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## **Influence of Tender Award Process on Performance of Private Commercial Banks in Kenya**

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# Influence of Tender Award Process on Performance of Private Commercial Banks in Kenya

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## Abstract

Procurement function has been acclaimed as an effective and promising means of improving the performance of private enterprises as well as government departments. The debate in the private sector has been more complex than just increasing the effectiveness of tender award systems and narrowing the gap between ambitious strategies and annual planning. The private sector acknowledges that over the years there has been poor performance in the private sector, especially in the management of its meager resources which has hindered the realization of sustainable profitability. To improve the tender award process performance, the private sector has continued to undertake a number of reform measures. The study examined the influence of tender award process on performance of private commercial banks in Kenya. It employed a descriptive research design, targeting procurement, finance and ICT staff at all private commercial banks. A census was conducted where 117 staff in the procurement, finance and ICT department were issued with questionnaires. Data was collected using self-administered questionnaires. The data collected was analyzed by use of descriptive and inferential statistics. Multiple regression models was used to show the relationship between the dependent variable and the independent variables. Findings of the study indicated that organizational policy, procurement skills and competencies, ICT adoption and ethical practices have a positive relationship with performance of private commercial banks. Finally, the study recommended that institutions should embrace effective tender award process so as to improve performance and further researches should to be carried out in other institutions to find out if the same results can be obtained.

**Keywords:** *Organizational Policy, Procurement Skills, ICT Adoption, Ethical Practices, Performance, Private Commercial Banks and Kenya.*

## **1.0 Introduction**

A tender is a written invitation sent to potential suppliers of a good or service to inform them about the information required for the buyer to choose among them (Bird, 2009). Issuing a tender document typically begins the tender process by which a business selects qualified and interested suppliers based on such things as their price, availability and proposed delivery terms. In the commercial banks sector, there are several main steps that are mostly used in the tender process (Ackali, 2013).

Private commercial banks have more latitude to use a customized tender process that suits their industry and their organization (Baker, 2014). They are not bound by the requirement to spend a given budget in a defined financial year and are therefore free to schedule their buying process to suit business cycles. Private companies wishing to be seen as ethical and honest adopt what is accepted internationally as best practice (Busi & Mclvor, 2008). One area where they may not achieve this fully is in the providing details of evaluation criteria and weightings to prospective bidders. This is standard practice in government and generally regarded as the fairest and most transparent way to award contracts (Juma, 2010).

All bids received prior to bid submission deadline date and time for bid opening shall be kept in a secure tender box to ensure that they are not tampered with (Farzin & Nezhad, 2010). When bids are submitted, they shall be handled with sufficient care to prevent disclosure of characteristics before bid opening. If an invitation for bids is cancelled, the bids shall be kept safely and be returned to the bidders unopened (Cox, 2008). The procurement and tendering committee may reject any offer which does not comply with the specifications outlined in the invitation to tender. The invitation for tenders is used to initiate a competitive sealed bid system (Gadde & Hakansson, 2007). Instructions and information to bidders is well stipulated for example bid submission requirements, tender closing date, venue for receipt, the evaluation criteria and any other crucial information.

Private companies are often reluctant to disclose their weightings in advance. Selecting a list of bidders to be involved in the tender process is not subject to any limitations so private companies can limit who they send their documents to as they see fit (Khalil & Waly, 2015). They are also not bound to publicly publish details to which the contract was awarded or even to formally advise the unsuccessful bidders. Managing and completing their tendering process in less time than governments is really achievable when they are not bound by tight rules (Liu, 2011).

Price negotiation between the sourcing company and short-listed bidders is normal practice which is limited by certain protocols in government. Private organizations operate under institutional policies that are often tailored to meet their business goals (Maina, 2011). They can source suppliers at will and award direct contracts without a bidding process. If private organizations choose to invite vendors to submit bid proposals, they naturally focus on awarding contracts to suppliers with favorable terms and conditions (Nepelski, 2009).

## **1.2 Problem Statement**

Private commercial banks play a very key role in the economic growth of any country. The sector contributed 5.4% of the GDP in 2010 with a potential to contribute 8% to 15% (KIPPRA, 2010) compared to 22% in South Africa and Ghana at 28%. In addition, they hold assets worth 63% of the GDP. This therefore calls an efficient tender award process to enhance competitiveness, transparency and reduced costs because even a 10% saving via improved tender award process means Kshs. 50 billion annual savings for other needy areas in the private banking sector.

However, the tender award process in Kenya has been characterized by several scandals attributed to poor handling of procurement function thus leading to huge losses (CCG, 2010). According to a systems audit report by CBK (2013) National Bank of Kenya has been affected by the loopholes in the tender award process. It is on record that in 2013 the management procured assets on behalf of the bank at a cost US\$ 120,000.

In 2012 the management bought poor quality furniture, tiles and other interior decor. 60% of the items purchased could not be used in a bank setting, yet they were worth millions. This was a clear case of flouting of organizational policies, unethical conduct and lack of skills guiding tender award process, with clear repercussions thereof (Mukasa, 2009).

Several studies have been done on the influence of tender award process on performance, at the global level; Gachon and Fisher (2010) examined the relationship between a firm's tender award process and its performance. He surveyed business firms and reported a link between tender award process and performance. He noted that tender award process enables a firm to strengthen its competitive position and facilitates integration.

Locally, a number of studies have been done on the influence of tender award process on performance in other industries other than the private banking industry in Kenya (Waweru, 2010). A few examples of studies on partially government owned banks in Kenya include Nderu (2013) and Makau (2014). However, all these studies did not categorically research on the tender award process and its influence on performance of private banks. It is hence against this background that this study sought to establish the influence of tender award process on performance of private commercial banks in Kenya.

