

Tendering Confidentiality and Procurement Performance at Kenya Electricity Generating Company

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Abstract: Procurement challenges including loss of public funds have become very common in the public sector where the public civil servants have colluded with suppliers of goods and works often to misappropriate public money. The purpose of this study was to establish the influence that ethics has on the procurement performance of State Corporation in Kenya. The study specifically sought to establish the influence that tendering confidentiality has on procurement performance at Kenya Kenya Electricity Generating Company PLC (KenGen). The population of the study included 381 procurement staff in Kenya in the two levels of management (middle and operational level of management). The probabilistic sampling method through the Taro Yamane formula was used to yield a sample of 195. The study was descriptive, data was collected through a semi-structured questionnaire with Likert questions. Data was collected specifically in the headquarters in Nairobi. Data was analyzed through descriptive statistics (frequency, standard deviation, mean, and percentages) and inferential analysis through the ordinary least square method. The study found that tendering confidentiality influenced procurement performance ($F= 54.416$, $p<0.001$). The study also concluded that tendering confidentiality had had a positive and significant influence on procurement performance at KenGen. The study recommended for protection of intellectual property during tendering, the composition of tendering committee by members who are independent and no-partisan, and people of integrity while safeguarding information regarding the tendering documents and processes away from tenderers.

Key Words: Confidentiality, Tendering, Procurement, Ethics, Performance

I. INTRODUCTION

In the 21st Century, stakeholders in both private and public institutions have been intensively pressured for the more accountable and ethical conduct of business. Specifically, procurement officers have been put to task to ensure organizations receive value for their money through supplied goods and works by contractors. Agency problem has been a concern for the shareholders who require their servants to act in the best interest of the company to realize increment in the value of the organizations. However, this has always not been the case, employees have in many instances conducted selfish interests that have led to the loss of money in both public sectors. Procurement officers have given an advantage to some prospective suppliers over others by providing crucial such as budgets and prices of goods or prices to be supplied

during the tendering process (Adow, Edabu & Kimamo, 2020).

The debate on public procurement has ignited a lot of debates both locally and internationally. Mohd Nawi et al. (2017), noted that in Malaysia the public procurement officers have been blamed for colluding with economic criminals to carry out corruption deals that have led to the loss of public money. Efforts to instill high levels of public integrity and discipline in procurement have not yet yielded the desired goals of using procurement to achieve both social and economic goals.

A case in point is the scandal associated with one of America's largest companies, Enron Corp. The Enron scandal of October 2001 revealed that America's 7th largest company was involved in corporate corruption and accounting fraud. This scandal left the Enron energy company bankrupt with its shareholders losing up to \$74 billion with employees losing their jobs and pension benefits (Miles, 2017). According to Segal (2019), the Sarbanes-Oxley (SOX) Act was introduced to make sure that such scandals never happen again. In other words, it aimed at reducing the occurrence rate of such scandals. In 2002, the Sarbanes-Oxley Act was introduced in the United States to ensure reliable and accurate corporate disclosures and in doing so the law protects investors from losing money as seen from previous scandals such as the Enron Scandal (Kitheka, 2018). In light of the ethical issues surrounding the business community, modern business management in the 21st century is facing a huge problem of ethical issues that requires urgent attention to address it.

Seyram (2017), studied the ethical challenges in procurement in public institutions in Ghana, noted that procurement officers have been accused of accepting gifts from contractors to have the procurement officers award tenders in their favors, other ethical issues involve procurement officers bowing to pressure from the political class and top management to award tenders to certain people.

Kilonzo (2017), who studied determinants of procurement performance in public university affairs noted that staff competence, confidentiality, and transparency during tendering were significant determinants of procurement performance. However, the study did not find the age of the organization as a significant determinant in procurement process performance. Besides Kilonzo revealed low

knowledge among staff in public institutions, specifically the majority of the interviewed staff did not know the public procurement and disposal act of 2015.

To achieve procurement effectiveness and efficiency, Panda and Leepsa (2017) noted that controls need to be put in place through having an internal procurement code of conduct and strict adherence to ethical procurement practices of integrity, openness, and confidentiality in procurement. Through well-performing procurement functions, an organization can achieve better stewardship of its resources (Sunmola & Shehu, 2020). Ethical procurement practices call for accountability so that organizations can spend their resources sparingly, carefully, and avoid wastes. Procuring accountants have come up with internationally inventory control measures for optimal organization resources /inventory controls including the First in first out and last in first out method of procurement controls to avoid wastages and reduce on chances of cheating as good can only be procured only when it is out of stock (Kavanagh, 2016). The Kenyan government has also recently rolled out the integrated financial management information system means to control public procurement and uphold ethical practices. Government agencies have been ordered to strictly follow the integrated financial information systems (IFMIS) guidelines without deviating from its provision to ensure accountability in public procurement (Cheboi, 2014).

