, while interviewer bias is reduced because participants complete identically worded self-reported measures. The population of the study was 187 chief procurement officers drawn for the state owned enterprises as per List of Kenyan State Corporations 2017. The SOEs were classified based on Sectoral Categorization of Kenyan State Corporations. The study used primary forms of data. To ascertain the primary data from various respondents, the study used self-administered questionnaires. The study collected data using drop and pick method. Questionnaires were dropped and picked later to enable the respondents have enough time to respond to the questionnaires. The questionnaires were edited for completeness and consistency to ensure that respondents had completed them as required. The study collected both qualitative and quantitative data and was analyzed using both quantitative and qualitative methods with the help of (SPSS). The qualitative data was analyzed by the use of content analysis which helped the study in giving recommendation in line with the conclusions drawn for the whole population under study. The collected data was coded and entered into SPSS to create a data sheet that was used for analysis. Equation below showed the linear regression model of the independent variables against the dependent variable that was adopted by the study.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

Y = dependent variable (Performance of state owned enterprises).

X<sub>1</sub> = Disposal planning

$X_2$  = Valuation methods  
 $X_3$  = Disposal Process Review  
 $X_4$  = Compliance to Disposal Procedures  
 $\epsilon$  = Error term, which is assumed to be normally distributed with mean zero and constant variance.

## RESULTS

### Disposal Planning

The study sought to establish the extent to which respondents agreed with the statements relating to whether disposal planning influences performance of state owned enterprises. The results were presented in mean and standard deviation as illustrated in Table 1.

From the study results, majority of the respondents were neutral that that they have a formulated disposal committee to offer advisory advice on the ways to reduce costs as shown by a mean of 3.333, they do verify the disposal recommendations to the satisfaction of our customers as shown by a mean of 3.435; The disposal committee process and offer disposal recommendations to enhance timely delivery

of services as shown by a mean of 3.213; The disposal committee does plans which recognize the current and future risks to the reduction costs as shown by a mean of 3.124; respondents were neutral that they resolve immediate problems that would disrupt the work as shown by a mean of 2.990; The disposal committee verify and process disposal recommendations to enhance customer satisfaction as shown by a mean of 3.009. This implied that disposal planning influence performance of state owned enterprises in Kenya. General Government agencies are responsible for delivery of particular services in line with Government's overarching service delivery agenda and priorities. Agencies determine the best way to achieve Government requirements. Their plans recognize current and future risks including changes in service demands and delivery methods, and changes in the level of available resources (Klaes 2008). Asset disposal is the final stage in the asset life cycle. Its proper planning and management is therefore an integral part of the Total Asset Management (TAM) strategic process.

**Table 1: Disposal Planning**

Statement	SD	D	N	A	SA	Mean	Std
We have a formulated disposal committee to offer advisory advice on the ways to reduce costs	6.5%	6.5%	8.5%	72.5%	6%	3.333	.670
We do verify the disposal recommendations to the satisfaction of our customers	5.5%	11%	6.5%	67.5%	9.5%	3.435	.439
The disposal committee process and offer disposal recommendations to enhance timely delivery of services	6%	68%	9%	6%	11%	3.213	.897
The disposal committee does plans which recognize the current and future risks to the reduction costs	4.5%	8.5%	8.5%	72.5%	6%	3.124	.284
The disposal committee verify and process disposal recommendations to enhance customer satisfaction	72.5%	6.5%	8.5%	6.5%	6%	3.009	.186

## Valuation Methods

The study sought to establish the extent to which respondents agreed with the statements relating to whether valuation methods influences performance of state owned enterprises. The results were presented in mean and standard deviation as illustrated in Table 2.