## **1.3 Study Objectives**

- i. To assess the influence of organizational policy on performance of private commercial banks in Kenya.
- ii. To establish the influence of procurement skills and competencies on performance of private commercial banks in Kenya.
- iii. To determine the influence of ICT adoption on performance of private commercial banks in Kenya.
- iv. To evaluate the influence of ethical practices on performance of private commercial banks in Kenya

## 2.0 Literature Review

### 2.1 Theoretical Literature Review

#### 2.2.1 Institutional Theory

Institutional theory was developed by Powell and DiMaggio in the early 90's where they opined that it is policy-making that emphasizes the formal and legal aspects of organizational structures. According to Cunningham (2011) institutional theory emphasizes that institutional policies are crucial in shaping organizational structure and actions. The theory stipulates that organizational decisions are not driven purely by rational goals of efficiency, but also by social factors and concerns for legitimacy. Institutions are transported by policies, structures, and routines and operate at multiple levels. This refers to issues such as procurement cycle time and cost control metrics. The theory claims that firms become more similar due to isomorphic pressures and pressures for legitimacy (Duncombe & Searcy, 2009). This implies that firms in the same field tend to become homologous over time, as competitive and customer pressures motivate them to copy industry leaders. For example, rather than making a purely internally driven decision to adopt organizational policy strategies, firms are likely to be induced to adopt and use organizational policy strategies by external isomorphic pressures from competitors, trading partners, customers, and government (Christopher, 2010). Organizations tend to adopt very high supplier quality due to isomorphic pressures

The first logical question is about the subjects' level of involvement. According to Mwanzia (2014), when a person is emotionally involved in an issue they will process information and hence react in a different way to when the issue is not important and they are not really paying attention to it. In this study procurement cycle time entails subjects' high level of involvement to enable successful implementation. The involved people want to make their own decisions and the non-involved people do not want to put effort into decisions and will probably let you tell them what to think. Involved people want clear and sufficient information from which to draw conclusions. People can be encouraged to become non-involved people when they are snowed with a lot of complex information. An organization's culture should therefore gravitate towards an organizational policy (Wheelan & Hunger, 2008). In this particular study institutional theory is adopted and linked to organizational policy variable.

#### 2.1.2 Kant's Ethics Theory

Kant's major writings on ethical theory occurred between 1785 and 1797. Kant argued that the highest good was the good will. To act from a good will is to act from duty. Thus, it is the intention behind an action rather than its consequences that make that action good (Mentzer, 2010). Kant's first formulation of the categorical imperative is act only on that maxim by which you can at the same time will that it should become a universal law. He opines that fraud, conflict of interest and collusion cannot make it to the cut of universal law.

Although the phrasing is awkward, Kant is providing a test to see if any proposed action, including actions in business, is moral (Pawlak *et al.*, 2008). Kant argues that everyone has a duty to be beneficent, i.e. to be helpful to others according to one's means, and without hoping for any form of personal gain thereby benevolence done from friendly inclination he regards as "unlimited" (a term subject to different interpretations, but meaning "having no boundaries in potential scope), whereas beneficence from duty does not place unlimited demands on persons

## 2.2 Empirical Review

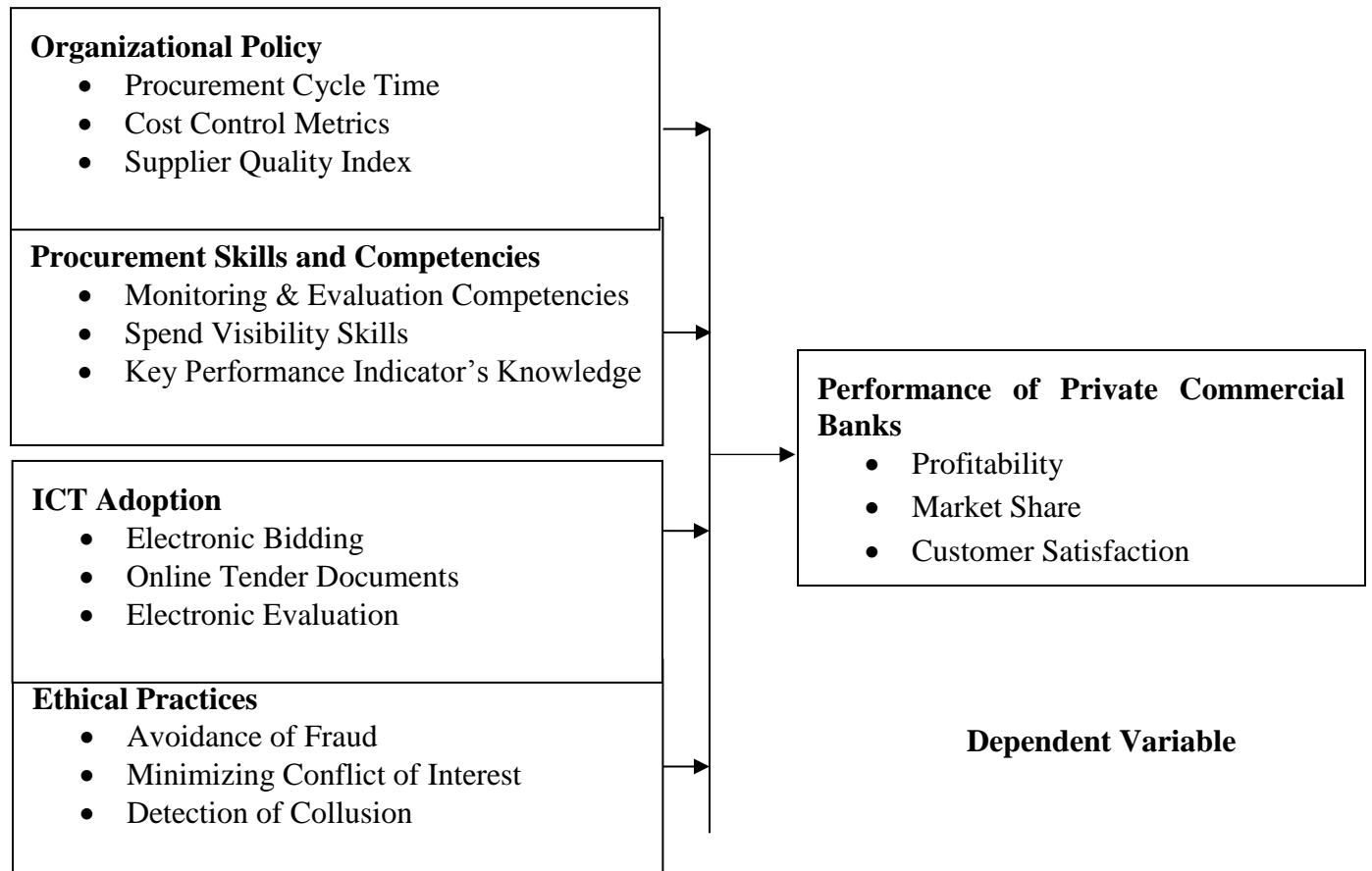
According to Kotabe *et al* (2008), effective service delivery policy is touted as one of the key strategies for the reduction of poverty and associated problems. In Kenya, the delivery of services has not been entirely successful or effective. The introduction of the rapid results initiative policy (RRI) in the Kenya public service in 2003 was expected to contribute to improved performance in service delivery. The vehicle and strategies for meeting the objectives of the RRI included the development of frameworks for rapid results approach, performance contracting, citizen service delivery charters, transformative leadership, values and ethics as well as institutional capacity building (Gitman, 2013).

