

# Performance of Procurement Methods and Practices in Faith – Based Organizations in Kenya

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**Abstract:** Faith – based organizations in Kenya have grown in terms of their operations and systems. This growth has necessitated the establishment of various strategic business units aimed at improving their performance and productivity. One of the key strategic business units that has been adopted by most of these organizations is the procurement units. The procurement function is considered as one of the key functional areas of any organization. This is due to its strategic position in enhancing the performance of the organization both in terms of improving their financial performance as well as managing the quality of service and products by the organizations. This study by adopting the descriptive research design and involving procurement staff and committee members from 18 institutions, and by using self – constructed survey questionnaire aimed at evaluating the performance effectiveness of the procurement methods and practices as used in the faith-based organizations in Kenya by addressing the following research questions: What is the place of procurement in the operations of the organizations?; What are the procurement methods used in the organizations under the category of Competitive methods and Non-competitive methods; What is the level of effectiveness of the procurement practices used in the organizations based on Costs of procurement, Quality of procurement and Risk mitigation ability; Is there a significant relationship between the place of procurement in the organization and the level of effectiveness of procurement practices and Is there a significant relationship between the assessment of the relationship between the organization and its suppliers and the place of procurement in the organization and the level of effectiveness of procurement practices. Descriptive statistical tools including frequencies, percentages, means and standard deviations were used to analyze the data. Additionally, Pearson product-moment correlation coefficient was used in testing the null hypothesis. The study established that procurement is well placed, competitive procurement methods are mostly used compared to the non-competitive methods. There was a significant positive and moderate relationship between place of procurement in the organization and the level of effectiveness of procurement practices ( $r = 0.309$ ;  $P = 0.012 < 0.05$ ) and the self-assessment of the relationship between the organization and its suppliers ( $r = 0.355$ ;  $P = 0.004 < 0.05$ ). The study concludes that competitive procurement methods are mostly used as compared to the non-competitive methods, the institution have procurement practices that are cost effective, high quality and effective in risk mitigation.

**Key words:** procurement methods; procurement practices; faith – based organizations; performance; procurement cost; procurement quality

## I. INTRODUCTION

According to Chartered Institute of Procurement and Supplies – CIPS (2005), procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfil its strategic objectives and as such exist to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organization, its stakeholders and customers. One of the difficulties in defining the term ‘procurement’ is that it does not deal with a single action or process but rather covers the complete range of events from the identification of a need for a good or service through to its disposal or cessation.

Kakwezi and Sonny (2010), posit that procurement is a global issue as organizations both in public and private sectors are increasingly relying on suppliers of products and services to fulfill their obligations and meet the needs of their customers. As such, organizations are increasingly becoming under pressure to ensure efficient and cost-effective procurement and attract supplier that perform well, therefore ensuring that organization get quality supply. Kakwezi and Sonny (2010), further assert that the importance of the role of procurement has increased dramatically in recent times, due to the substantial amounts of money being spent on organizational purchases and the potential savings that can be made through the implementation of a focused procurement strategy. As a result of this, Mutava (2014), argues that procurement strategy is now regarded as a key component in achieving overall corporate strategies and thus calls for the need to monitor and evaluate the effectiveness of the various procurement methods and practices adopted by organizations including organizations in the private sector.

According to Johnson, Leenders, and Flynn (2011), the role of the procurement function in organizations has received and continues to receive increasing attention as the years go by. Johnson, *et al.*, (2011), argues that the procurement function enhances efficiency and competitiveness among other benefits but to realize these benefits, it is imperative to look at strategic factors that affect the performance of the procurement function. Effective procurement promises to cut operational costs all across the supply chain, but it also raises the expectations of buyers posing a challenge for buyer satisfaction and supply chain performance.

The growing focus on procurement management in both the public and private sectors is further illustrated by the numerous national and global reports on procurement. For instance, in South Africa, in 1994, a preliminary review of the existing procurement policies and systems indicated a skewed nature of tender awards to the larger, more established companies that obtained most of the public sector contracts. In 1994, the government of South Africa identified an urgent need for public sector procurement reform. After an initial review of the regulatory environment, the government undertook a fundamental review of the entire public procurement system, discussing the subject with various stakeholders. A joint initiative of the Ministry of Public Works and the Ministry of Finance to transform public sector procurement policy and systems in the country resulted in 1995 (Bai & Sarkis, 2009).

Gichio (2014), observes that accountability in the public procurement system in Kenya in the past decade, has undergone significant changes, from a system with no regulations in the 1960s, to a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s, and finally the introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2006 setting new standards for public procurement in Kenya. Gachio (2014), further observes that in 2013, there was an amendment of the Procurement Regulations. The Regulations, 2013 focus on Procurement and disposal within the newly established County Governments and served to operationalize the application of the Public Procurement and Disposal Act, 2005 in County Governments and promote local industries without changing the principles and tenets of the Public Procurement and disposal Act 2005. The enactment of the Procurement Regulations 2013 is the latest move on the historical evolution of Public Procurement in Kenya starting from the colonial period to the present.

According to Public Procurement Oversight Authority - PPOA (2009), all these revolutionary changes in the public procurement and disposal aimed at promoting the effectiveness of the procurement function through enhanced transparency and accountability and the integrity and transparency of a public procurement system, premised on a number of control mechanisms that include among others an effective control and audit system, an efficient appeals mechanism, a comprehensive information sharing system enabling civil society and interested stakeholders to conduct social audits, and effective ethics and anti-corruption measures. PPOA (2009), observes that without such control mechanisms the effectiveness of the procurement function is hampered with as flaws in the procurement system may not be detected and addressed.

However, despite the enactment of the Public Procurement and Disposal Act, 2005 and operationalization of various regulations, public procurement in Kenya continues to be marred by corruption scandals and losses amounting to billions of shillings. Cases of procurement malpractice

including Anglo Leasing, the National Hospital Insurance Fund civil servants' medical cover scheme, IEBC BVR kits, the NSSF Tassia estate scandal and various water dam projects are among those that have dominated the media and public discourse.

