



# **Drivers of Implementation of Procurement Outsourcing Practices in State Corporations in Kenya: A Case of National Hospital Insurance Fund**

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## **ABSTRACT**

The challenges of demand for quality service and upcoming competitions for most of the organizations have realized the need for quality service delivery and efficiency. Outsourcing plays a key role in ensuring that this is achieved; therefore there is a need for government organizations to ensure that they don't only source but source strategically. The general objective of this study was to examine the drivers of implementation of procurement outsourcing practices in state corporations in Kenya, specifically National Hospital Insurance Fund. The target population of the study was 106 employees drawn from different departments involved in the procurement process at NHIF. The study adopted a descriptive survey and a census technique was used for the data collected through the use of questionnaires. On the other hand, secondary data was obtained from published documents such as journals, periodicals, magazines and reports to supplement the primary data. A pilot study was conducted to pretest the validity and reliability of instruments for data collection. The data was analyzed with help of SPSS. The study adopted a regression analysis at .05 level of significance to determine strength and direction of the relationship of the variables under study. It is notable that there exists strong positive relationship between the independent variables and dependent variable as shown by R value (0.866). The coefficient of determination is between zero and one. The data showed that the high R square is 0.675. It shows that the independent variables in the study were able to explain 65.20% variation in the implementation of procurement outsourcing practices while the remaining 34.80% is explained by the variables or other aspects outside the model. Based on the study findings, the study concludes that implementation of procurement outsourcing practices in Kenya is affected by supplier management, contract management, staff competency and regulatory framework as the major factors that mostly affect implementation of procurement outsourcing practices in Kenya.

**Keywords:** Outsourcing, procurement, National Hospital Insurance Fund, Kenya

## **INTRODUCTION**

In recent years contracting-out has emerged as a key policy option in some developing countries seeking to reform and improve their public services, and it is increasingly being recommended, especially where outright privatization is not immediately feasible (Chase, Shanker & Aquilano, 2010). The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that public sector must focus on their core competences and capabilities (McIvor, 2008). With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers (Yang, Seongcheol, Changi & Jawon, 2007). Outsourcing allows firms to focus on their own

core competences by relocating limited resources to strengthen their core product or service and to strategically use outside vendors to perform service activities that traditionally have been internal functions (Elmuti, 2004). Outsourcing can also involve the transfer of both people and physical assets to the supplier (Chase, Shanker & Aquilano, 2010).

Outsourcing is one of business kinds that influences development and organization of business processes. It earned scientific attention more than 20 years ago, and at present is increasingly establishing itself in public sector as a measure to reduce operation costs and provide qualitative services. Moving these functions from the public to the private sector requires a fair and open process in the public's best interest (National Institute of Government Purchasing, 2013). The increasingly challenging global environment means that the public sector must be reshaped to enhance efficiency and responsiveness to the needs of those whom they serve (Public Service Commission, 2010). Outsourcing has become an important business strategy because it enables public sector to reduce and control operating costs, to improve company focus, to gain access to world class capability and to free internal resources for other purposes. Outsourcing has been used as part of the new public management agenda with the aim of increasing efficiency and decreasing costs. Consequently, its effects on productivity remain a factor to be considered by management in decision making ( Kiptum & Njihia, 2012).

Mclvor (2010) maintains that the world over, governments have embraced the phenomenon of outsourcing and have adopted this principle to help them expand into other markets. Strategic management of outsourcing is perhaps the most powerful tool in management, and outsourcing of innovation is its frontier (Oshri, Kotlarsky, & Wouldcocks, 2011). Elmuti and Kathawala (2010) argue that enlisting governments and private companies to deliver a wide array of products and services is now a common and accepted practice. Elmuti and Kathawala (2010) add that as public organizations and institutions search for ways to grow and maintain their competitive edge, outsourcing has emerged as a dominant organizational strategy for achieving those goals.

#### **Global Perspective of Procurement Outsourcing Practices**

Price Water Coopers (2000) conducted a survey in the United States among America's fastest growing companies, the conclusion arrived at was that businesses that outsource were growing faster, were larger and made more profits than those that did not. The survey further revealed that, of the companies that outsourced, 70 percent claimed to save money and 25 percent had improved focus on core business. The goals of outsourcing often include reducing labor and overhead costs, maximizing profits, dominating a market, and gaining a competitive advantage. While this strategy looks quite promising, it is surprising to find that "more than one-fourth of outsourcing deals fail in the first year. According to Lacity and Wouldcocks (1998), success rate of IT outsourcing is only 56 per cent. Aron and Sing (2005) state that half of the organizations that shifted processes to external providers failed to generate the financial benefits they expected. Pricewater HouseCoopers (2005), noted that companies are outsourcing more and more while enjoying the benefits less and less and this was attributed to firms overestimating the profitability of the their outsourcing ventures by not taking into account very influential transaction costs which decrease or even outweigh the benefits.

Procurement outsourcing practices are not always successful, whether they are local, regional or cross board. Within the United States, problems have developed between vendors and clients that have been likened to a failed marriage (Rath, 2001). Deloitte Consulting (2008) in their survey on the success of outsourcing concluded that almost seven out of ten firms had negative experiences with outsourcing projects; one quarter of the firms brought the outsourced activity back in-house; 62% found that outsourcing required more effort than anticipated; and 48% did not have standardized methodologies. Deloitte also noted that several large firms that had outsourced somewhat hastily later discovered not only that they had failed to achieve the expected cost savings but also that outsourcing was claiming an inordinate amount of management time and attention.