Writing from a procurement perspective, Odundo (2012) observed that the structural changes that had affected organizations increased the importance of technical skills, risk management skills, IT skills, business awareness and behavioral skills. Professions are an open, ecological system in which individual professions exist in interdependence. In day-to-day practice, professionals mobilize a variety of resources both tangible and abstract (Rotich, 2011). Competencies reflect certain traits, behaviors, skills, values and knowledge of procurement professionals in modern times should have global competencies.

Procurement reform across the globe have always focused on achieving value for money in delivery of essential services, through an economic, efficient, effective and transparent systems and processes (Waweru, 2010). Most procurement systems adopt the same principal policies advocated by international and regional development financial institutions which amongst other things, involves regulating public procurement to ensure that it supports sustainable development, by becoming an essential tool of governance. World Bank (2013) is of the view that procurement has an important role in delivering objectives and its reform can greatly enhance social economic development of a country

Poor performance is a major hindrance to entities growth since it causes the delay of delivery, increase of defects, delivery of low quality goods or non-delivery at all (William, 2008). Kobia and Mohammed (2009) identified key success factors which influence procurement, namely; a clear procurement strategy, effective management information and control systems, development of expertise, a role in corporate management, an entrepreneurial and proactive approach, co-ordination and focused efforts.

### 2.3 Conceptual Framework



**Figure 1: Conceptual Framework**

### 3.0 Research Methodology

The study employed a descriptive research design, targeting procurement, finance and ICT staff at all private commercial banks. A census was conducted where 117 staff in the procurement, finance and ICT department were issued with questionnaires. Data was collected using self-administered questionnaires. The data collected was analyzed by use of descriptive and inferential statistics. Multiple regression models was used to show the relationship between the dependent variable and the independent variables. The data generated was keyed in and analyzed by use of Statistical Package of Social Sciences (SPSS) version 21 to generate information which was presented using charts, frequencies and percentages

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

Where:

Y = Performance of Private Commercial Banks

$\beta_0$  = Constant

- $\beta_1, \beta_2, \beta_3, \beta_4$  = Beta Coefficients
- X1 = Organizational Policy
- X2 = Procurement Skills and Competencies
- X3 = ICT Adoption
- X4 = Ethical Practices
- $\epsilon$  = Error Term

In the model  $a$  is the constant term while the coefficient  $\beta_1$  to  $\beta_4$  are used to measure the sensitivity of the dependent variable (Y) to unit change in the explanatory variable (X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>, X<sub>4</sub>).  $\epsilon$ , is the error term which captures the unexplained variations in the model.

#### 4.0 Results and Discussions

##### 4.1 Response Rate

A sample of respondents were interviewed using questionnaires that allowed the researcher to drop the questionnaire to the respondents and then collect them at a later date when they had filled the questionnaires. A total of 117 questionnaires were distributed to employees. Out of the sample covered, 93 were responsive representing a response rate of 79.49% . This was above the 50% which is considered adequate in descriptive statistics according to (Kothari, 2014).

**Table 1: Response Rate of Respondents**

Response	Frequency	Percentage
Actual Response	93	79.49%
Non-Response	24	20.51%
<b>Total</b>	<b>117</b>	<b>100%</b>

##### 4.2 Pilot Study

The cronbach’s alpha was computed in terms of the average inter-correlations among the items measuring the concepts. The rule of thumb for cronbach’s alpha is that the closer the alpha is to 1 the higher the reliability (Lysons, 2013). A value of at least 0.7 is recommended. Cronbach’s alpha is the most commonly used coefficient of internal consistency and stability. Consistency indicated how well the items measuring the concepts hang together as a set. Cronbach’s alpha was used to measure realibility. This was done on the four objectives of the study. The higher the coefficient, the more reliable is the test.

**Table 2: Reliability Results**

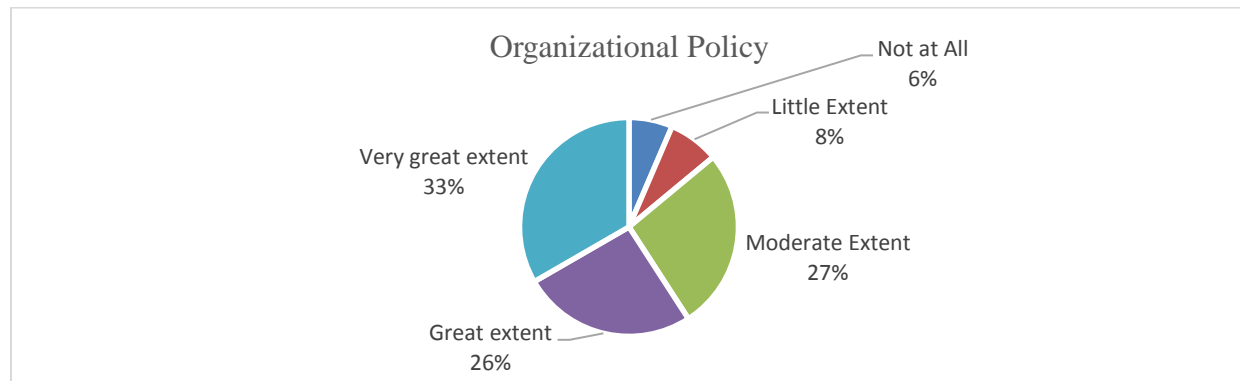
Variable	No of Items	Respondents	$\alpha$ =Alpha	Comment
Organizational Policy	9	12	0.893	Reliable
Procurement Skills and Competencies	9	12	0.987	Reliable
ICT Adoption	9	12	0.974	Reliable
Ethical Practices	9	12	0.976	Reliable