The relevance of ethical practices in organizations can not be underplayed. Procurement officers' acting on behalf of public institutions need to act in the best interest of the public by adhering to the best practices in procurement. According to the National Institute of Governmental Purchasing (2019), Scandinavian states have controlled purchasing by applying business re-engineering practices that involved control of purchasing where over 78% of procurement is done by the head offices, which has resulted in procurement performance such as reduction in payment delays by more than 30% and increasing completion of projects by about 23%. Besides, the cost of operation and maintenance for existing projects had been reduced by more than 12% of previous budgets.

Despite the introduction of the public procurement and disposal act of 2015, public institutions have continued to lose money through dubious procurement activities (the Republic of Kenya, 2019). Over 436 cases involving loss of public money are currently being handled by the director of public institutions such as the Aror and Kimwarer dam scandals, national youth service sandals one and two where billions of shillings have been lost.

The existing empirical studies on ethics are scanty especially in developing countries, Mbae (2014) studied the influence of procurement laws on the performance of procurement in the county governments in Kenya. The study revealed that procurement laws have resulted in the procurement of quality goods and services, however, there exist bureaucratic procedures that resulted in delayed procurement. Simiyu *et al.* (2017) noted that confidentiality practices in the G4s had no

significant effect on the performance of procurement. Existing literature however revealed that no study has been conducted at Kengen on confidentiality and procurement performance. Besides there exist mixed results by scholars on the influence of ethics on procurement performance, some saying there exists no relationship whereas others revealed there is a significant relationship between ethics and procurement performance, this study, therefore, sought to answer the question: what is the influence of confidentiality on procurement at Kengen?

II. LITERATURE AND HYPOTHESIS

Syengo (2015) conducted a study to establish the impact of ethical practices on the supply chain performance at the Kenya Revenue Authority. The study used a sample size of 51 employees of the Kenya Revenue Authority which was obtained through stratified sampling. A case study research design was used for this study since the study focused on one government agency Kenya Revenue Authority. Well-structured questionnaires were used as the main tool for data collection. Descriptive and inferential statistics were used to analyze the data collected for this study. The study concluded that the procurement performance of the Kenya Revenue Authority was significantly influenced by confidentiality in the process of tendering and technology. It indicated that most at times supplier's confidential information was being disclosed to a third party without the consent of the supplier. It recommended that stern actions should be taken against those found guilty of disclosing this information. These measures include prosecuting them and firing them to ensure the confidentiality of such sensitive information is maintained.

Kitheka (2018) sought to determine how ethical procurement practices influenced the performance of state corporations in Kenya. The study focused on one state corporation-the Kenya Ports Authority. The study targeted a population of 249 employees working in the Kenya Ports Authority with a sample size of 153 participants being used. Questionnaires were used as the main data collection tool for the study. The data collected from these respondents was analyzed using both descriptive and inferential statistics. The study revealed that there exists a positive relationship between the performance of the Kenya Ports Authority and the ethical practices involved in procurement such as integrity, transparency, and confidentiality. To promote confidentiality in the firm, the study recommended that the firm should conduct a quality check on the procurement process. It further indicated that an employee who breaches the provisions of confidentiality is guilty of gross misconduct which would result in being disqualified from the firm.

Musyoka (2017) carried out a study to assess the influence of procurement ethics on the organizational performance of the animal feeds manufacturing firms in Kenya. A sample size of 38 animal feeds manufacturing firms in Nairobi, Kenya was used for this study. Questionnaires were used to collect data to use for this study with inferential and descriptive statistics such as frequency and measures of central tendency were used

for data analysis. The study found that animal feeds manufacturing firms have made great strides to implement procurement ethics in their process. Confidentiality and competence are indicated as the factors that promote procurement performance in these firms. The study recommended that the animal feeds manufacturing firms should ensure that their employees are trained continuously in the procurement procedures such as the skills required in the department as well as the measures to ensure confidentiality is maintained. There should be clear guidelines on the consequences of those found in breach of these guidelines.

Simiyu *et al.* (2018) carried out a study to determine how confidentiality as an ethical practice affects the performance of the supply chain among the logistics and transport firms in western Kenya. The study focused on one G4s firm. A descriptive research design was adopted for the study where the study targeted a population of 766 employees that were working in this firm. Out of this target population, a sample size was obtained to represent the target population where the study used a sample size of 262 employees. Questionnaires were the main instrument of data collection which were administered by the researcher and research assistants. To analyze the collected data, descriptive statistics were used with the help of SPSS. The study revealed that confidentiality positively influenced procurement performance. The study further recommended that G4s firms should focus on promoting confidentiality in their procurement process by educating the staff on the importance of maintaining confidentiality.