In order to enhance organizational efficiency and productivity through enhanced procurement function, the selection of the most appropriate procurement methods and practices is critical at any level as it is an important factor that contributes to the overall client's satisfaction and project success. According to Hackett, Robinson, and Statham (2007), this selection is dependent on a number of factors such as cost, time and quality which are widely considered as being the most fundamental criteria for clients seeking to achieve their end product at the highest quality, at the lowest cost and in the shortest time.

Harvey (2004), asserts that evaluation of quality or standards refers to process of examining and passing a judgment on the appropriateness or level of quality or standards while Campbell (2006), defines evaluation as a general term denoting any process leading to judgments and/or recommendations regarding the quality of a unit which could be an institution, program, or discipline. It is worth noting that based on the various definitions, evaluation can be an internal process – self-evaluation – or an external one conducted by external experts, peers, or inspector. Conclusively, in order to meet the total quality requirements, the procurement process must be strategically and proactively oriented and must effectively participate in developing the general strategies of the organization. Procurement strategies must be an integral part of the overall strategies of the organization and must harmonize with them (Hackett et al., 2007).

Faith – based organizations like any other organization, perform procurement activities which are regulated by procurement principles so as to help them achieve their organizational objectives. Unlike public sector, private sector procurement activities are for supporting the principal business objective of a company, which is to make a profit. This does not rule out the fact that private entities may also seek social benefit; however, it is not their primary business objective. Private sector procurement complies primarily with contract or commercial law with respect to the formation of contracts, but their methods of procurement are governed by company policy.

Private sector procurement is also governed by company policy. Such policies are not necessarily dictated by law, but by the objectives of the company. A private company can engage in a contract with another private company or individual, and the procurement method is dictated entirely by the internal policies of the company. With respect to oversight, the private sector procurement process is mostly closed to public scrutiny, Shareholders may, however, require reviews of the procurement process. Under private sector procurement, procurement practitioners answer only to

management, and are responsible for their actions. According to Barsemo, Mwangagi, and Asienyo (2014), private procurement is confronted with a lot of challenges which includes market factors, legal factors, political factors, organisational and political environment and which procurement in the second cycle schools is not an exception. Even though there is a lot of effort by government to ensure that procurement units are able to achieve its objectives most customers do not want to follow the procurement procedures (Barsemo, *et al.*, 2014).

According to Kariuki (2014), some private institutions do not have procurement units and do not also have trained procurement professions to take charge of procurement activities. The process of acquiring goods, works and services are performed by the various accountants. Procurement plans and other processes are done by these accountants.

Aseka (2010) noted that there is clear evidence of prolonged inefficiency, procurement related financial mismanagement, waste and malpractices among these, lack of procurement ethics in many Church-owned organizations. Additionally, the selection of suppliers by these institutions is not always in accordance to the procurement golden-rule of openness to competition. Different institutions will choose their suppliers not based on ability and credibility but merely on the basis of denominational relationship that exists between the two parties. This practice may be of financial gains to either party at the expense of service delivery and procurement ethics. Such practices have continuously led to questions in accountability and transparency as well as failure to effectively control and curb corruption and fraud (Agaba & Shipman, 2006).

According to Barsemo *et al* (2014), poor procurement performance contributes to decrease in profitability in the private sector hence is a major hindrance to the realization of organizational growth as it leads to delays in delivery, low quality goods and services and increase in defects. In both private and public sectors, poor procurement performance results from inability to embrace e-procurement, use traditional procurement procedures and poor coordination of procurement activities between the requisitioning departments and the procurement department.

Effective procurement not only promises to cut operational costs all across the supply chain, but it also raises the expectations of buyers posing a challenge for buyer satisfaction and supply chain performance (Ndiga, & Ismail, 2016). However, less has been done in private institutions and more so in SDA church managed institutions. Procurement procedures and strategies have a direct positive impact on the performance of humanitarian organization in delivery of relief and emergency services (Barney, 2008). According to Mwikali and Kavale (2012), the factors affecting supplier selection in Kenya include technical capability, associated costs, organizational profile, quality assessment, risk factors, service levels and the profile of the suppliers.

Despite there being numerous studies done, very little of the studies were done on the evaluation of procurement methods criteria and the influence to the procurement performance in Church owned institutions in Kenya. Therefore, this study was undertaken to fill this gap by evaluating procurement methods and practices used in selected Seventh - day Adventist church institutions in Kenya.

The study was guided by a set of three objectives:

- i. To determine the procurement methods used in the faith – based organizations
- ii. To establish the level of effectiveness of the procurement method and practices used in the faith-based organizations.
- iii. What is the relationship between the assessment of the relationship between the organization and its suppliers and the place of procurement in the organization and the level of effectiveness of procurement practices?

## II. THEORETICAL REVIEW

### A. *The Goal-Setting Theory*

Goal-setting theory had been proposed by Edwin Locke in the year 1968. The theory began with the early work on levels of aspiration developed by Kurt Lewin and has since been primarily developed by Dr. Edwin Locke, who began goal setting research in the 1960's. The research revealed an inductive relationship between goal setting and improved organizational performance. Goal setting involves the conscious process of establishing levels of performance in order to obtain desirable outcomes. This goal setting theory simply states that the source of motivation is the desire and intention to reach a goal (Shahin & Mahbod, 2007). If individuals or teams find that their current performance is not achieving desired goals, they typically become motivated to increase effort or change their strategy (Locke & Latham, 2006).

This theory suggests that the individual goals established by an organization play an important role in motivating its superior performance. This is because the stakeholders keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Salaman, Storey, & Platman, 2005).