### 4.3 Descriptive Statistics

The study set out to examine the influence of tender award process on performance of private commercial banks in Kenya. Four variables were conceptualized as components of performance of private commercial banks in Kenya. These include; organizational policy, procurement skills and competencies, ICT adoption, ethical practices.

#### 4.3.1 Organizational Policy

The first objective of the study was to assess the influence of organizational policy on performance of private commercial banks in Kenya. The respondents were asked to indicate to what extent organizational policy influenced performance of private commercial banks in Kenya. Results indicated that majority of the respondents 33 % agreed that it was to a very great extent, 27 % said that it was moderate 26% said to a great extent, while little extent and not all were at 8 and 6 % respectively.



**Figure 2: Organizational Policy**

The respondents were also asked to comment on statements regarding organizational policy on performance of private commercial banks in Kenya. The responses were rated on a likert scale and the results presented in Table 3 below. It was rated on a 5 point Likert scale ranging from; 1 = strongly disagree to 5 = strongly agree. The scores of ‘strongly disagree’ and ‘disagree’ have been taken to represent a statement not agreed upon. The score of ‘neutral’ has been taken to represent a statement agreed upon. The score of ‘agree’ and ‘strongly agree’ have been taken to represent a statement highly agreed upon.

The respondents were asked to indicate the descriptive for organizational policy. The result in table 3 revealed that majority of the respondent (89.2%) agreed with the statement that Procurement cycle time plays a great role in profitability improvement. The result in table 3 revealed that majority of the respondent (93.6%) agreed with the statement that Cost control metrics plays a great role in profitability improvement. The result in table 3 also revealed that majority of the respondent (100%) agreed with the statement that Supplier quality index play a great role in profitability improvement.

Further, the results in table 3 revealed that majority of the respondent (89.3%) agreed with the statement that procurement cycle time plays a great role in improving market share. Table 3 results also revealed that majority of the respondent (95.7%) agreed with the statement that Cost control metrics plays a great role in improving market share. The result in table 3 revealed that majority of the respondent (99.6%) agreed with the statement that Supplier quality index play a great role in improving market share.

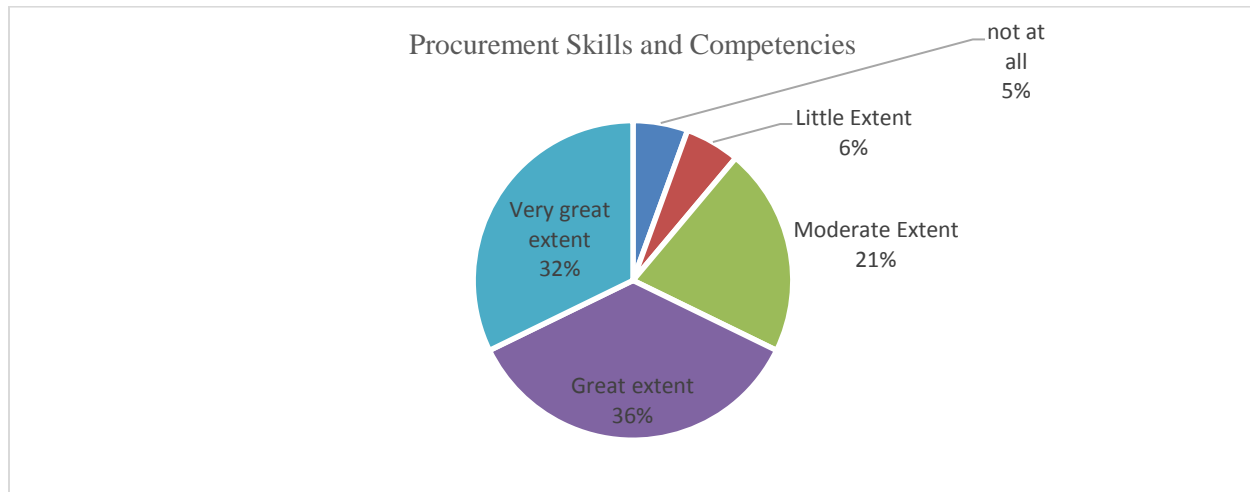
Results in table 2 further indicated that majority of the respondent (92.5%) agreed with the statement that Procurement cycle time plays a great role in improving customer satisfaction. Table 3 revealed that majority of the respondent (89.2%) agreed with the statement that cost control metrics plays a great role in improving customer satisfaction. Finally, the results in table 3 revealed that majority of the respondent (80.6%) agreed with the statement that supplier quality index plays a great role in improving customer satisfaction. The average for the statements on organizational policy was 4.28 indicating that majority of the respondents agreed on statements on organizational policy. The standard deviation showing variations in results was 0.88. The findings agree with Pedersen (2014) that adhering to an organizational policy when sourcing for a new product or service can be smart and viable but if not done well can prove to be expensive and time consuming.