Makali (2015) conducted research to assess how ethics affected the procurement performance of humanitarian organizations in Kenya. The study targeted a population of 70 humanitarian organizations registered by the Non-governmental organizations (NGOs) council. The study was a survey since the population was not large. Questionnaires were used to collect data with SPSS being used to help in data analysis. The study concluded that confidentiality, transparency, and fairness in the tendering process were among the factors that promoted the performance of these humanitarian organizations. It recommended that the organizations should put in place measures to ensure that their employees maintain the highest standards of confidentiality with those found guilty of disclosing confidential information should be disqualified from the firm.

Ngau and Mwangangi (2019) studied the influence of strategic procurement practices on the performance of state corporations in Kenya. The study variables included; strategic outsourcing, application of information communication and technology, relationship building and management as well as procurement processes. The study was conducted through a descriptive research design. The study was conducted among 146 state corporations in Kenya. Data for the study was collected using a semi-questionnaire administered through the in-personal drop and pick method. Data for the study was analyzed through both descriptive and inferential analysis through the use of SPSS. The study revealed a strong positive

and significant relationship between the independent variables and the dependent variable. The study recommended the building of better management relationships, application of ICT in procurement, and carrying out strategic outsourcing so that the organizations procure quality goods, works, and services. The study also recommended the integration of ICTs in procurement and also better client-employer relationship management to boost procurement performance.

The literature has indicated that there indeed exists a research gap that involves the impact that ethical practices have on the procurement performance of state corporations where this gap forms the research basis of this study. Most of the existing literature does not indicate how procurement performance is influenced by confidentiality. This research gap in the ethical practices in procurement and procurement performance is evident from the rampant unethical behavior witnessed in public procurement institutions.

H0: Tendering confidentiality does not influence procurement performance at Ken Gen.

III. DATA AND METHODS

The study was a case study research design because it involved procurement employees working at kenGen. The target population was 381 employees working as procurement officers, actuarial officers, and quantity/qualities surveyors, sample for the study was 195 achieved through the Taro Yamane formula.

$$Yamane\ Formula,\ n = \frac{N}{1+N(\epsilon^2)} \quad \text{Equation (i)}$$

Data procedures

Data for the study was primary collected through semi-structured questionnaires through a drop and pick method. Data analysis was done through descriptive statistics on frequency, percentages, and standard deviation, mean. Besides, analysis was done through an inferential analysis where regression analysis was conducted to test the hypothesis through ANOVA analysis, results were presented on tables and narratives. The model equation was of the following form:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \quad \dots\dots\dots \text{Equation (ii)}$$

Y was procurement performance which was a function of tendering confidentiality, β_0 was constant and ϵ was the error term.

Reliability Tests

Results in table 1 revealed reliability tests were conducted through the use of Cronbach's alpha at 0.7. Measures that did not meet the criteria of a threshold of 0.7 were dropped as weak measures, whereas ones that had higher measures were considered for further analysis. Results revealed that Cronbach alpha associated with tendering confidentiality was 0.8897, deleting of any of the items under confidentiality resulted in a reduction of the reliability measures, therefore all

the items were retained for further analysis. Reliability for procurement performance revealed a cronbachs alpha value of 0.911 which was acceptable for further analysis, deleting any of the items for performance resulted in a reduction of the reliability of the variable, therefore the items associated with performance were retained.

Table 2: Reliability Tests

| Variable | Cronbach alpha value If the item was deleted | Cronbach alpha value |
|---|---|----------------------|
| Tendering Confidentiality | .889 | |
| Our tendering process at KenGen ensures the protection of intellectual property | .887 | |
| Our tenders are stored in lockable rooms | .885 | |
| A tendering committee that is well composed sits to decide on procurement matters | .883 | 0.897 |
| We exercise the utmost discretion concerning all matters of official business | .894 | |
| Procurement performance | | |
| The cost of procurement has been reduced | .899 | |
| appraised budgets for the purchase of goods | .878 | 0.911 |
| Timelines are met on procuring goods | .888 | |

IV. RESULTS AND DISCUSSIONS

Response rate: the study sought to collect data from 195 respondents. The study managed to collect data from 182 respondents which is a 93.33%, response rate.

Demographic Characteristics: The majority of the respondents were male (87%) with more than 10 years of experience (56%).

Descriptive statistics: Table 2 shown that: respondents agreed on the statement that tendering process at KenGen ensures the protection of intellectual property as shown by a mean of 4.31 (A=46.1%); it was agreed that tenders are stored in lockable rooms at KenGen as shown by a mean of 4.24 (A=54.4%); it was also agreed that tendering committee that is well composed sits to decide on procurement matters at KenGen as shown by a mean of 4.15 (A=4.29); it was agreed that procurement officials exercise the utmost discretion concerning all matters of official business as shown by mean of 4.23 (A=39.0%); it was agreed that procurement officials do not disclose tender information without official authorization as shown by a mean of 4.23 (A=4.23%).