From the results, majority of the respondents were neutral that that they use the asset approach to evaluate the return on investment to the customer satisfaction as shown by a mean of 2.789, they do use income approach to estimate the impact of activities on maximum value for the properties being

**Table 2: Valuation Methods**

Statement	SD	D	N	A	SA	M	Std
We use the asset approach to evaluate the return on investment to the customer satisfaction	5.5%	67.5%	6.5%	11%	9.5%	3.333	.599
We do use income approach to estimate the impact of activities on maximum value for the properties being disposed	6%	67%	9%	7%	11%	3.435	.421
The market approach is based on the sufficient public information for the calculation on the property value to the satisfaction of the customers	6.5%	74.5%	8.5%	4%	6%	3.213	.523
We do use the asset approach method which caters for inflation in the property pricing to enhance business decisions	4.5%	8.5%	8.5%	72.5%	6%	3.124	.313
We do use market approach based on the public information for the calculation to the satisfaction of our customers	6.5%	6.5%	8.5%	72.5%	6%	3.009	.562

## Disposal Process Reviews/Audits

The study sought to establish the extent to which respondents agreed with the statements relating to whether disposal process reviews/audits influences performance of state owned enterprises. The results were presented in mean and standard deviation as illustrated in Table 3. From the results, majority of the respondents were found to highly agree that they had a notification of a review and the tender notified as

disposed as shown by a mean of 3.324; The market approach is based on the sufficient public information for the calculation on the property value to the satisfaction of the customers as shown by a mean of 3.234; respondents were neutral that they used the asset approach method which caters for inflation in the property pricing to enhance business decisions as shown by a mean of 3.215; and they do use market approach based on the public information for the calculation to the satisfaction of their customers as shown by a mean of 3.213;. This implied that valuation methods influenced performance of state owned enterprises in Kenya.

determined by the review board (3.715); The review board completed its review within the stipulated period after receiving the request for the review (3.032); There was need for additional skills and competencies of implementation of procurement outsourcing practices (3.149); The review board review increased transparency and accountability on the procurement procedures (3.235). There was adequate notification of review and parties to review to enhance public confidence (3.218).

**Table 3: Disposal Process Reviews/ Audits**

Statement	SD	D	N	A	SA	M	Std
We do have a notification of a review and the tender notified as determined by the review board	4.5%	8.5%	8.5%	72.5%	6%	3.715	.545
The review board complete its review within the stipulated period after receiving the request for the review	6.5%	74.5%	8.5%	4%	6%	3.032	.626
The review board review increase transparency and accountability on the procurement procedures	6.5%	6.5%	8.5%	72.5%	6%	3.149	.287
There is adequate notification of review and parties to review to enhance public confidence	4.5%	8.5%	8.5%	72.5%	6%	3.218	.542

**Compliance to Disposal Procedures**

The study sought to establish the extent to which respondents agreed with the statements relating to whether disposal process reviews/audits influence performance of state owned enterprises. The results were presented in mean and standard deviation as illustrated in Table 4.

From the results, majority of the respondents agreed that the organization comply to the criteria for formulation of disposal committee to enhance customer satisfaction as shown by a mean of 3.765, they do comply to the administrative review procedures to enhance public trust to enhance customer satisfaction as shown by a mean of 3.876; There was a compliance to the prescribed methods of disposal to enhance timely delivery of services as

shown by a mean of 2.345; they complied within a reasonable time after assets become unserviceable, obsolete or surplus as shown by a mean of 3.215; The organization comply to the criteria for formulation of disposal committee to enhance customer satisfaction as shown by a mean of 4.213. This implied that compliance to disposal procedures influence performance of state owned enterprises in Kenya. Procurement compliance often includes the percentage of spend procurement influences or the amount of spend on contract (Alkema2008). Procurement compliance activities involved in disposal procedure include; compliance to criteria for formulation of disposal committee, compliance to administrative review procedure and compliance to prescribed methods of disposal (PPDA 2015).