A survey of 1,000 US and UK universities found that selective outsourcing was successful (AuBuchon, 2012). In particular, respondents rated overall procurement performance as "good", respondents mostly realized the benefits they expected from outsourcing, and respondents characterized the majority of

problems/issues as only “minor” in nature (AuBuchon, 2012). A survey of U.S. CEOs shows that 42 percent of communication firms, 40 percent of computer manufactures, and 37 percent of semiconductor companies rely on global outsourcing (Sinderman, 2010). In Germany on the other hand, outsourcing was found not to be confined only to firms struggling with high costs but also pursued by well performing banks with high revenue diversification hence conclusion that outsourcing is used as a strategic element in market differentiation to gain further competitive advantage (Ang & Straub, 2008; Fritsch & Wullenweber, 2007). Other countries such as India and the Philippines are considered as among the most significant nations to enter the outsourcing market. They are singled out as economies impacted positively as a result of their experience and contribution especially in off shoring. The two countries are fast growing outsourcing destinations both emerging as centre for outsourcing IT software due to experienced and affordable labour pool, cost structure and personnel competences (Kumar, 2005; Munoz, 2006). Furthermore, due to an increase in national and international regulations and the risks, institutions are facing grow and risk management is explicitly demanded by suppliers, clients and states (Gonzales *et al.*2006). Dunn and Bradstreet Barometer of Global Outsourcing (2000) reports that between 20% and 25% of all outsourcing relationships fail in any two-year period and half of the relationships would fail within five years due to lack of adequate strategy leading to low procurement performance. Outsourcing shows growth across in institutions of higher in global regions. The market has been taking off in schools from South America, parts of South East Asia, and Western Europe, all of which have previously resisted the trend. Thus across the 1997-2002 period IDC has predicted annual growth rates of 16% for Asia/Pacific, 20% for Latin America, 8% for Western Europe, 5% for Japan, 14% for Canada, and 26% for the rest of the world (Lankford & Parsa, 2009).

#### **Local Perspective of Procurement Outsourcing Practices in Organizations**

The envisaged benefits of procurement outsourcing practices have been forthcoming within the Kenyan public agencies. Some scholars have argued that, if public sector firms operate under the requirement to treat all activities as potentially outsource-able due to envisaged gains, then they may be failing to develop their core competencies (Burnes & Anastasiadis, 2013). This is confirmed by other scholars who posit that, outsourcing in the public sector is imposed through government policies and regulations with many public agencies failing to develop their core competences therefore missing out on one of the main benefits that outsourcing can bring (Isinga & Werle, 2010).

In Kenya, in the past decades, According to Odhiambo and Kamau (2013), the public procurement system in Kenya has undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s, the introduction of the Public Procurement Asset and Disposal Act (PPDA) of 2015 and the Procurement Regulations of 2006 has introduced new standards for public procurement in Kenya. Using procurement management processes, organization in the country purchase the resources they need from suppliers or vendors to conduct business. Effective procurement management policies and procedures enable purchasing organizations to negotiate prices from supplies and vendors to get the best quality materials and services for business operations. Because large companies purchase resources in large volumes, they typically utilize formal procurement management processes.

The mobile phone companies in Kenya are expanding their customer care and call center capacities which are entirely outsourced. Therefore their contribution to the growth of Business Processing Outsourcing (BPO) cannot be undervalued (Irungu, 2012). The Kenya Group outsource IT service offers customers an entirely new and highly effective concept in the management of IT (Wahome, 2008). Outsource IT services has given an organization an advanced, technical and functional edge on the competition with the cost reduction factor. This is because it is affordable, reliable and offers exceptional service that provides security policies which are the core concern today and have inevitably boosted the future shape of their business (Wahome, 2008).

According to Jansen and Stonecash (2004) pointing out that there are numerous outsourcing success stories in Kenya, cites Osborne and Gaebler (2012) and Kettl (2010) who advocate for outsourcing. Osborne and Gaebler (2012) and Kettl (2010) claim that it is a powerful policy instrument for reducing

public expenditure and improving the performance of government business enterprises because of the high-powered incentives provided by the discipline of the capital market. Moreover, it is often argued that outsourcing improves efficiency because it introduces competition into the provision of public services and because private firms are relatively free of political interference (Jansen & Stonecash, 2014). In this regard; the study would assess the drivers of implementation of procurement outsourcing practices in state corporations in Kenya to fill this knowledge gap.

### **National Hospital Insurance Fund**

The NHIF is a public corporation managed under the provisions of the NHIF Act of 1998 (Republic of Kenya, 2012). The fund is steered by a board which reports to the minister of health (Republic of Kenya, 2012). Routine management of NHIF is done by a team headed by a chief executive officer (CEO) (Republic of Kenya, 2014b). The NHIF insures 15% of Kenya's total population which is about 88.4% of all persons with health insurance in Kenya (Ministry of Health, 2014). Membership of the NHIF is compulsory for all formal sector workers, and voluntary for the informal sector. Procurement process efficiency has been a subject of great concern in the public sector in Kenya for a while. It lies at the centre of prudent public financial management. Recently the National Hospital Insurance Fund departments have experienced delays in getting services which negatively affect their operations.

In National Hospital Insurance Company, the company is trying to operate leaner, with a minimum of staff to maximize profitability. Findings of the procurement review of the National Hospital Insurance Fund (NHIF), carried out from 9 September to 29 November 2010 (Procurement Review of National Hospital Insurance Fund, 2010). The Human Resource Management-Procurement and administration and Estates Management and the Accounting officer of the NHIF ensure that the procurement management and plans are approved and reviewed as necessary in the organization. Procurement management though the effective implementation of procurement outsourcing practices in NHIF is essential for effective organizational performance and procurement. Procurement management entails more than the development of estimates for various goods, civil works and services. It combines the legal and institutional frameworks within which procurement must be carried out. It is against this background that the study would investigate drivers of implementation of procurement outsourcing practices at National Hospital Insurance Fund.

### **Statement of the Problem**

The challenge of demand for quality service and upcoming public reforms for most of the government institutions has realized the need for quality service delivery and efficiency. Outsourcing plays a key role in ensuring that this is achieved; therefore there is a need for government institutions to ensure that they don't only source but source strategically by implementing the best procurement outsourcing practices (Kilonzo, 2014). In spite of the legal, policy and institutional reforms undertaken so far in the public procurement sector in Kenya, government institutions still find it hard to effectively implement procurement outsourcing practices (World Bank, 2014).