Donaldson (2018) concurred that the firm’s staff, especially the staff working in the procurement department, should exercise the utmost discretion in all matters regarded as official business. This information can prove to be damaging when shared with the wrong people with ill intentions. In some institutions, breach of tendering confidentiality by the employees of the firm may result in a lawsuit. Disclosing such information may damage the credibility and efficiency of an

organization. Information in the tendering and procurement process can only be disclosed with authorization from the management.

Table 4.3: Tendering Confidentiality Practices

| Likert | SD | D | N | A | SA | | |
|---|-----|-----|------|------|------|------|-------|
| Statement | % | % | % | % | % | M | Std |
| tendering process at KenGen ensures the protection of intellectual property | 0.5 | 2.2 | 6.6 | 46.7 | 44.0 | 4.31 | 0.740 |
| Our tenders are stored in lockable rooms | - | 2.7 | 6.6 | 54.4 | 35.7 | 4.24 | 0.694 |
| tendering committee is well composed | 1.1 | 4.9 | 11.0 | 42.9 | 39.6 | 4.15 | 0.887 |
| We exercise the utmost discretion concerning all matters of official business | - | 3.3 | 14.3 | 39.0 | 43.4 | 4.23 | 0.813 |
| nodisclosure of information without official authorization | 1.6 | 5.5 | 6.0 | 42.3 | 44.5 | 4.23 | 0.910 |

Descriptive Statistics Procurement Performance

Table 4 revealed respondents agreed that: Cost of procurement has been reduced (Mean= 4.33, A=47.6%); appraised budgets for purchase of goods was done (Mean= 4.09, A=52.7%); timelines are met on procuring goods (Mean= 4.25, A=45.9%).

Table 4: Tendering Confidentiality Practices

| Likert | SD | D | N | A | SA | | |
|---|-----|-----|------|------|------|------|-------|
| Statement | % | % | % | % | % | M | Std |
| Cost of procurement has been reduced | 0.7 | 2.4 | 6.7 | 47.6 | 43.0 | 4.33 | 0.731 |
| appraised budgets for the purchase of goods | - | 3.7 | 5.3 | 52.7 | 36.0 | 4.09 | 0.688 |
| Timelines are met on procuring goods | 1.6 | 4.3 | 11.6 | 45.9 | 40.6 | 4.25 | 0.917 |

Hypothesis Tests

Regression analysis was conducted to test the existence or lackof significance of influence between confidentiality and procurement performance. Table 5 revealed an R square of 0.478, showing that tendering confidentiality could explain changes inprocurement performance by about 47.8%. The table showed an F-statistic of 54.416 associated with a p-value<0.001 therefore tendering confidentiality was considered a significant factor influencing tendering performance at KenGen. The null hypothesis was therefore rejected. Makali (2015) concurred through a study on the

dynamic link between ethics and procurement performance among humanitarian organizations in Kenya that there is a positive relationship between a confidential tendering exercise, a process that upholds integrity, transparency, and responsiveness in procurement. On the other hand, negative relationships were established between gifts, conflict of interest, and responsiveness in procurement.

Table 5: Confideriatily and Procurement Performance

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|------------|---|-------------------|-------------------|----------------------------|
| dimension0 | 1 | .692 ^a | .0478 | .442 |

ANOVA

| Model | Sum of Squares | df | Mean Square | F | Sig. | |
|-------|----------------|---------|-------------|--------|--------|-------------------|
| 1 | Regression | 74.572 | 4 | 18.643 | 54.416 | .000 ^a |
| | Residual | 60.640 | 177 | .342 | | |
| | Total | 135.212 | 181 | | | |

Regression Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|------------|---------------------------|------|--------|
| | B | Std. Error | Beta | | |
| 1 | (Constant) | .085 | .042 | .108 | .044 |
| | Tendering confidentiality | .638 | .044 | .730 | 14.361 |

- a. Predictors: (Constant), Tendering confidentiality
- b. Dependent Variable: procurement performance

V. CONCLUSIONS AND RECOMMENDATIONS

The study also concluded that tendering confidentiality had had a positive and significant influence on procurement performance at KenGen. Increased tendering confidentiality led to an increase in procurement performance. The study recommended for protection of intellectual property during tendering, the composition of tendering committee by members who are independent and non-partisan, and people of integrity while safeguarding information regarding the tendering documents and processes away from tenderers at KenGen. Besides, the study recommended the promotion of confidentiality in the institution through conducting a quality check on the procurement process.

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