**Table 3: Organizational Policy**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
Procurement cycle time plays a great role in profitability improvement	3.20%	4.30%	3.20%	54.80%	34.40%	4.13	0.912
Cost control metrics plays a great role in profitability improvement	3.20%	2.20%	1.10%	32.30%	61.30%	4.46	0.891
Supplier quality index play a great role in profitability improvement	0.00%	0.00%	0.00%	45.20%	54.80%	4.55	0.5
Procurement cycle time plays a great role in improving market share	4.30%	4.30%	2.20%	39.80%	49.50%	4.26	1.01
Cost control metrics plays a great role in improving market share	1.10%	2.20%	1.10%	47.30%	48.40%	4.4	0.724
Supplier quality index play a great role in improving market share	3.20%	2.20%	1.10%	49.50%	44.10%	4.29	0.867
Procurement cycle time plays a great role in improving customer satisfaction	4.30%	2.20%	1.10%	35.50%	57.00%	4.39	0.956
Cost control metrics plays a great role in improving customer satisfaction	4.30%	5.40%	1.10%	46.20%	43.00%	4.18	1.01
Supplier quality index plays a great role in improving customer satisfaction	6.50%	6.50%	6.50%	50.50%	30.10%	3.91	1.1
<b>Average</b>						<b>4.28</b>	<b>0.88</b>

### 4.3.2 Procurement Skills and Competencies

The second objective of the study was to establish the influence of procurement skills and competencies on performance of private commercial banks in Kenya. The respondents were asked to indicate to what extent procurement skills and competencies influenced performance of private commercial banks in Kenya. Results indicated that majority of the respondents 32% agreed that it was to a very great extent, 36% said that it was to a great extent, 21% said it was moderate, while little extent was at 6% and not all at 5%.



**Figure 3: Procurement Skills and Competencies**

The respondents were also asked to comment on statements regarding procurement skills and competencies on performance of private commercial banks in Kenya. The respondents were asked to indicate descriptive responses for procurement skills and competencies. The result in table 4 revealed that majority of the respondents (60.2%) indicated that they agreed with the statement that monitoring and evaluation competencies play a great role in profitability improvement. The result further revealed that majority of the respondents (57%) indicated that they agreed with the statements that spend visibility skills play a great role in profitability improvement. The result revealed that majority of the respondents (53.8%) indicated that they agreed with the statement that key performance indicators knowledge index play a great role in profitability improvement.

The result further revealed that majority of the respondents (57%) indicated that they agreed with the statement that monitoring and evaluation competencies play a great role in improving market share. The result revealed that majority of the respondents (58.1%) indicated that they agreed with the statement that spend visibility skills play a great role in improving market share. The result further revealed that majority of the respondents (48.4%) indicated that they disagreed with the statement that key performance indicators knowledge index play a great role in improving market share.

The result revealed that majority of the respondents (71%) indicated that they agreed with the statement that monitoring and evaluation competencies play a great role in improving customer satisfaction. The result further revealed that majority of the respondents (51.6%) indicated that they agreed with the statement that Spend visibility skills play a great role in improving customer satisfaction. The result revealed that majority of the respondents (57%) indicated that they agreed

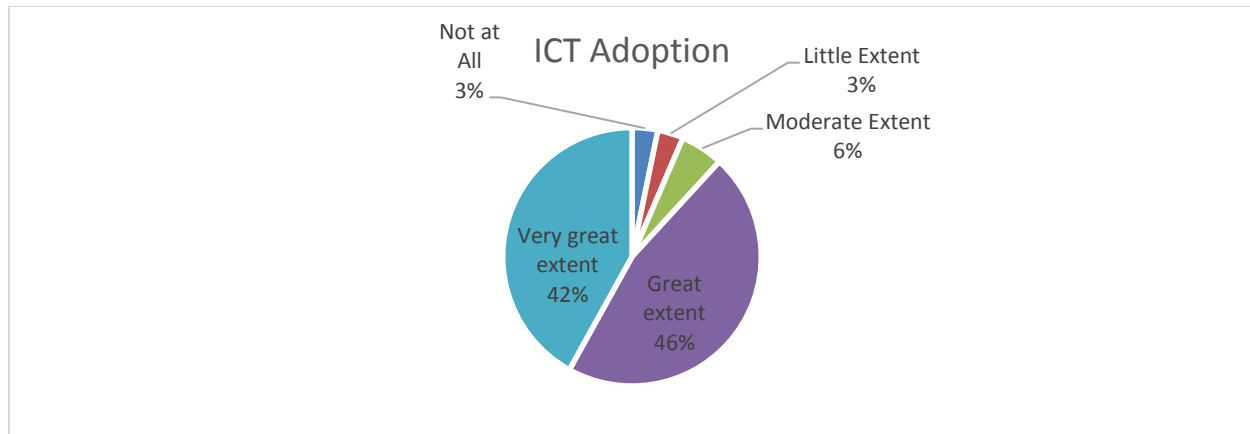
with the statement that key performance indicators knowledge index play a great role in improving customer satisfaction. The average for the statements on procurement skills and competencies was 3.67. These findings agree with Odundo (2012) that organizations must look toward their skills and processes improvements. The opportunities for cost savings and operations improvements can be enormous as the impact on margins and bottom line is considerable.

**Table 4: Procurement Skills and Competencies**

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Monitoring and evaluation competencies play a great role in profitability improvement	6.50%	5.40%	28.00%	43.00%	17.20%	3.59	1.045
Spend visibility skills play a great role in profitability improvement	0.00%	7.50%	35.50%	35.50%	21.50%	3.71	0.892
Key performance indicators knowledge index play a great role in profitability improvement	1.10%	0.00%	45.20%	44.10%	9.70%	3.61	0.708
Monitoring and evaluation competencies play a great role in improving market share	6.50%	5.40%	31.20%	36.60%	20.40%	3.59	1.076
Spend visibility skills play a great role in improving market share	3.20%	3.20%	35.50%	44.10%	14.00%	3.62	0.884
Key performance indicators knowledge index play a great role in improving market share	0.00%	0.00%	51.60%	39.80%	8.60%	3.57	0.649
Monitoring and evaluation competencies play a great role in improving customer satisfaction	0.00%	0.00%	29.00%	25.80%	45.20%	4.16	0.851
Spend visibility skills play a great role in improving customer satisfaction	3.20%	0.00%	45.20%	37.60%	14.00%	3.59	0.85
Key performance indicators knowledge index play a great role in improving customer satisfaction	4.30%	4.30%	34.40%	36.60%	20.40%	3.65	0.996
<b>Average</b>						<b>3.67</b>	<b>0.88</b>

### 4.3.3 ICT Adoption

There was also need to establish influence of ICT adoption on performance of private commercial banks in Kenya. The respondents were asked to comment on extent of influence of ICT adoption on performance of private commercial banks in Kenya. Results indicated that majority of the respondents 46 % agreed that it was to a great extent, 42 % said that it was to a very great extent, 6 % said it was moderate; little extent was 3% and not all at 3 %.