In Kenya, the central government and county government spends about Kshs. 234 billion per year on procurement. However on annual bases, the national government losses close to Ksh. 76 billion about 17 per cent of the national budget due poor procurement methods used such as inflated procurement quotations (KISM 2014). According to Public Procurement Oversight Authority (PPOA 2014), most of the tendered products/services in many county governments have a mark-up of 60 per cent on the market prices. The inefficiency and ineptness of overall selection and implementation of procurement outsourcing practices contributes to loss of over Ksh.50 million annually (Tom 2014). Muchira (2013) indicated that over 70 percent of key government contracts in Kenya are affected due to improper procurement outsourcing practices. In 2014-15, further statistics show that of the 30 percent contract value that went to outsourcings, only less than a third of the total contracts met the expected standards while two-thirds failed due to poor implementation of procurement outsourcing practices (RoK, 2015b).

The inability of state corporations to effectively implement procurement outsourcing practices which country consuming about 20% of the GDP and up to 60% of the annual budget (Nzai & Chitere, 2013) is a serious problem given that state corporations are the engine of economic growth and development

needed to move the country to a middle level economy as envisaged in the development blue print of Vision 2030 (ACEPD, 2011). This presents a gap for research to establish the reasons behind such a lackluster implementation of procurement outsourcing practices in state corporations in Kenya.

### **Objectives of the Study**

The purpose of the study was to establish the drivers of implementation of procurement outsourcing practices in state corporations in Kenya.

The study sought to be guided by the following specific objectives:

- i. To establish how supplier management influence implementation of procurement outsourcing practices in state corporations in Kenya
- ii. To find out how contract management influence implementation of procurement outsourcing practices in state corporations in Kenya
- iii. To establish how staff competency influence implementation of procurement outsourcing practices in state corporations in Kenya
- iv. To examine how regulatory framework influence implementation of procurement outsourcing practices in state corporations in Kenya

### **Research Questions**

The study was guided by the following research questions:

- i. How does supplier management influence implementation of procurement outsourcing practices in state corporations in Kenya?
- ii. How does contract management influence implementation of procurement outsourcing practices in state corporations in Kenya?
- iii. To what extent does staff competency affect implementation of procurement outsourcing practices in state corporations in Kenya?
- iv. To what extent does regulatory framework affect implementation of procurement outsourcing practices in state corporations in Kenya?

## **LITERATURE REVIEW**

### **Theoretical review**

The study is built upon certain theories that have much links with implementation of procurement outsourcing practices such as Systems theory, institutional theory, compliance Theory and Supply Chain Operations Reference model.

#### ***Supply Chain Operations Reference Model***

This theory guided the study in establishing the relationship between supplier management and implementation of outsourcing practices in state corporations. The Supply Chain Operations Reference model provides a unique framework that links performance metrics, processes, best practices, and people into a unified structure (Sulek et al., 2006). The framework supports communication between supply chain partners and enhances the effectiveness of supply chain management, technology, and related supply chain improvement activities. Business value, whether real or perceived, is derived from the predictability and sustainability of business outcomes. It lives, healthy or sick, in those gaps between expected vs. perceived vs. actual performance (McManus, 2002). Value is articulated by measuring what is being managed. The SCOR model helps refine strategy, define structure (including human capital), manage processes, and measure performance (Larsson et al., 2008).

#### ***Institutional Theory***

This theory guided the study in establishing the relationship between contract management and implementation of outsourcing practices in state corporations. Institutional theory is a widely used theory in social studies. Kraft's public policy (2007) summarizes the theory as a policy-making that emphasizes the formal and legal aspect of government structures. It considers processes by which structures, including schemes and rules become established by authoritative figures as guidelines for social behavior. Scott (2008) portends that it explains how the elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Institutions, according to Scott (2014), are

transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts. Institutions operate at different levels of jurisdiction, from the world system to localized interpersonal relationships.

#### ***Knowledge Based Theory***

This theory guided the study in establishing the relationship between staff competency and implementation of outsourcing practices in state corporations. The knowledge-based theory of the firm considers knowledge as the most strategically significant resource of the firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance (Grant 2007). This knowledge is embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees (Zander 2007). The knowledge-based theory determines the nature organization human recourses capabilities which are mostly influenced by the nature of training given to the employees to be competent with their work. Existence of professional trained staff in procurement field and availability of many staff with high education level plays an important role in strengthening the organization capabilities in terms of trained manpower. The study thus would use this theory to establish how the state corporations train procurement employees in order to equip them with knowledge that helps them to implement procurement practices achieve the organization goals.

#### ***Compliance Theory***

This theory guided the study in establishing the relationship between regulatory framework and implementation of outsourcing practices in state corporations. According to Kal Raustialla (2010), Compliance theory is an approach to organizational structure that integrates several ideas from the classical and participatory management models. According to compliance theory, organizations can be classified by the type of power they use to direct the behavior of their members and the type of involvement of the participants. In most organizations, types of power and involvement are related in three predictable combinations: coercive-alienative, utilitarian-calculative, and normative-moral. Of course, a few organizations combine two or even all three types. Etzioni (2005) developed an innovative approach to the structure of organizations that he calls compliance theory. He classifies organizations by the type of power they use to direct the behavior of their members and the type of involvement of the participants. Etzioni identifies three types of organizational power: coercive, utilitarian, and normative, and relates these to three types of involvement: alienative, calculative and moral (Lunenburg, 2008).

The theory supports the need of power versus involvement to be pristine in terms of the improvement of key areas to be monitored and effectiveness of regions that are fundamental to the laid out procedures, rules and regulations.

#### **Conceptual Framework**

According to Young (2009), conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. The conceptual framework explains the relationship between the independent variables and the dependent variables. The former is presumed to be the cause of the changes while the former affects the latter (Kothari, 2006). A conceptual framework presents a concise description accompanied by a graphical or visual depiction of the major concepts of the study and the hypothesized relationships and linkages among variables (Mugenda & Mugenda, 2012). It assumes that supplier relationship management practices, contract management, staff competency and regulatory framework influence implementation of procurement outsourcing practices in state corporations (dependent variable). This is as illustrated in Figure 1.



classified as Human resource & Administration, Finance & control, legal, procurement and Audit divisions. The target population is as illustrated in Table 1.