**Table 4: Compliance to Disposal Procedures**

Statement	SD	D	N	A	SA	M	Std
The organization comply to the criteria for formulation of disposal committee to enhance customer satisfaction	6%	7%	9%	67%	11%	3.765	.425
We do comply to the administrative review procedures to enhance public trust to enhance customer satisfaction	6.5%	74.5%	8.5%	4%	6%	3.876	.528
There is a compliance to the prescribed methods of disposal to enhance timely delivery of services	2%	3%	15%	55%	25%	2.345	.221
We do comply within a reasonable time after assets become unserviceable,	4.5%	8.5%	8.5%	72.5%	6%	3.215	.310

obsolete or surplus

The organization comply to the criteria for formulation of disposal committee to enhance customer satisfaction

5%      8%      9%      72%      6%      4.231      .128

**Performance of State Owned Enterprises**

On the extent to which procurement performance in the organization, respondents were asked to indicate the extent to which the factors determined the procurement performance. The data was collected from the different indicators of the variable Procurement performance which was ordinal categorical. The data was therefore presented in frequency tables with the median being used as the appropriate measure of central tendency. The results were presented in Table 5. The first indicator for the dependent variable required to know what the organizations level procurement performance was compliance with procurement regulations was, 0% of the respondents had 0-10%, 3% had 20-30%, 11% had 30-40%, 17% had 40-50%, 69% had had over 50%. The modal class was of the respondents who had over 50% compliance. The median was found to be 5 which implied that on average the organizations level of compliance with procurement regulations is over 50%.

The next indicator required the respondents to state the level of minimization of procurement expenditure

in the organization, 3% of the respondents had 0-20%, 3% had 20-30%, 14% had 30-40%, 26% had 40-50%, 49% had over 50%. The modal class was of the respondents who had over 50%. The median was found to be 5 which implied that on average firm’s levels of minimization of procurement expenditure was by over 50%. When the respondents were asked what the level of transparency and accountability of procurement funds was, 0% of the respondents 0-20%, 3% had 20-30%, 3% had 30-40%, 34% had 40-50%, 60% had over 50%. The modal class is of the respondents who had over 50% transparency. The median was found to be 5 which implied that on average the level of transparency and accountability of procurement funds in organizations is over 50%.

Finally, the respondents were asked what the level of Quality of procured goods and services offered was, 0% of the respondents 0-20%, 3% had 20-30%, 20% had 30-40%, 43% had 40-50%, 34% had over 50%. The modal class was of the respondents who had between 40-50% quality level. The median was found to be 4 which implied that on average the level of Quality of procured goods and services offered was between 40-50%.

**Table 5: Procurement Performance**

Statement	0%-10%	11%-20%	21%-40%	41%-50%	Over 50%	Mode
What is the level of compliance with procurement regulations?	0	3	11	17	69	5
What is the level of minimization of procurement expenditure?	3	3	14	26	49	5
What is the level of transparency and accountability of procurement funds	0	3	3	34	60	5
What is the level of quality of procured goods and services offered?	0	3	20	43	34	4



### Multiple Regression Analysis

The study adopted a multiple regression analysis so as to establish the relationship of independent variables and dependent variables. The data showed that the high R square was 0.748. It showed that the independent variables in the study were able to explain 74.80% variation in the procurement performance while the remaining 25.20% was explained by the variables or aspects outside the model. This implied that these variables were very significant and they therefore needed to be considered in any effort to boost procurement performance in the state enterprises. The study therefore identified variables as critical elements of asset disposal practices which affect procurement performance of state owned enterprises in Kenya.

### F-Test Results

Based on the study results of the ANOVA Test or F-test in Table 7, obtained F-count was 60.089 greater the F-critical (7.654) with significance of 0.000. Since the significance level of  $0.000 < 0.05$  we concluded that the set of independent variables affected the procurement performance in state enterprises in Kenya (Y-dependent variable) and this showed that the overall model was significant.

The results of multiple regression analysis obtained regression coefficients t value and significance level as indicated in Table 8. The study conducted a multiple regression analysis so as to determine the relationship between the dependent variable and

independent variables. The general form of the equation was to predict procurement performance from disposal planning, valuation methods, disposal process reviews/audits and compliance to disposal procedures is:  $(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon)$  becomes:  $Y = 1.698 + 0.511X_1 + 0.506X_2 + 0.475X_3 + 0.426X_4$ .