**Figure 4: ICT Adoption**

The respondents were asked to indicate their levels of agreement on statements regarding ICT adoption. The result in table 5 revealed that majority of the respondent (58.1%) agreed with the statement that Electronic bidding plays a great role in profitability improvement. The result further revealed that majority of the respondent (91.4%) agreed with the statement that availing tender documents online plays a great role in profitability improvement. The result revealed that majority of the respondent (49.5%) agreed with the statement that electronic evaluation plays a great role in profitability improvement.

The result further revealed that majority of the respondent (47.3%) agreed with the statement that electronic bidding plays a great role in improving market share. The result revealed that majority of the respondent (61.3%) agreed with the statement that availing tender documents online plays a great role in improving market share. The result further revealed that majority of the respondent (65.6%) agreed with the statement that electronic evaluation plays a great role in improving market share.

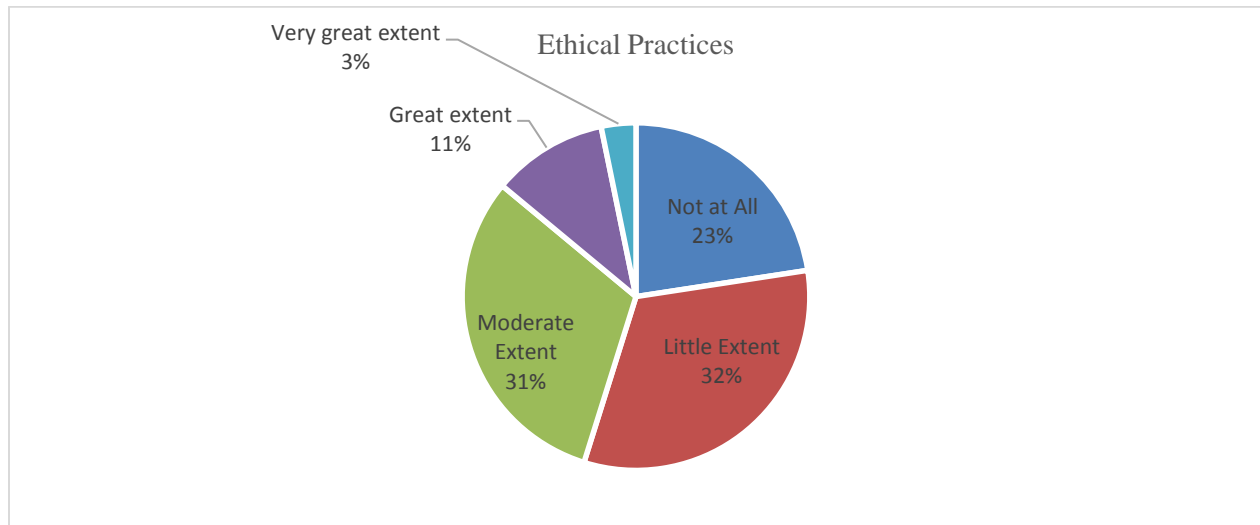
The result revealed that majority of the respondent (64.5%) agreed with the statement that electronic bidding plays a great role in improving customer satisfaction. The result further revealed that majority of the respondent (64.5%) agreed with the statement that availing tender documents online plays a great role in improving customer satisfaction. The result revealed that majority of the respondent (68.8%) agreed with the statement that electronic evaluation plays a great role in improving customer satisfaction. The average for the statements on ICT adoption was 3.89. These findings imply that through information technology adoption, banks can improve competitive positioning, gain entry to new dynamic, technology driven markets, supplement critical skills and share the risk (Davila, 2009).

**Table 5: ICT Adoption**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Devi</b>
Electronic bidding plays a great role in profitability improvement	4.30%	2.20%	35.50%	30.10%	28.00%	3.75	1.028
Availing tender documents online plays a great role in profitability improvement	0.00%	2.20%	3.20%	45.20%	46.20%	4.48	0.816
Electronic evaluation plays a great role in profitability improvement	6.50%	22.60%	21.50%	23.70%	25.80%	3.4	1.27
Electronic bidding plays a great role in improving market share	0.00%	20.40%	32.30%	18.30%	29.00%	3.56	1.118
Availing tender documents online plays a great role in improving market share	0.00%	1.10%	37.60%	22.60%	38.70%	3.99	0.903
Electronic evaluation plays a great role in improving market share	0.00%	0.00%	34.40%	34.40%	31.20%	3.97	0.814
Electronic bidding plays a great role in improving customer satisfaction	2.20%	1.10%	32.30%	25.80%	38.70%	3.98	0.978
Availing tender documents online plays a great role in improving customer satisfaction	0.00%	0.00%	35.50%	31.20%	33.30%	3.98	0.834
Electronic evaluation plays a great role in improving customer satisfaction	1.10%	2.20%	28.00%	35.50%	33.30%	3.98	0.897
<b>Average</b>						<b>3.89</b>	<b>0.962</b>

#### 4.3.4 Ethical Practices

There was also need to establish the influence of ethical practices on performance of private commercial banks in Kenya. The respondents were also asked to comment on statements regarding ethical practices on performance of private commercial banks in Kenya. Results also showed that 3% of respondents indicated to very great extent, great extent was at 11 %, moderate extent was 31 %, while little extent was at 32% and not at all was at 23%.



**Figure 5: Ethical Practices**

The respondents were asked to indicate the descriptive for ethical practices. The result in table 6 revealed that majority of the respondent (100%) agreed with the statement that avoidance of fraud plays a great role in profitability improvement. The result further revealed that majority of the respondent (70.9%) agreed with the statement that minimizing conflict of interest plays a great role in profitability improvement. The result revealed that majority of the respondent (48.4%) disagreed with the statement that detection of collusion plays a great role in profitability improvement.