**Table 1: Target Population**

<b>Division</b>	<b>Population</b>	<b>Percentage</b>
Human resource & Administration,	40	37.74%
Finance & control	28	26.42%
Legal	8	7.55%
Procurement	16	15.09%
Audit	10	9.43%
<b>Total</b>	<b>106</b>	<b>100%</b>

**Source: NHIF (2017)**

**Sample Frame**

According to Cooper and Schindler (2013), a sampling frame is a list of elements from which the sample is actually drawn. In the study, the sampling frame was drawn from the list of the employees in the human and administration, finance and control, legal and audit departments which consists of 106 employees

**Sampling Technique**

Sampling is a means of selecting a given number of subjects from a defined population as representative of that population. Orodho (2010) defines sampling as the procedure a researcher uses to gather people, places or things to study. Any statement made about a sample should also be true of the population. It is however agreed that the larger the sample the smaller the sampling error. A researcher selects a sample due to various limitations that may not allow researching the whole population (Kothari & Garg, 2014). The study adopted a census to collect primary data. It is recommended that a census survey is used when the population (106) is small that is less than 200 and manageable to collect information for the study (Yin, 2013).

**Data Collection Instrument**

The study used questionnaires to collect primary data from the respondents as research tools (Kothari, 2005). Young, (2009) points out that, questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals. They further observe that questionnaires have the added advantage of being less costly and using less time as instruments of data collection. The questionnaire, which was semi-structured, was administered through drop and pick-later method to the sampled population. For the main purpose of this research, the study would collect primary data and compare it with the available secondary data for the literature review. The questionnaire would be well formulated and assuring the respondent that the information to be provided would be used for study purposes only and therefore he/she can answer all the items in the questionnaire as honestly as possible.

**Data Collection Procedure**

The study obtained the permission to conduct the study through attaching an introductory letter about the study to each and every questionnaire, seeking permission to be conducted to the targeted population. Before proceeding to the field, the study first sought an introductory letter from the university indicating that the researcher is a student that the study is required for examination purposes. The researcher sought a research permit from the National Council of Science and Technology. An approval to collect data would also be sought from the organization. Once the process was in order and all approvals awarded, the study proceeded to data collection. Out of the 106 target population, 90 were responsive representing a response rate of 84.91%.

**Pilot Study**

According to (Cooper and Schindler, 2010), pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. Pilot study is an activity that assists the researcher in determining if there are flaws, limitations, or other weaknesses within the interview design and allows him or her to make the necessary revisions prior to the implementation of the

study (Bridget & Lewan, 2005).The pilot study involved pre-testing the questionnaires on 10 respondents of the population. It is supported by (Neumann, 2006) who recommends that a pilot test of 10% of the population can be used for pilot testing. The respondents were conveniently selected since statistical conditions are not necessary in the pilot study (Cooper & Schindler, 2008). The purpose of pilot test was to refine the questionnaires so that respondents in major study have no problem in answering the questions. The results of pilot test were not included in the actual study. The Cronbach alpha values were all above the threshold of 0.7 as stated; Supplier Management (0.894), Contract Management (0.781), Staff competency (0.757), Regulatory framework (0.731), and Implementation of procurement outsourcing practices (0.832). This indicates reliability of the values

**Validity of Instrument**

Validity is the degree to which the sample of the test item represent the content that is designed to measure, that is, the instrument measures the characteristics or trait that is intended to measure (2008).The study purposed to ensure validity of research instruments by using simple language free from jargon that made it easy to be understood by the respondents. The study sought the opinion of individuals who could render intelligent judgment about their adequacy. The researcher also engaged the supervisor and other experts to ensure that the questions tested or measured what they were supposed to measure. The research adopted content validity which refers to the extent to which a measuring instrument provides adequate coverage of the topic under study. It is recommended that instruments used in research should have CVI of about 0.78 (Lefort & Urzua, 2008). The CVI values were all above the threshold of 0.78 as stated; Supplier Management (0.790), Contract Management (0.800), Staff competency (0.823), Regulatory framework (0.833) and Implementation of procurement outsourcing practices (0.903).

**Reliability of Instrument**

Cronbach alpha is the basic formula for determining the reliability based on internal consistency (Yin, 2013). Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. In order to test the reliability of the instruments, internal consistency techniques would be applied using Cronbach’s Alpha. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly recommended that indicates acceptable reliability and 0.7 or higher indicate good reliability The study was based at a threshold of 0.7

**Data Analysis and Presentation**

The study collected both qualitative and quantitative data and was analyzed using both quantitative and qualitative methods with the help of (SPSS) version 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. Quantitative analysis generated quantitative reports through tabulations, percentages, and measure of central tendency. Quantitative data was presented through the use of statistical techniques such as bar charts, pie charts, percentages and frequency counts. Qualitative data was analyzed by use of content analysis and presented descriptively. The study also used correlation analysis and multiple regression analysis to analyze the degree of relationship between the variables. The Multiple Regression model that aided the analysis of the variable relationships was as follows:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ ,

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ ,

Where;

Y= Implementation of procurement outsourcing practices in state corporations (dependent variable);  $\beta_0$ = constant (coefficient of intercept);

$X_1$ = Supplier Management (independent variable);

$X_2$ = Contract Management (independent variable);

$X_3$ = Staff Competency (independent variable);

$X_4$ = Regulatory Framework (independent variable);

$\varepsilon$  = Error term;  $\beta_1 \dots \beta_4$ = regression coefficient of four variables.

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

The study set out to examine the determinants of implementation of procurement outsourcing practices in state corporations in Kenya. To this end, four variables were conceptualized as components of implementation of procurement outsourcing practices in state corporations thereof. These include: supplier management, contract management, staff competency and regulatory framework.

**Supplier Management**

The study sought to establish the extent to which respondents agreed with the statements relating to whether supplier management influences implementation of procurement outsourcing practices in state corporations. A scale of 1-5, the scores were as follows: The scores “Strongly disagree=SD” and “Disagree=D” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ( $1 \leq \text{Disagree} \leq 2.5$ ). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ( $2.6 \leq \text{Neutral}=\text{N} \leq 3.5$ ). The score of “Agree=A” and “Strongly agree=SA” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ( $3.6 \leq \text{Agree} \leq 5.0$ ). The results were presented in mean and standard deviation as illustrated in Table 1.