From the study findings on the regression equation established, taking all factors into account (independent variables) constant at zero procurement performance will be 1.698. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in disposal planning would lead to a 0.511 increase in procurement performance; a unit increase in valuation methods would lead to a 0.506 increase in procurement performance, a unit increase in disposal process reviews would lead to 0.475 increase in procurement performance and a unit increase in compliance to disposal reviews/audits would lead to 0.426 increase in procurement performance. This inferred that disposal planning contributed most to procurement performance. Based at 5% level of significance, disposal planning had a .000 level of significance; valuation methods showed a .002 level of significance, disposal process reviews show a .004 level of significance and compliance to disposal show a .005 level of significance hence the most significant factor was disposal planning.

**Table 6: Model Summary**

Model	R	R <sup>2</sup>	R <sup>2</sup>	Std. Error of the Estimate
	.865	.748	.721	.010

**Table 7: ANOVA**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	82.971	4	20.742	60.089	.000
Residual	43.150	125	.3452		
Total	126.121	129			

NB: F-critical Value = 7.654

**Table 8: Coefficient Results**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	$\beta$	Std. Error	$\beta$		
(Constant)	1.698	.223		7.615	.000
Disposal Planning	.511	.065	.765	7.876	.000
Valuation Methods	.506	.076	.654	6.654	.002
Disposal Process Review	.475	.122	.555	3.898	.004
Compliance to Disposal.	.426	.154	.532	2.771	.005

**T-Test Results**

The T-value for disposal planning (7.876) had a significance level of 0.000 thus the value of less than 0.05. Thus research question one was concluded that the disposal planning has significant positive influence on the procurement performance in procurement performance in the state enterprises.

The T-value for valuation methods (6.654) had a significance level of 0.002 thus the value of less than 0.05. Thus research question two was concluded that the valuation methods had significant positive influence on the procurement performance in procurement performance in the state enterprises.

The T-value for information communication and technology (3.898) had a significance level of 0.004 thus the value of less than 0.05. Thus research question three was concluded that the disposal process reviews had significant positive influence on the procurement performance in procurement performance in the state enterprises.

The T-value for compliance to disposal (4.771) had a significance level of 0.005 thus the value of less than 0.05. Thus research question four was concluded that the compliance to disposal had significant positive influence on the procurement performance in procurement performance in the state enterprises.

**CONCLUSIONS**

Based on the study findings, the study concluded that procurement performance of state owned enterprises in Kenya was affected by disposal planning, valuation methods, disposal process

reviews and compliance to disposal procedures as the major factors that mostly affect procurement performance of state owned enterprises in Kenya

**RECOMMENDATIONS**

The study recommended for a well formulated disposal committee to offer advisory advice on the ways to reduce costs. They should verify the disposal recommendations to the satisfaction of our customers. The disposal committee should have plans which recognize the current and future risks to the reduction costs and they resolve immediate problems that would disrupt the work.

There is need to use the asset approach to evaluate the return on investment to the customer satisfaction. They should use income approach to estimate the impact of activities on maximum value for the properties being disposed. The market approach should be based on the sufficient public information for the calculation on the property value to the satisfaction of the customers.

The study recommended that there is need to have a notification of a review and the tender notified as determined by the review board. The review board should complete its review within the stipulated period after receiving the request for the review. There is need for additional skills and competencies of implementation of procurement outsourcing practices. The review board review should increase transparency and accountability on the procurement procedures.

There is need to comply with the administrative review procedures to enhance public trust to enhance customer satisfaction. There should be compliance to the prescribed methods of disposal to enhance timely delivery of services. They should comply within a reasonable time after assets become unserviceable, obsolete or surplus. The organization should comply with the criteria for formulation of disposal committee to enhance customer satisfaction.

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

The study contributed the body of knowledge by examining the effects of asset disposal practices on procurement performance of the state owned enterprises in Kenya. The procurement performance of the state owned enterprises is greatly affected by disposal planning, valuation methods, disposal

process reviews/audit and compliance to disposal procedures. The study contributed to the existing literature in the field of public procurement by elaborating exiting theories, models and empirical studies on procurement performance of the state owned enterprises in Kenya. The current study should therefore be expanded in future in order to determine the other factors hindering procurement performance of the state owned enterprises in Kenya. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other state enterprises and other countries in order to establish whether the explored factors can be generalized to procurement performance of the state owned enterprises in Kenya.

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