This theory postulates that in an organization, the supplier selection and evaluation team's efforts to achieve procurement performance in the organization will be required to make realistic goals. According to the theory, the objectives of procurement should be realistic and therefore, guide the selection process towards achievement of these objectives/goals. Specific and clear goals lead to greater output and better performance. Unambiguous, measurable and clear goals accompanied by a deadline for completion avoids misunderstanding (Shahin & Mahbod, 2007).

### *B. Theory of Sustainable Competitive Advantage (SCA)*

Given the extent to which the theory of sustainable competitive advantage (SCA) has been developed as the most promising theoretical frameworks in the field of management particularly in the field of strategic management (Knouch, 2018), it forms a better basis for the study of the concept of effective supplies chain management. In underscoring the significance of the sustainable competitive theory which makes it suitable for the theoretical framework in the study of effective supply chain management, Foon and Nair (2010), cited Alderson who pointed out that the main aspect of the competition is the rapid adaptation of suppliers to meet changes in customer demands.

Knouch (2018), contends that the sustainable competitive advantage concept emerged in the year 1984, when Day proposed strategies to sustain competitive advantage (CA), though he affirms that the first appearance of the word SCA is in the research of Harvard Business School in 1985 on the strategies through which the organization can gain SCA. According to Pirayesh and Forouzandeh, (2016), such strategies include the low-cost strategy and excellence strategy.

### *C. Agency theory*

As indicated by Davis, Flynn, and McKeivitt (2013), the proponents of the agency theory have argued that it has its origin from the school of economics and finance. Jensen and Meckling (1976), posit that the fundamental premise of the agency theory is a legally binding relationship where one party (the principal) engages with the agent to undertake a responsibility in the interest of the principal. The proponents of this theory posit that this contractual relationship leads to a state of "voluntary dependency" (Althaus, 1997). This theory as advanced by Boston (1991), is useful in the analysis of the relative efficiency of alternative institutional arrangements given that it has a focus on the nature of contractual relationships. Hogan (1997), argues that the theory considers people as opportunistic and would rationally maximize their own utility even to the detriment of others. Consequently, people will use any available opportunity for personal gains thus having a significant impact on the performance of the procurement function of any organization and can thus be useful in understanding the cases of procurement scandals that has continued to stain a number of organizations including the faith-based organizations. Additionally, Bonazzi and Sardar (2007), have argued that given the separation of ownership from control, chances of existence of conflict of interest between the owner and the principal are enhance with the agent and principal both seeking to receive maximum benefit for the least possible expenditure. However, the principal incurs agency costs in such a situation (Davis et al., 2013; Muth & Donaldson, 1998). Further, Althaus (1997), posits that as a result of this, it is the principal who "usually loses out on the optimality stakes, as the theory restrictively attributes opportunism to the agent" and Darus (2011), agrees

with this when he reasoned that corporate governance challenges experienced in strategic management including the procurement management function arise due to the conflicting interests between the principals and the agents as a result of separation of ownership and control.

Some authors, namely Althaus (1997), Bonazzi and Sardar (2007), Boston (1991), Cole (1998), and Shleifer and Vishny (1997), in attempting to explain what leads to the occurrence of corporate scandals that includes the procurement related scandals in organizations, have identified some primary agency problems related to the separation of ownership and control. These they identified to include conflicts of interest, information asymmetries, and the inability to write complete contracts for all potential future eventualities between owners and managers. While agreeing to this and using the Enron case, Heath and Norman (2004), argued that, the senior managers acted against the interests of the shareholders – the principals through information asymmetries and opportunities presented due to conflicts on the board.

In an effort to ensure efficiency of the various procurement practices, it is important to consider the viewpoint of Boston, Martin, Pallot, and Walsh (1996), who have asserted that the theory provides useful framework that explains the behavior of the respective actors and which can best help inform on the practical implications for the design of procurement structures as well as be used to study and understand how the individual behavior provides a motivation for the engagement in different procurement practices that can significantly impact on the overall procurement function.

The fundamental premise that leads to the occurrence of improper procurement practices from the point of view of the agency theorists is that for any given situation, managers may not act to maximize shareholder returns contrary to their self-interest thus providing an opportunity and motivation for them to engage in such improper procurement practices. However, according to Jensen and Meckling, (1976), this can be checked by establishing appropriate governance structures to protect the interests of shareholders.

### *D. Stewardship theory*

Stewardship theory has its origin in the human relations school of management (Hung, 1998), organization theory (Clarke, 1998) and the disciplines of sociology and psychology (Muth & Donaldson, 1998). Stewardship theorists focus on non-economic influences that guide managerial activity contrary to agency theory (Mason, Kirkbride, & Bryde, 2007). Wherein the agency theory presents a view of governance based on economic interpretations of relationships within organizations, stewardship theory allows for a range of non-financial motives for managerial activity, including the need for achievement and recognition, the intrinsic satisfaction achieved from a successful performance and a strong work ethic as a basis for the occurrence of particular procurement practices some of which could be unhealthy to the organization. This premise being more intrinsic implies

that the management presented with the opportunity, backed up with the capacity is able to rationalize their decisions to engage in improper and unfair procurement practices that could end up having a negative impact on the overall efficiency of the procurement function.

The basic premise of stewardship theory as stated by Donaldson and Davis (1994; 1991), is that managers as: “Stewards of the corporation diligently work to attain high levels of corporate profit and shareholder returns”. Thus, organizational financial performance and shareholder wealth will be maximized by empowering managers to exercise unencumbered authority and responsibility. However, there is an eminent danger in empowering the managers without providing the appropriate checks and balances. Stewardship theory posit the “model of man” as one in which managers, as stewards, are team players and not motivated by individual goals but rather align themselves with the objectives of their principals (Davis *et al.*, 2013).