**Table 1: Supplier Management**

<b>Statement</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std</b>
We do appraise the suppliers annually.	6.5%	6.5%	8.5%	72.5%	6%	3.87	.670
We ensure the suppliers are paid in time	5.5%	11%	6.5%	67.5%	9.5%	3.65	.439
We do get after sale service from your suppliers annually	6%	68%	9%	6%	11%	3..76	.897
The suppliers do fail to honor the orders issued	4.5%	8.5%	8.5%	72.5%	6%	3.87	.284
Our suppliers offer credit facilities..	72.5%	6.5%	8.5%	6.5%	6%	3.89	.186
Resolve immediate problems that would disrupt the work.	5.5%	67.5%	6.5%	11%	9.5%	2.99	.337
Use of a supplier audit system in the county reduces the procurement costs	4.5%	10%	6.5%	65.5%	7.5%	3.76	.782
Recognize contributions and accomplishments of the suppliers.	6%	67%	9%	7%	11%	2.92	.441
Consult with suppliers on challenges affecting them.	6.5%	72.5%	8.5%	6%	6%	3.00	.908
Keep suppliers informed about management actions affecting them	3.5%	8.5%	75.5%	6.5%	6%	3.64	.494

From the study results, majority of the respondents were neutral that that they do appraise the suppliers annually as shown by a mean of 3.87, they ensure the suppliers are paid in time as shown by a mean of 3.65; they do get after sale service from their suppliers annually as shown by a mean of 3.76; to a moderate extent the suppliers do fail to honor the orders issued as shown by a mean of 3.87; and their suppliers offer credit facilities as shown by a mean of 2.89; to a great extent they resolve immediate problems that would disrupt the work as shown by a mean of 2.99; they do recognize contributions and accomplishments of the suppliers as shown by a mean of 2.92; Use of a supplier audit system reduces the procurement costs as shown by a mean of 3.69; they consult with suppliers on challenges affecting them as shown by a mean of 3.00 and keep suppliers informed about management actions affecting them as shown by a mean of 3.64. This implies that supplier management influence implementation of procurement outsourcing practices in Kenya.

The study findings are in agreement with literature review by Ansari (2009) that supplier management allows firm to make better use of their suppliers capabilities and coordinating operational activities through joint planning also results to inventory reduction, smoothing production, improve product quality,

and lead time reduction Browne (2004) contends that supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers.

### **Contract Management**

The study sought to establish the extent to which respondents agreed with the statements relating to whether contract management influence implementation of procurement outsourcing practices in state corporations. A scale of 1-5, the scores were as follows: The scores "Strongly disagree=SD" and "Disagree=D" were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ( $1 \leq \text{Disagree} \leq 2.5$ ). The scores of 'Neutral' were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ( $2.6 \leq \text{Neutral}=\text{N} \leq 3.5$ ). The score of "Agree=A" and "Strongly agree=SA" were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ( $3.6 \leq \text{Agree} \leq 5.0$ ). 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 all contracts are awarded competitively as shown by a mean of 2.80, all tenders are evaluated before awarding as shown by a mean of 3.63; each contract is assigned its own contracts manager to monitor as shown by a mean of 2.95; to a moderate extent the NHIF manages contracts with the contracts management plans as shown by a mean of 3.96; and their suppliers offer credit facilities as shown by a mean of 3.88; to a great extent all organization contracts are subjected to Inspection as shown by a mean of 4.09; All contracts are awarded competitively as shown by a mean of 2.92. Use of a contract audit system in the county reduces the procurement costs as shown by a mean of 3.99; Check for a training program frequently has empowered the suppliers thus reduced costs as shown by a mean of 3.22; The payment terms defines the dispute rules and regulations to ensure there is timely delivery of goods and services as shown by a mean of 3.77. The involvement of the affected departments defines the contract period to ensure that there is timely delivery of goods and services as shown by a mean of 3.10 and the award of the contracts are based on the contractors experience with the organization as shown by a mean of 3.33. This implies that contract management influence implementation of procurement outsourcing practices in the organization. The study findings are in agreement with literature review by SDPC (2009) which provides the capacity to focus on the activity, performance standards, and results achieved in respect to the work involved in the planning for, the establishment and subsequent management and use of supply arrangements. This helps to ensure the organization achieves maximum spending leverage in supply negotiations. It also ensures consistent and thorough market analysis, costing measures, and compliance methods are applied to each expenditure category.

In the planning for significant procurement projects, agencies was need to address how they would ensure that sufficient expertise was be introduced to assist professional/technical staff to properly undertake the various phases of procurement. The main areas to target are the scoping of requirements, the analysis of supply markets and contract management. There is a need to develop a suite of short courses for these staff. It is the responsibility of the central procurement authority to identify the course content and establish relationships with suppliers for their provision identified that organizations with comprehensive and effective procurement performance measurement systems align procurement and supply performance measures vertically with corporate goals and horizontally with strategic business units and other functional units. Most agencies also reported that the procurement capability of these service delivery and technical/professional areas was sufficient to produce an adequate or satisfactory result in most cases with the use of technology mainly e-procurement as a means to manage contracts and monitor spend (Walter, 2011).