The result further revealed that majority of the respondent (100%) agreed with the statement that Avoidance of fraud plays a great role in improving market share. The result revealed that majority of the respondent (96.8%) agreed with the statement that minimizing conflict of interest plays a great role in improving market share. The result further revealed that majority of the respondent (92.5%) agreed with the statement that detection of collusion plays a great role in improving market share.

The result further revealed that majority of the respondent (90.3%) agreed with the statement that avoidance of fraud plays a great role in improving customer satisfaction. The result further revealed that majority of the respondent (89.2%) agreed with the statement that minimizing conflict of interest plays a great role in improving customer satisfaction. The result further revealed that majority of the respondent (88.1%) agreed with the statement that detection of collusion plays a great role in improving customer satisfaction.

The average for the statements on ethical practices was 4.15. The results imply that an organization benefits greatly when ethical practices are embraced to reduce unnecessary costs,

Nyariki (2013) opines that this can be designed to address the organization’s needs, and work with the organization to streamline operations.

**Table 6: Ethical Practices**

Statements	Strongly Disagree	Disagree	neutral	Agree	Strongly Agree	Mean	Std. Dev
Avoidance of fraud plays a great role in profitability improvement	0.00%	0.00%	0.00%	55.90%	44.10%	4.44	0.499
Minimizing conflict of interest plays a great role in profitability improvement	0.00%	0.00%	29.00%	29.00%	41.90%	4.13	0.837
Detection of collusion plays a great role in profitability improvement	23.70%	24.70%	10.80%	18.30%	22.60%	2.91	1.516
Avoidance of fraud plays a great role in improving market share	0.00%	0.00%	0.00%	48.40%	51.60%	4.52	0.502
Minimizing conflict of interest plays a great role in improving market share	0.00%	3.20%	0.00%	44.10%	52.70%	4.46	0.669
Detection of collusion plays a great role in improving market share	4.30%	0.00%	3.20%	38.70%	53.80%	4.38	0.908
Avoidance of fraud plays a great role in improving customer satisfaction	0.00%	3.20%	6.50%	44.10%	46.20%	4.33	0.742
Minimizing conflict of interest plays a great role in improving customer satisfaction	6.50%	0.00%	4.30%	55.90%	33.30%	4.1	0.979
Detection of collusion plays a great role in improving customer satisfaction	6.50%	4.30%	1.10%	46.20%	41.90%	4.13	1.086
<b>Average</b>						<b>4.15</b>	<b>0.85</b>

#### 4.4 Correlation Analysis

Correlation analysis was used to determine both the significance and degree of association of the variables and also predict the level of variation in the dependent variable caused by the independent variables.

**Table 7: Summary of Pearson’s Correlations**

Correlations		Organizational Policy	Procurement Skills and Competencies	ICT Adoption	Ethical Practices	Performance
Organizational Policy	Pearson Correlation	1.000				
Procurement Skills and Competencies	Pearson Correlation	.744**	1.000			
	Sig. (2-tailed)	0.000				
ICT Adoption	Pearson Correlation	.692**	.796**	1.000		
	Sig. (2-tailed)	0.000	0.000			
Ethical Practices	Pearson Correlation	.650**	.760**	.930*	1.000	
	Sig. (2-tailed)	0.000	0.000	0.000		
Performance	Pearson Correlation	.748**	.883**	.801*	.801*	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

The correlation summary shown in Table 7 indicates that the associations between each of the independent variables and the dependent variable were all significant at the 95% confidence level. The correlation analysis to determine the relationship between organizational policy and performance of private commercial banks in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there is a positive relationship ( $r=0.748$ ) between organizational policy and performance of private commercial banks in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ( $p=0.000, <0.05$ ).

The correlation analysis to determine the relationship between procurement skills and competencies and performance of private commercial banks in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there is a positive

relationship ( $r=0.883$ ) between procurement skills and competencies and performance of private commercial banks in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ( $p=0.000, <0.05$ ).

The correlation analysis to determine the relationship between of ICT adoption on performance of private commercial banks in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there is a positive relationship ( $r=0.801$ ) between of ICT adoption and performance of private commercial banks in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ( $p=0.000, <0.05$ ).

The correlation analysis to determine the relationship between ethical practices and performance of private commercial banks in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there is a positive relationship ( $r=0.801$ ) between ethical practices and performance of private commercial banks in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ( $p=0.000, <0.05$ ). Hence, it is evident that all the independent variables could explain the changes in the performance of private commercial banks in Kenya, on the basis of the correlation analysis.

#### **4.5 Regression Analysis**

In this study multivariate regression analysis was used to determine the significance of the relationship between the dependent variable and all the independent variables pooled together. Regression analysis was conducted to find the proportion in the dependent variable (performance of private commercial banks in Kenya) which can be predicted from the independent variables (organizational policy, procurement skills and competencies, ICT adoption and ethical practices). Table 8 presents the regression coefficient of independent variables against dependent variable. The results of regression analysis revealed there is a significant positive relationship between dependent variable and the independent variable.

The independent variables reported R value of 0.911 indicating that there is perfect relationship between dependent variable and independent variables. R square value of 0.83 means that 83% of the corresponding variation in performance of private commercial banks in Kenya can be explained or predicted by (organizational policy, procurement skills and competencies, ICT adoption and ethical practices) which indicated that the model fitted the study data.

Adjusted R square in table 8 is called the coefficient of determination which indicates how performance of private commercial banks in Kenya varied with variation in effects of factors which includes; organizational policy, procurement skills and competencies, ICT adoption and ethical practices. The results of regression analysis revealed that there was a significant positive relationship between dependent variable and independent variable at ( $\beta = 0.83$ ),  $p=0.000 <0.05$ ).