Fundamental to the stewardship model is that there must be a culture of trust between the principal and the manager (Mason *et al.*, 2007). An underlying premise of stewardship theorists is the idea of “directors having a fiduciary duty and that they can be trusted and will act as stewards over the resources of the company” (Turnbull, 1997). It presumes “that managers are seeking to maximize organizational performance”. Therefore, it follows that “there is *no* motivation problem or non-alignment of interest between management and ownership” (Hung, 1998). The stewardship theory fundamentally posits that in any given situation managers are good stewards of corporate assets and they work diligently to maximize shareholder returns (Donaldson, 1990). This view leads to the assumption that if managers do, indeed, fit the “model of man”, their performance is not influenced by self-interest, but is more likely to be “affected by whether the structural situation in which he or she is located facilitates effective action” (Davis *et al.*, 2013).

#### E. Place of Procurement in an Organization

According to Robert (2011), the objectives of a world-class procurement organization move far beyond the traditional belief that procurement’s primary role is to obtain goods and services in response to internal needs. Robert (2011), further asserts that in order to understand how this role is changing, it is imperative for one to understand what purchasing is all about, starting with the primary objectives of a world-class purchasing organization. Public procurement processes facilitate the purchase of services, supplies and construction in support of essential public functions. Conversely, De Mel, McKenzie, and Woodruff (2014), argue that while high importance is placed on spending finances responsibly in a manner that is transparent, efficient, accountable and fair, the strategic value of procurement in private entities is not always apparent. Consequently, De Mel, *et al.*, (2014), assert that the strategic value of procurement is realized when an organization shifts its focus from reactive, transactional

purchases to proactive, value-based procurement actions. Structured, centralized and narrow delegation of procurement authority to a professional procurement department provides the benefit of establishing a business unit that has specialized knowledge of public procurement principles, processes and best practices.

De Mel, *et al.*, (2014), observed that the optimal organizational model is one in which the professional procurement department holds procurement authority and guides and monitors the procurement processes that take place throughout the public entity. When skilled, professional procurement is buried within an organization and disconnected from the decision-making process, key business opportunities, efficiencies and full value for money may be lost.

Given the increased interest in the procurement function due to the number of reports, research and even development of relevant policy and regulatory frameworks, it is right to observe that the private sector has witnessed a growing recognition of the importance of procurement in support of business strategy and its impact on the bottom line. An increasing number of companies have the chief procurement officer (CPO) reporting directly to the chief executive officer (CEO). According to Bartolini (2011), procurement’s inclusion on a public entity’s leadership team ensures procurement strategies are aligned with organizational goals and enables procurement to proactively identify and capitalize on opportunities that improve operational and financial outcomes. Bartolini (2011), concludes that the procurement functions serve an organization by adding value to various procurement functions among them being strategic sourcing; supplier relationship management; supply chain management; contract management; and risk mitigation.

#### F. Supply Chain Management (SCM)

Whereas Baily and Jacobs (2005), defines supply chain as a system of organizations, people, activities information and resources involved in moving a product or service from supplier to customer, Ellram (2002), defines it as a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Gheorghe *et al.* (2014), stated that supply chain management (SCM) consists of the integration activities taking place among a network of facilities that procure raw material, transform them into intermediate goods and then final products, and deliver products to customers through a distribution system.

Glover, David, Harry, and Rob (2008), assert that the complexity of coordinating supplier actions, transportation, inventories and delivery systems requires continuous attention to detail and that in most organizations, procurement is responsible for managing the supply chain. They further assert that procurement monitors those actions and values responsible for continuous improvement of the design,

development and management process of an organization's supply system, with the objective of improving its profitability and survival of its customers and suppliers. It has a major impact on net income and shareholder value.

According to the Institute of Supply Chain Management (ISM) (2005), procurements deal with the identification, acquisition, access, positioning and management of resources the organization needs in the attainment of its strategic objective. Consequently, Chen, (2011), observes that without effective supply chain management, an organization loses valuable time and resources as primary objective of the procurement function is the proactive coordination of supply chain activities in order to ensure the organization has what is needed, where and when it is needed.

### G. Strategic Sourcing

According to the NIGP Dictionary, Strategic Sourcing is a systematic continuous improvement process that directs supply managers to assess, plan, manage, and develop the supply base in line with the agency's stated objectives. Parniangtong, (2016), asserts that strategic sources refer to the process of developing channels of supply at the lowest total cost, not just the lowest purchase price. Douglas, Rudzki, and Stephen (2007), contends that strategic sourcing expands upon traditional purchasing activities to embrace all activities within the procurement cycle, from specification to receipt and payment of goods and services. In addition to reducing costs, strategic sourcing focuses aimed at building longer term, win-win relationships with key suppliers to give buyers a competitive advantage (Douglas, *et al.*, 2007). The nature of the relationship underscores the success of strategic sourcing initiatives. It is critical that both buyer and supplier work together and share information to identify opportunities that will significantly increase savings over time.

Douglas, *et al.*, (2007), concludes that organizations that use strategic sourcing are constantly re-evaluating procurement actions to ensure alignment with long-term organizational goals and facilitates continuous process improvement by measuring the effectiveness of these same procurement actions and that when applied effectively; strategic sourcing can significantly lower the costs of goods and services.

### H. Procurement Methods

Procurement method refers to the means through which procurement activities are implemented. They can also be considered as the procedures used by procuring entities to acquire goods, services and works. There are several procurement methods that can be adopted by an organization. These methods are broadly categorized as either competitive or non-competitive methods.

#### Competitive Methods

According to Gruneberg and Hughes (2004), competitive procurement involves opening the process to bids and tenders to obtain the best value. Competitive procurement methods

include but are not limited to: Request for quotations, Two-Stage tendering, Request for proposals and Open tendering (Gruneberg & Hughes, 2004).