**Table 2: Contract Management**

Statement	SD	D	N	A	SA	M	Std
All contracts are awarded competitively	5.5%	67.5%	6.5%	11%	9.5%	2.80	.599
All tenders are evaluated before awarding	6%	67%	9%	7%	11%	3.03	.421
Each contract is assigned its own contracts manager to monitor	6.5%	74.5%	8.5%	4%	6%	2.95	.523
NHIF manages contracts with the contracts management plans	4.5%	8.5%	8.5%	72.5%	6%	3.96	.313
All organization contracts are subjected to Inspection	6.5%	6.5%	8.5%	72.5%	6%	3.88	.562
Use of a contract audit system in the county reduces the procurement costs	5%	10%	15%	35%	5%	3.99	.901
Check for a training program frequently has empowered the suppliers thus reduced costs	10%	15%	65%	5%	5%	3.22	.452
The payment terms defines the dispute rules and regulations to ensure there is timely delivery of goods and services	5%	10%	5%	70%	10%	3.77	.765
The involvement of the affected departments defines the contract period to ensure that there is timely delivery of goods and services	15%	10%	70%	10%	5%	3.10	.542
The award of the contracts are based on the contractors experience with the organization	2%	13%	55%	10%	15%	3.33	.220

### Staff Competency

The study sought to establish the extent to which respondents agreed with the statements relating to whether regulatory frameworks influence implementation of procurement outsourcing practices in state corporations. A scale of 1-5, the scores were as follows: The scores “Strongly disagree=SD” and “Disagree=D” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ( $1 \leq \text{Disagree} \leq 2.5$ ). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ( $2.6 \leq \text{Neutral} = N \leq 3.5$ ). The score of “Agree=A” and “Strongly agree=SA” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ( $3.6 \leq \text{Agree} \leq 5.0$ ). 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 the workforce needs external guidance with regard to implementation of procurement outsourcing practices (3.65); The organization staff has been trained on the concept of implementation of procurement outsourcing practices (3.00); There is need for additional skills and competencies of implementation of procurement outsourcing practices (3.44); The organization comprehensively and adequately train staff on implementation of procurement outsourcing practices (3.87); The organization has the capacity to enhance further training (regular update of skills) on implementation of procurement outsourcing practices (3.93); The staff have the skills to enforce implementation of procurement outsourcing practices concepts (3.25); NHIF has initiated and developed programs specifically to develop knowledge on implementation of procurement outsourcing practices (3.18). Training in implementation of procurement outsourcing practices would reduce wastage within the organization processes (3.90). Training on implementation of procurement outsourcing practices should also involve all user departments and suppliers (4.98). The study findings are in agreement with literature review by Carter and Price (2013) states that qualified staff that is competent and skilled would help the organization to achieve its goals and objectives by being efficient and effective when carrying out their various functions. For an organization to succeed, qualification is therefore a pre-requisite and must be matched with job requirement, hence the need to hire and develop ambitious personnel.

Baily *et al.* (2005) propounded that knowledge of the mission, the existence of top-down objectives with related performance measures, and process guidelines link individual or group performance to the firm's goals and expectations of upper management require good qualifications. The use of teams, cross-functional managers, broad process and linkage oriented job responsibilities, and extensive information systems enable individuals to balance conflicting objectives and improve processes. Professional qualifications are the fulcrum around which performance turns. Without well-motivated, able and well trained staff, even the more brilliantly conceived plans and strategies can fail. A motivated team whose members work for and with each other can beat a team of less motivated people even if they are greater in talent. To improve procurement performance, it is essential to understand the roles that are to be performed, the standards to be achieved and how performance is evaluated.

**Table 3. Staff Competency**

Statement	SD	D	N	A	SA	M	Std
The workforce needs external guidance with regard to implementation of procurement outsourcing practices	4.5%	8.5%	8.5%	72.5%	6%	3.65	.545
The organization staff has been trained on the concept of implementation of procurement outsourcing practices	6.5%	74.5%	8.5%	4%	6%	3.00	.626
There is need for additional skills and competencies of implementation of procurement outsourcing practices	6.5%	6.5%	8.5%	72.5%	6%	3.44	.287
The organization comprehensively and adequately train staff on implementation of procurement outsourcing practices	4.5%	8.5%	8.5%	72.5%	6%	3.87	.542
The organization has the capacity to enhance further training (regular update of skills) on implementation of procurement outsourcing practices	4.5%	8.5%	8.5%	72.5%	6%	3.93	.314
The staff have the skills to enforce implementation of procurement outsourcing practices concepts	6.5%	6.5%	8.5%	72.5%	6%	3.25	.560
NHIF has initiated and developed programs specifically to develop knowledge on implementation of procurement outsourcing practices	5.5%	11.0%	6.5%	70.5%	7%	3.18	.533
Training in implementation of procurement outsourcing practices would reduce wastage within the organization processes	6.5%	74.5%	8.5%	4%	6%	4.90	.622
The management pay attention to professional skills for the employees for doing jobs and demonstrating competences to reduce procurement costs	5%	65%	7%	8%	15%	2.88	.765
Training on implementation of procurement outsourcing practices should also involve all user departments and suppliers	6.5%	6.5%	8.5%	72.5%	6%	4.98	.288

### **Regulatory Framework**

The study sought to establish the extent to which respondents agreed with the statements relating to whether regulatory frameworks influence implementation of procurement outsourcing practices in state corporations. A scale of 1-5, the scores were as follows: The scores “Strongly disagree=SD” and “Disagree=D” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ( $1 \leq \text{Disagree} \leq 2.5$ ). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ( $2.6 \leq \text{Neutral} = N \leq 3.5$ ). The score of “Agree=A” and “Strongly agree=SA” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ( $3.6 \leq \text{Agree} \leq 5.0$ ). The results were presented in mean and standard deviation as illustrated in Table 4. From the results, majority of the respondents agreed that all procurement at NHIF are guided by the Procurement Act and Regulation as shown by a mean of

4.87, Manuals and Legal Notices provide guidance to the procurement process as shown by a mean of 3.76; all staff in the procurement are members of KISM as shown by a mean of 1.87; to the organization uses standard tender documents as shown by a mean of 3.88; all goods are inspected before acceptance as shown by a mean of 2.99; the organization contracts are subjected to inspection as shown by a mean of 3.89; There is accountability and transparency on the award of the contracts as shown by a mean of 3.09. This implies that regulatory framework influence implementation procurement outsourcing practices in Kenya. This is in line with Kakwezi and Nyeko (2010) who emphasize the need to make appropriate mid to longer-term policies in procurement process capabilities. As KLR (2015) provides, these rules and regulations should be used to improve strategies, policies, practices, as well as the organizational tools and technological upgrades needed to achieve the targeted level in the procurement management process and control.