*Request for quotations (RFQ)*: The request for quotations is a procurement method that is used for small value procurements of readily available off-the-shelf goods, small value construction works, or small value services procurements. This procurement method is also known as invitation to quote and shopping, and it does not require the preparation of tender documents to the same extent as open tendering, request for proposals or two-stage tendering (Gruneberg & Hughes, 2004).

According to Beil (2009), the request for quotation method is by far the least complex procurement method available where there is no formal proposal drafted from either party. Quotations received in response to a request for quotation are first evaluated to determine compliance with the technical specifications or scope of work of the requirement and also for compliance with administrative requirements of the request for quotations. Only after the administrative and technical compliance determination, a price comparison is made between firms found to be compliant, and then a purchase order is signed with the bidder submitting the lowest price quotation within the stipulated delivery or completion date.

Essentially, the procurement entity selects a minimum of three suppliers or service providers that they wish to get quotes from and thereafter conducts a comparison of the quotes based on their extend of requirement compliance and the best quote is selected.

There many types of RFQs, including open, invited, sealed bid, or reverse auction. RFQs are usually run by only inviting prequalified suppliers with the number of bid participants generally ranging from 3 to 8, but again it depends on the category.

This method is advantageous in that, procurement lead-time is significantly reduced given that there's no need to prepare solicitation documents, or to advertise requirements. And the period for quotations submission is also equally reduced (Khakata, 2014). Secondly, the number of quotations received is limited to the number of bidders' quotations were requested from, so the selection process time is also reduced (Kangogo, 2013). Additionally, Watt (2014) contends that the procuring and/or requesting entities would usually have a pretty good idea of where and from whom the goods, services or works can be procured, so there's a higher probability of response to the request for quotations.

However, Lynch (2017), observed that one of the biggest drawbacks with the method is that it lends itself to irregularities because the procuring entity decides which suppliers, contractors or service providers to send request for quotations to, and competition is very limited. The method too, could be abused as a result of the breaking of

requirements into smaller sizes in order to be applied and could easily lead to requesting quotes from a limited number of firms even if the goods, services or works are available from a greater number.

*Two-stage tendering:* This procurement method involves two procedures with each procedure having a two-stage process. The first procedure involves the procurement team receiving a proposal with two envelopes – one with the proposal itself and one with the associated financial information (UoN, 2016). The bidder is required to submit a technical proposal that highlights their solutions to fulfilling the requirements as specified by the procuring department. This proposal is scored according to the relevance of the solution to the needs of the procurer. The highest scored proposal is invited for further discussion in an attempt to reach an agreement. After the final agreement for the technical proposal is reached, the bidder is invited to submit their financial proposal and then, further discussions follow, to negotiate a contract (CIPS, 2004).

The second procedure involves the bidder submitting a partial proposal. The methodology and technical specifications are included but not to the fullest extent. This allows room for even more customization and discussion. Once the highest qualified bidder is selected, they will be invited to submit a thorough technical proposal along with a financial proposal. The technical proposal will be evaluated and only then will the financial proposal be opened. The combined score of both the technical proposal and the financial proposal are the grounds on which a bidder is contracted (UoN, 2016).

According to Lynch (2017), this method has merits such as; being a more flexible approach to awarding contracts as it allows participation of prospective bidders in the definition of the technical specifications and scope of work. The preferred bidder is more likely to have a good understanding of the requirement, which potentially reduces risks in the implementation of the contract. Prospective bidders are able to make suggestions for improvement of the technical specifications and scope of work of the assignment, through their technical proposal and clarification discussions (Lynch, 2017).

*Request for proposals (RFP):* According to Kangogo (2013), this method is suitable when suppliers or service providers are proposing their good or service to a procurement team for review and the procurement managers receive RFPs from potential clients all the time when a client is seeking a new supplier of their venture. This kind of proposal is a compelling and unique document stating why the business is the best fit for the type of project at hand. The agencies writing the RFPs should submit a two-envelope proposal to the procurement manager. The two-envelope process allows the procurers to review the proposal through and thorough without knowing the financial component. The financial proposal is sealed in the second envelope and should only be opened after the content of the first-envelope proposal is approved or rejected (Roth, 2001). This eliminates any persuasion by cost and

allows an objective lens to look through when analyzing a good fit. The proposal with the best fit qualifications and best price will be selected. If a lesser qualified (yet still qualified) selection has a lesser price, no contract should be negotiated. The most qualified and appropriate proposal, regardless of price, is selected.

RFPs can be open to all potential suppliers. Regardless of whether it's an open bid or invite-only and can be adopted in managing sealed bid sessions which is a type of bidding process where participants provide their bids in a sealed "envelope" and no buyer is allowed to open the bids before the final deadline. It is a great strategy to use to combat fraud and bid leakage before the bid has come to a conclusion (PPOA, 2009).

Under the guidelines of most international development banks (World Bank, Asian Development Bank, African Development Bank, etc.) and some donor entities (Millennium Challenge Corporation, for instance) request for proposals are used primarily for hiring consulting firms (Kitagawa, 2008).

#### *Non – competitive Procurement Methods*

Noncompetitive procurement (sometimes called "sole source" or "single-source" procurement) happens when the buyer either selects the company to buy from or restricts the bidding process to certain suppliers. Non-competitive procurement methods include but not limited to:

*Single – source (sole source):* Single-source (sole source) procurement is a method that occurs when the procuring entity intends to acquire goods or services from a sole provider due to some specific circumstances (Engelbert, *et al.*, 2012). These circumstances which call for this method are when there is: an emergency, only one supplier is available and qualified to fulfill the requirements, abundant clarity in the advantages of using a certain supplier, the procurer requires a certain product or service that is only available from one supplier and/or a restriction for the continuation of work that cannot be reproduced by another supplier. This method should undergo a strict approval process from management before being used.

According to Alhazmi and McCaffer (2000), a checklist should preferably be developed for requesting entities to complete in sufficient detail to justify the need for fulfilling a procurement requirement from a single source. Such justification should identify the requesting entity, describe the requirement, address why the requirement can only be fulfilled from the identified source, including action taken to identify additional sources, in addition to the total cost and planned future actions to preclude the need for using this method.

*Restricted tendering:* Restricted tendering is a procurement method that limits the request for tenders to a select number of suppliers, contractors or service providers (Johnson, *et al.*, 2011). This method of procurement is also called Limited Bidding and Selective Tendering where competition is limited

to only firms shortlisted or invited by the procuring entity. In this method, a process should be in place for arriving at the number and specific firms that will be invited; that number however is dependent on the stipulations of the public procurement legal framework. Any decision to use the Restricted Tendering procurement method must conform to the policies and procedures governing the procurement system (Katagawa, 2008). A basic characteristic of this method is that competition is confined to a certain number of firms either because only a few firms are qualified to fulfill the specific type of requirement, or certain conditions warrant the use of a limited number of firms in order to reduce the time and cost of the selection process (Morledge & Smith 2013).

### *I. Procurement Practices*

There are various strategic procurement practices comprising but not limited to; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, spend management plans and technology utilization (CIPS, 2005). It is vital for every organization carrying out procurement, to check whether there is need to start an entirely new procurement process and how the procurement practice adds value to whole process. The purchasing firm will leverage on its strengths by adopting relevant practices that will translate to the realization of its procurement strategic goals (Neely, 2005).

Leading, successful organizations – public and private – recognize that maintaining an archaic view of procurement as a primarily clerical function restricts their capacity to maximize success. Instead, incorporating procurement into the organization's strategic mind set, equipping procurement practitioners with the tools that allow them to perform at a professional level and setting expectations accordingly brings to government leaders and their communities greater value, greater trust and greater success. The strategic value of procurement is best realized by organizations that directly involve procurement departments in the overall strategic planning process. With a seat at the planning table, these departments can ensure procurement strategies are aligned with overall strategies and in support of organizational goals.

### *Procurement Evaluation and Criteria*

According to Gordon (2008), procurement evaluation refers to the practice of approving and evaluating potential suppliers using quantitative methods to make sure that the best class of suppliers is made available to supply products and services to an organization. The process of identifying the best suppliers and maintaining them is perhaps the single most important role of the procurement function in any forward-looking organization. To carry out their task effectively, procurement managers must come up with scoring criteria to help them evaluate and identify the suppliers to do business with and maintain them in the approved vendors list (Wu, Shunk, Blackhurst, & Appalla, 2007). Parameters to be included in the scoring criteria or appraisal forms as the case may be should be carefully selected to ensure that they are value

adding and will impact positively on the performance of the procurement function and the entire organization as a whole. As such, it is important that the procurement manager identifies and critically analyses the procurement related factors that affect the performance of the procurement function (Maroa, 2013).

According to Walker and Rowlinson (2008), the measurement of procurement performance is the first step in being able to understand the weaknesses and strengths of a given system and put into place corrective actions. Developing an effective method for measuring the performance of procurement requires certain indicators to make evaluation possible. According to Pi and Low (2006), the indicators of performance include efficiency in the procurement process measured in terms of the cost of transactions and time. Another indicator is transparency and openness of the procurement system with regards to fairness of participants. The workforce professionalism is also another indicator of procurement performance; a well trained and equipped workforce can enhance the performance of the process of procurement.

### III. SUMMARY OF FINDINGS

This study evaluated the procurement methods and practices based on costs, quality and their ability to mitigate risks that may arise as postulated by the World Bank procurement report (2016) which highlights that the evaluation criteria should take into account such factors as the cost associated with the nature and procurement methodology, quality with regard to the degree to which the Goods, Works, Non-consulting Services or Consulting Services meet or exceed the requirements; and the criteria that mitigate the relevant assessed risk.

This study aimed at establishing the effectiveness of the procurement methods and practices adopted by the faith – based organizations in Kenya. The study adopted descriptive research design with the unit of observation being the faith – based organizations managed by the Seventh – day Adventist Church in Kenya and the unit of analysis being 68 procurement department staff and members of the procurement committees. The data was analyzed using descriptive statistics that included means, frequencies and percentages and standard deviations as well as Pearson's product-moment correlation coefficient. The analysis has been presented using tables. The following are the summary of the key findings.

#### *Type of Projects where Procurement is Conducted*

This study has established that most of the organizations at 78.5% conducted procurement on the Equipment and stationery supplies, 56.9% of the organizations did procurement of Food stuff supplies while 47.7% did procurement of Chemicals and medical Supplies. Further, 33.8% of the organizations conduct procurement for the supply of Construction materials while 21.1% of the



organizations procure fuel and energy supplies. Finally, 3.1% of the organizations procure other projects such as machinery and services. Evidently, the study shows that the organizations involve themselves in a wide range of procurement situations that probably calls for the adoption of different procurement methods and practices.

#### *Operations of the procurement Department*

The study findings indicate that in most organizations at 76.9%, the procurement officers report to the Chief finance officer of the organization, while 10.8% of the institutions had their procurement officers reporting to Chief Executive Officers of the organization. Additionally, 9.6% of the institutions had their procurement officers reporting to other officers such as Chief accountant, Finance manager and director. 3.1% of the respondents did not respond to this question.

The respondents were asked whether strategic sourcing was solely the role of your department in the organization. The findings of the study indicate that in most organizations (52.3%), strategic sourcing isn't solely the role of procurement department in the organization while in 47.69% the organizations strategic sourcing is. This is in line with the regulation by the UN Procurement Practitioner's Handbook (2006) that development of organizational procurement strategy is normally the responsibility of senior management of the organization, in particular, the Chief Procurement Officer. However, it would be done in collaboration with other senior management and with the support of procurement and other officials in undertaking the various analyses. Usually it is in line with the normal organizational business planning cycle. For most organizations this process is performed on either an annual or biennial basis.