**Table 4: Regulatory Framework**

Statement	SD	D	N	A	SA	M	Std
All procurement at NHIF are guided by the Procurement Act and Regulation	6%	7%	9%	67%	11%	2.87	.425
Manuals and Legal Notices provide guidance to the procurement process	6.5%	74.5%	8.5%	4%	6%	3.76	.528
Helps in control spending activity ensure appropriate approvals are in place and reduce risk of overpayment	2%	3%	15%	55%	25%	3.99	.221
All staff in our procurement are members of KISM	4.5%	8.5%	8.5%	72.5%	6%	1.87	.310
The organization uses standard tender documents	5%	8%	9%	72%	6%	3.88	.128
Procedures provide guidance that the staff follow in performing activities to achieve strategic outsourcing objectives of cost reduction	4%	3%	6%	80%	7%	4.21	.652
All goods are inspected before acceptance	6.5%	6.5%	8.5%	72.5%	6%	3.89	.562
Standard operating procedures allow employees to perform activities efficiently and effectively to reduce costs	10%	5%	60%	10%	8%	3.11	.523
There is accountability and transparency on the award of the contracts	9%	5%	65%	8%	7%	3.09	.821
The bureaucratic control mechanism is controlled by a comprehensive system of formal rules and standard operating procedures	2%	3%	5%	65%	25%	3.99	.221

### **Implementation of Procurement Outsourcing Practices**

The study sought to determine implementation of procurement outsourcing practices reached attributed to the adoption of the supplier management, contract management, staff competency and regulatory framework. Findings in Table 5 below reveal improved implementation of procurement outsourcing practices across the 5 year period running from the year 2012 to 2016. In the cost reduction, a majority of respondents affirmed having grown incrementally from 0%-20% in 2012 (41.9%), to cost reduction by 0%-20% in 2013 (37.9%), 21%-40% in 2014 (34.80%), cost reduction by 21%-40% in 2015 and 21%-40% in 2016

Shorter lead time also recorded positive with a majority affirming a majority of respondents affirmed having grown incrementally from 0%-20% in 2012 (42.30%), to shorter lead time by 0%-20% in 2013 (37.7%), 21%-40% in 2014 (3.10%), shorter lead time reduced by more than 40% in 2015 and reduced by more than 40% in 2016(37.50%).

A similar trend was recorded in compliance index, from improvement of 0%-20% in 2012 (44.10%), 0%-20% in 2013 (35.20%), 21%-40% in 2014 (36.40%), compliance index improved by more than 40% in 2015(41.10%) and improved by more than 40% in 2016(37.30%). It can be deduced from the findings that key implementation of procurement outsourcing practices in state corporations have considerable

improved with the adoption of the supplier management, contract management, staff competency and regulatory framework.

The study findings are in line with the findings by Price Waterhouse Coopers (2014) established that outsourcing has moved markedly from attending to a single function more efficiently, to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. The goals of outsourcing often include reducing labor and overhead costs, maximizing profits, dominating a market, and gaining a competitive advantage. While this strategy looks quite promising, it is surprising to find that “more than one-fourth of outsourcing deals fail in the first year.

**Table 5: Implementation of Procurement Outsourcing Practices**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Cost Reduction</b>					
Reduced by 0%-20%	41.9	37.9	33.8	29.7	29.1
Reduced by 21%-40%	33.2	29.6	34.8	31.3	34.7
Reduced by more than 40%	24.9	31.5	31.4	39.0	36.2
<b>Shorter Lead Time</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Reduced by 0%-20%	42.3	37.7	31.6	30.7	29.5
Reduced by 21%-40%	31.8	32.9	36.1	28.2	33
Reduced by more than 40%	25.9	29.4	32.3	41.1	37.5
<b>Compliance Index</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Improved by 0%-20%	44.1	35.2	33.4	25.7	27.1
Improved by 21%-40%	31.7	32.6	30.2	33.9	35.6
Improved by more than 40%	23.5	32.2	36.4	40.4	37.3

**Multiple Regression Analysis Model**

The study adopted a multiple regression analysis so as to establish the relationship of independent variables and dependent variables. The study applied SPSS version 24 to code, enter and compute the measurements of the multiple regression analysis. According to the model summary Table 5, the coefficient of determination ( $R^2$ ) is used to measure how far the regression model’s ability to explain the variation of the independent variables. R is the correlation coefficient which shows the relationship between the independent variables and dependent variable. It is notable that there exists strong positive relationship between the independent variables and dependent variable as shown by R value (0.866).The coefficient of determination is between zero and one (Robinson, 2010). The data showed that the high R square is 0.675. It shows that the independent variables in the study were able to explain 67.50% variation in the implementation of procurement outsourcing practices while the remaining 32.50% is explained by the variables or other aspects outside the model. The standard error is minimal with a value of 0.01 meaning the model used in the study would have minimal effects of errors associated with implementation of procurement outsourcing practices in the organization.

**Table 6: Model Summary (Overall)**

Model	R	$R^2$	Adjusted $R^2$	Std. Error of the Estimate
1	.866	.675	.652	.001

**F-Test Results**

F-test is done to test the effect of independent variables on the dependent variable simultaneously. According to Brymann and Cramer (2011), F-statistic test basically shows whether all the independent variables included in the model jointly influence the dependent variable. Based on the study results of the ANOVA Test or F-test in Table 7, obtained F-count (calculated) value was 22.2587 greater the F-critical (table) value 16.547) with significance of 0.001. Since the significance level of  $0.001 < 0.05$  we conclude that the set of independent variables affect the implementation of procurement outsourcing practices (Y-dependent variable) and this shows that the overall model was significant.