The study findings further indicate that 70.6% of the interference in strategic sourcing happens at the pricing and quotation while 14.7% takes place at the point of suppliers' selection.

#### *Perceived Relationship between the Organization and its suppliers*

According to the findings, 4.6% of the organizations have a very good relationship with their suppliers, 36.9% have a good relationship with suppliers while 15.4% of the institutions have a perfect relationship with their suppliers. However, 3% of the organizations face a just fair relationship with their suppliers. The findings are in line with Hughes (2010), who concluded that trust, communication, cooperation and power dependence with supply contracts had a positive relationship on supply chain performance in retail outlets in Taiwan and also supported by Ratemo (2011), citing that the company under study failed to maintain good relationships with their suppliers leading to poor supply chain performance.

Organizations practicing SRM culminate in improving their supply chain performance (Baily *et al.*, 2008). Constant maintenance of a worthy relationship with suppliers will

guard an organization from the hitches of quality, increase efficiency and hence improve performance (Liker & Choi, 2004). This relates to all organizations, whether commercial or humanitarian (Choy, *et al.*, 2002). The supplier is made part of the organization and will continuously keep that particular organization in mind (Zimmermann, *et al.*, 2015). Firms are bound to cultivate and maintain long term relationships with suppliers by sharing information, managing the supplier performance and using information technology in supply chain management (Lysons, & Farrington, 2006).

#### *Place of Procurement in the Organization*

The study has established that the procurement department's objectives are in alignment with the long-term organizational goal ( $\mu = 1.97$ ). Additionally, the institutions' procurement processes are clear and fair to all suppliers and potential suppliers ( $\mu = 1.92$ ). The study further show that procurement is part of the decision making of most of the organizations ( $\mu = 1.84$ ). The findings further show that there are clearly outlined procurement steps in supply management; from supplier selection to delivery ( $\mu = 1.84$ ), there is a well outlined structural review, monitoring and management of supplier contractual terms and service agreements ( $\mu = 1.81$ ), most departments carry out supply contracts and tenders freely without interference from higher authority ( $\mu = 1.79$ ), all purchasing and supplies are mostly done through the procurement office/department ( $\mu = 1.69$ ), and most of the department are in a position to respond to and deal with all risks that entail the procurement process to protect the organization ( $\mu = 1.69$ ). In general, procurement is well placed in most of the selected organizations suggested by the average mean of 1.69 and consistent with the assertion by Thomas (2014), that only those organizations whose cooperate goals are incorporated in the procurement objectives will perform effectively. This is a good indicator of good procurement ethics as noted by the UN procurement Practitioners handbook that; some of the ethical concepts and principles that relate to the procurement process are; loyalty and respect for rules and regulations, integrity, impartiality and fairness, transparency, confidentiality, avoidance of appearance of impropriety and due diligence. The hand book further posit that, although confidentiality might seem in contradiction with transparency, the way the overall procurement process is conducted needs to be clear and transparent to all stakeholders, while truly proprietary data needs to remain confidential (UN procurement Practitioners handbook, 2006).

#### *Method of Procurement Used by the Organization*

The findings indicate that 96.9% of the organizations use request for quotations (RFQ) procurement method, 24.6% of the organizations use request for proposals (RFP) to procure goods and services while 4.6% of the organizations use Two-stage tendering method of procurement. The study also shows

that 36.9% of the organizations used Single Source (sole source) as a procurement method while only 7.7% of the institutions used Restricted Tendering in procurement.

#### *Most Common Procurement Method Selected by the Organization*

The findings show that for competitive methods of procurement, 95.4% of the selected institutions commonly used request for Quotations method of procurement, while 13.8% of the respondents used Request for proposals to carry out procurement of supplies. Two-stage tendering was the least (1.5) preferred method of procurement by the institutions.

On Non-competitive methods, the most preferred method of procurement was single sourcing with 43.1% of the organizations that commonly used it while only 1.5% of the selected institutions preferred restricted tendering. In general, the study found that Competitive methods of procurement were mostly used by the selected institutions as compared to the non-competitive procurement methods.

These findings however, contradict the recommendation by Public Procurement Authority (2009), that the preferred procurement method is open tendering as provided in Section 29 of the PPDA 2005. Additionally, there are advantages accrued to competitive procurement method as noted by Nikolaj (2019), that the price competition between suppliers will raise the production efficiency, the transparency of the selection criteria gives the client a better and faster decision on which tender to choose and the criteria minimize the risks of supplier cartels forming.

However, those organizations that used non-competitive methods cited the high risk of the lemon problem, especially when tendering is open to all, because there are limitations in the knowledge of the competence of the suppliers. This is because for instance, in competitive bidding in construction, information is both asymmetrical and incomplete and no scheme of inducing suppliers to reveal their preferences will reduce that underlying uncertainty. Secondly, a huge problem with competitive tendering is the high cost of search and select both for the client and the tenders. There have been cases where the resources to execute the tendering has exceeded the benefits of the obtained result. Finally, when facing high-uncertainty projects the requirement of complete documents limits the use of competitive tendering. Typically, the clients are not fully aware of their requirements for the facility at the termination of the project and contractors are not fully aware of the demands for the project life cycle.

#### *Factors Determining the Choice of the Procurement Method to Use*

According to the study findings, in most institutions the method of procurement is on a very high degree, determined by the end-quality of the goods and services to be supplied ( $\mu = 3.51$ ), highly determined by; the cost of procurement ( $\mu$

$= 3.47$ ), Organizational policy ( $\mu = 3.41$ ), Time ( $\mu = 3.30$ ), Technological considerations ( $\mu = 3.25$ ), Nature of the project or products ( $\mu = 3.16$ ), Legal considerations ( $\mu = 2.83$ ), Number of competitors ( $\mu = 2.82$ ), and Delivery risks ( $\mu = 2.80$ ). However, Social factors ( $\mu = 2.46$ ), disputes and arbitration ( $\mu = 2.34$ ), as well as political considerations ( $\mu = 1.83$ ) determines the choice of procurement methods used to a very low degree. These findings concur with those in another study by Mathonsi and Thwala (2011), showed that after factor analysis that 5 factors significantly influence the selection of procurement systems. The 5 factors in the order of importance in terms of their utility value scores are: procurement policy, project characteristics, socio-economic consideration, project characteristics, capital cost, and client requirements.

#### *Effectiveness of the Procurement Practices*

The study indicates an overall mean level of effectiveness to be 3.12, which implies that the respondents are generally in agreement that the procurement management in the institutions are generally effective.

*Cost of Procurement:* According to the study, the following procurement practices have made procurement cost effective. First, the allocation of resources is determined by what and when to buy depending on the needs of the organization ( $\mu = 3.38$ ). Secondly, Organizations maximizes the benefits for both supplier and the organization through implementation of mutual success ( $\mu = 3.17$ ). Thirdly, the procurement strategies and practices are based on examination of the current demand and supply market plus the financial position of the organization ( $\mu = 3.46$ ). Forth, Institutions ensures clear goal identification and sets measurable objective ( $\mu = 3.27$ ). Finally, incorporating technology in procurement to increase efficiency and performance of the department ( $\mu = 2.86$ ).

*Quality of Procurement:* The following practices are quality effective; First, the department's strategies prioritize the value of goods and services in the choice of suppliers and supply method ( $\mu = 3.45$ ). Secondly, the procurement goals are in alignment with the organization's mission, vision and values ( $\mu = 3.45$ ). This implies that there is a coordination and collaboration between the department objectives and the entire organization's goals. This is in support of the findings by Bartolini (2011), who asserts that the growing recognition of the importance of procurement in support of business strategy and its impact on the bottom line by the private sector ensures procurement strategies are aligned with organizational goals and enables procurement to proactively identify and capitalize on opportunities that improve operational and financial outcomes.

Thirdly, there are post-contract audits to evaluate and measure the benefits delivered by each procurement, compared to the

expectations of the original plan ( $\mu = 2.77$ ). This implies that procurement cycle does not stop at the delivery of goods and services.

*Risk Mitigation:* The following practices have been established to have some impact on the organizations' risk mitigation when it comes to procurement; there is a clear accountability structure to monitor success and report failures ( $\mu = 3.12$ ). Secondly, there is development of new and applicable procurement strategies and tactics ( $\mu = 2.84$ ). Finally, the choice of a procurement method and strategy is categorical for efficient management ( $\mu = 3.34$ ). It is the role of procurement to keep an eye on a number of factors when tasked with supplier risk mitigation such as assessing the financial health of a supplier should be a critical part of selection, as well as the ongoing relationship management process (Fynn, 2003).

#### *Relationship between the Place of Procurement in the Organization and the Level of Effectiveness of Procurement Practices*

The analysis shows that there is a significant positive and moderate relationship between place of procurement in the organization and the level of effectiveness of procurement practices ( $r = 0.309$ ;  $P = 0.012 < 0.05$ ). This implies that if procurement is well placed in the organization, the procurement practices tend to be more effective. The findings are in agreement with those by Kilonzo (2014), that a well place procurement with specific guidelines and mechanisms for transparency and accountability, makes procurement activities and decisions open to reasonable scrutiny ability to withstand a public defensibility test in the context of fairness, equity and value for money thus fostering a good relationship with suppliers enabling the organization to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits.

The study further shows that there is a significant positive and moderate relationship between the assessment of the relationship between the organization and its suppliers and place of procurement in the organization ( $r = 0.355$ ;  $P = 0.004 < 0.05$ ). This implies that the relationship between the organization and the suppliers tend to be better if procurement is well placed in the organization.

#### IV. CONCLUSIONS

Based on the finding, the study draws the following conclusions:

1. Procurement is well placed in most of the selected institutions and there is a very good relationship with their suppliers, the institutions' procurement processes are clear and fair to all suppliers and potential suppliers, procurement is part of the decision making of most of the organizations and there is a well outlined structural review, monitoring

and management of supplier contractual terms and service agreements.

2. Competitive methods of procurement were mostly used by the selected institutions as compared to the non-competitive procurement methods. The organizations mainly use request for quotations (RFQ) procurement method and request for proposals (RFP) to procure goods and services competitive methods of procurement. Additionally, the organizations used Single Source (sole source) mainly as a Non-competitive procurement method to a great extent.
3. The selected institution practice procurement techniques (practices) that are cost effective, quality effective and effective in risk mitigation.
4. If procurement is well placed in the organization, the procurement practices tend to be more effective.
5. The relationship between the organization and the suppliers tend to be better if procurement is well placed in the organization. The perceived level of effectiveness of procurement practices does not influence self-assessment of the relationship between the organization and its suppliers.

#### V. RECOMMENDATIONS

After conducting this study, the researcher suggests the following recommendations;

1. The faith – based organizations should encourage the use of more competitive methods and procedures of procurement to promote competition and make the procurement process more transparent. Additionally, Noncompetitive procurement can result in higher costs and can be difficult if the buyer has not previously worked with the selected company or companies. An inability to compare the vendor's proposal to other proposals gives the buyer no way to determine if the bid is reasonable.
2. There is need for the institution to improve on their procurement systems. Those institutions that have no separate procuring departments are encouraged to establish that department to ensure that the process is smoother and a department bears a sole responsibility. This will increase efficiency and reduce unnecessary interferences.
3. The faith – based organizations should develop standard Procurement Manual similar to the Public Procurement Disposal Act 2007, to govern and provide guidance towards a common way of carrying out procurement process and procedures, thereby ensuring uniformity and evaluation platform upon which the system works.

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