**Table 7: ANOVA**

Model	Sum of Squares	d.f	Mean Square	F	Sig.
Regression	13.765	4	3.4412	22.2587	.001 <sup>a</sup>
Residual	12.986	84	.15460		
Total	26.751	89			

NB: F-critical value = 16.547;

### Regression Coefficients

The study conducted a multiple regression analysis so as to determine the relationship between the dependent variable and independent variables. With the aid of model  $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ; Y = Dependent variable (implementation of procurement outsourcing practices in state corporations);  $\alpha$  = Constant (The intercept of the model),  $\beta$  = Coefficient of the X variables (independent variables);  $X_1$ = Supplier Management;  $X_2$ = Contract Management;  $X_3$ = Staff Competency;  $X_4$ = Regulatory Framework;  $\epsilon$ = was the error. Therefore, the general form of the equation was to predict implementation of procurement outsourcing practices from  $X_1$ = Supplier Management;  $X_2$ = Contract Management;  $X_3$ = Staff Competency;  $X_4$ = Regulatory Framework is:  $(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon)$  becomes:  $Y = 31.358 + 0.789X_1 + 0.759X_2 + 0.702X_3 + 0.689X_4 + 0.065$ . This indicates that implementation of procurement outsourcing practices = 31.358 + 0.789\*Supplier Management + 0.759\*Contract Management + 0.702\*Staff Competency+ 0.689\* Regulatory Framework + 0.065. From the study findings on the regression equation established, taking all factors into account (independent variables) constant at zero implementation of procurement outsourcing practices would be 31.358.

The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in supplier management would lead to a 0.789 increase in implementation of procurement outsourcing practices. Based at 5% level of significance, supplier management was found to have a calculated t =6.765 (greater than the tabulated value of t > 1.96) and a significance level of 0.000. This indicates that supplier management influenced implementation of procurement outsourcing practices in the state corporations in Kenya. The study results corroborates with the findings by Deloitte Consulting (2014) in their survey on the success of outsourcing in the public sector concluded that was claiming an inordinate amount of supplier management time and attention greatly affected the implementation and performance of the government operations.

A unit increase in contract management would lead to a 0.759 increase in implementation of procurement outsourcing practices, contract management show a calculated t =4.432 (greater than the tabulated value of t > 1.96) and a significance level of 0.002 thus the value of less than 0.05. This indicates that contract management influence implementation of procurement outsourcing practices in the state corporations in Kenya. This provides the capacity to focus on the activity, performance standards, and results achieved in respect to the work involved in the planning for, the establishment and subsequent management and use of supply arrangements in the public sector. This helps to ensure the organization achieves maximum spending leverage in supply negotiations. It also ensures consistent and thorough market analysis, costing measures, and compliance methods are applied to each expenditure category (SDPC, 2009).

A unit increase in staff competency would lead to 0.702 increases in implementation of procurement outsourcing practices. The staff competency was found to have a calculated t =4.009 (greater than the tabulated value of t > 1.96) and significance level of 0.003 thus the value of less than 0.05. This indicates that staff competence influenced implementation of procurement outsourcing practices in the state corporations in Kenya. Mahmoodzadeh, Jalalinia, and Yidzi (2009) suggest that staff competency enhancement outsourcing has been among the most significant transformations occurring in the public organization of work across all industrialized world. The study concluded that staff competency can enhance outsourcing practices in the public sector.

A unit increase regulatory framework would lead to 0.689 increases in implementation of procurement outsourcing practices. Based at 5% level of significance regulatory framework show was found to have a calculated  $t = 3.123$  (greater than the tabulated value of  $t > 1.96$ ) and significance level of 0.005 thus the value of less than 0.05. This shows that regulatory framework influenced implementation of procurement outsourcing practices in Kenya. This is in line with Kakwezi and Nyeko (2010) who emphasize the need to make appropriate mid to longer-term policies in procurement process capabilities. The rules and regulations should be used to improve strategies, policies, practices, as well as the organizational tools and technological upgrades needed to achieve the targeted level in the procurement management process and control.

**Table 8: Coefficient Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	$\beta$	Std. Error	$\beta$		
1 (Constant)	31.358	.065		12.309	.000
X <sub>1</sub> -SpM	.789	.585	.602	6.765	.000
X <sub>2</sub> -CoM	.759	.556	.655	4.432	.002
X <sub>3</sub> -StC	.702	.487	.505	4.009	.003
X <sub>4</sub> -RIF	.689	.356	.609	3.123	.005

a. Dependent Variable: Implementation of Procurement outsourcing practices

### CONCLUSION AND RECOMMENDATIONS

Based on the study findings, the study concludes that implementation of procurement outsourcing practices in Kenya is affected by supplier management, contract management, staff competency and regulatory framework as the major factors that mostly affect implementation of procurement outsourcing practices in Kenya. The study concludes that supplier management is the first most important factor that affects implementation of procurement outsourcing practices in Kenya. The regression coefficients of the study show that supplier management has a significant influence on implementation of procurement outsourcing practices in Kenya. This shows that supplier management has a positive influence on implementation of procurement outsourcing practices in Kenya.

The study concludes that contract management is the second most important factor that affects implementation of procurement outsourcing practices in Kenya. The regression coefficients of the study show that contract management has a significant influence on implementation of procurement outsourcing practices in Kenya. This shows that contract management has a positive influence on implementation of procurement outsourcing practices in Kenya.

Further, the study concludes that contract management is the third most important factor that affects implementation of procurement outsourcing practices in Kenya. The regression coefficients of the study show that contract management has a significant influence on implementation of procurement outsourcing practices in Kenya. This shows that contract management has a positive influence on implementation of procurement outsourcing practices in Kenya.

Finally, the study concludes that regulatory framework is the fourth most important factor that affects implementation of procurement outsourcing practices in Kenya. The regression coefficients of the study show that regulatory framework has a significant influence on implementation of procurement outsourcing practices in Kenya. This shows that regulatory framework has a positive influence on implementation of procurement outsourcing practices in Kenya.

### RECOMMENDATIONS

- The study recommends that there is need to appraise the suppliers annually and ensure the suppliers are paid in time.

- The study recommends for the management to ensure all contracts are awarded competitively. There is also need for accountability and transparency on the award of the contracts
- The staff should have adequate skills to enforce implementation of procurement outsourcing practices through the initiation of programs specifically to develop knowledge on implementation of procurement outsourcing practices.
- There is need for the government to develop and enforce policies which can enhance implementation of procurement outsourcing practices in state corporations. The procurement staff should also understand the procurement Act that guide the procurement process in the government.

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