**Table 8: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911 <sup>a</sup>	.83	.822	.113999

Predictors: (Constant), Ethical Practices, Organizational Policy, Procurement Skills and Competence and ICT Adoption

Dependent Variable: Performance of Private Commercial Banks

**Table 9: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.591	4	1.398	107.558	.000 <sup>b</sup>
	Residual	1.144	88	0.013		
	Total	6.735	92			

Predictors: (Constant), Ethical Practices, Organizational Policy, Procurement Skills and Competence and ICT Adoption

Dependent Variable: Performance of Private Commercial Banks

The significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how organizational policy, procurement skills and competencies, ICT adoption and ethical practices influence performance of private commercial banks in Kenya. The F critical at 5% level of significance was 67.08. Since F calculated which can be noted from the ANOVA table above is 107.558 which is greater than the F critical (value = 67.08), this shows that the overall model was significant. The study therefore establishes that organizational policy, procurement skills and competencies, ICT adoption and ethical practices were all important factors influencing performance of private commercial banks. These results agree with Makau (2014) results which indicated a positive and significant influence of tender award process on performance of private commercial banks.

Table 10: Coefficients of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.621	0.262		2.375	0.020
	Procurement Skills and Competencies	0.496	0.070	0.572	0.04	0.00
	Ethical Practices	0.194	0.071	0.326	0.720	0.000
	Organizational Policy	0.178	0.078	0.155	0.281	0.025
	ICT Adoption	0.032	0.064	0.064	0.495	0.004

a) Predictors: (Constant), Ethical Practices, Organizational Policy, Procurement Skills and Competence and ICT Adoption

b) Dependent Variable: Performance of Private Commercial Banks

The research used a multiple regression model

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

Where Y= Performance of Private Commercial Banks in Kenya

B<sub>0</sub>= Constant

X<sub>1</sub>= Organizational Policy

X<sub>2</sub>= Procurement Skills and Competencies

X<sub>3</sub>= ICT Adoption

X<sub>4</sub>= Ethical Practices

ε= Error Term at 95% Confidence Level.

The regression equation will be;

$$Y = 0.621 + 0.178X_1 + 0.496X_2 + 0.032X_3 + 0.194X_4$$

The regression equation above has established that taking all factors into account (organizational policy, procurement skills and competencies, ICT adoption and ethical practices) constant at zero, performance of private commercial banks in Kenya will be an index of 0.621.

The study also found that a unit increase in organizational policy will lead to a 0.178 increase in performance of private commercial banks in Kenya. The P-value was 0.025 and thus the relationship was significant. The study also found that a unit increase in procurement skills and competencies will lead to a 0.496 increase in performance of private commercial banks in Kenya. The P-value was 0.00 and thus the relationship was significant.

In addition, the study found that a unit increase in ICT adoption will lead to a 0.032 increase in the performance of private commercial banks in Kenya. The P-value was 0.004 and thus the relationship was significant. Lastly, the study found that a unit increase in ethical practices will lead to a 0.194 increase in the performance of private commercial banks in Kenya. The P-value was 0.008 and hence the relationship was significant since the p-value was lower than 0.05. The findings of the study show that, procurement skills and competencies contributed most to the performance of private commercial banks in Kenya.

#### **4.6 Discussion**

The study sought to assess influence of organizational policy on performance of private commercial banks as the first objective of the study. A majority of respondents were found to highly agree that the private commercial banks had embraced vendor optimization with regard to its procurement activities. Procurement cycle time policy and cost control policy were common in the private commercial banks. Correlation and regression results revealed that this was an important variable that could perhaps be explained by the observation from the findings that organizational policy was an important factor in influencing performance of private commercial banks.

The influence of procurement and skills competencies on performance of private commercial banks was the second objective of the study. A majority of respondents were found to highly agree that the private commercial banks had improved procurement and skills competencies with regard to its procurement activities. Spend visibility skills and monitoring and evaluation were common in the private commercial banks. Correlation and regression results revealed that this was an important variable that could perhaps be explained by the observation from the findings that procurement and skills competencies was an important factor in influencing private commercial banks

The study endeared to assess influence of information communication technology adoption on performance of private commercial banks as the third objective of the study. A majority of respondents were found to highly agree that the private commercial banks had embraced information technology adoption with regard to its procurement activities. Electronic bidding and electronic evaluation were common in the private commercial banks. Correlation and regression results revealed that this was an important variable that could perhaps be explained by the observation from the findings that information technology adoption was an important factor in influencing performance of private commercial banks

The study sought to assess influence of vendor managed inventory on performance of private commercial banks as the last objective of the study. A majority of respondents were found to highly agree that the private commercial banks had embraced ethical practices with regard to its procurement activities. Avoidance of fraud and detection of collusion was common in the private commercial banks. Correlation and regression results revealed that this was an important variable

that could perhaps be explained by the observation from the findings that ethical practices was an important factor in influencing performance of private commercial banks

## **5.0 Conclusion**

Based on the study findings, the study concludes that performance of private commercial banks can be improved by organizational policy, procurement skills and competencies, ICT adoption and ethical practices. Drawing on this research, lack of organizational policy, procurement skills and competencies, ICT adoption and ethical practices in private commercial banks is leading to poor performance. Though the private commercial banks are striving hard to improve their performance there are still issues of poor quality products, long lead time and high cost of projects/products. It was articulated that the current phenomenon of poor performance in the private commercial banks can be reversed if they ensure organizational policy, procurement skills and competencies, ICT adoption and ethical practices are embraced in the procurement function. Thus, it is evident that all the independent variables identified in this study were all important tender award process issues that influenced the performance of private commercial banks.

## **6.0 Recommendations**

To ensure that private commercial banks have better performance they should focus more on adhering to their organizational policy so as to ascertain the realistic procurement cycle attainable by vendors, their realistic technical capacity and ensure that there is consistency of quality in goods supplied. In the same regard, they should involve suppliers early enough to enable them to come up with appraisals that articulate with their organizational goals. It would be constructive for private commercial banks to invest more in human capital to reduce the cost of procurement through unnecessary reworks and ensure professional employees get it right the first time. This should be done consistently with the partnerships, training and capacity building.

In relation to information communication technology adoption, the organizations should form strategic technological alliances with their vendors so as to have a more improved working relationship characterized by electronic bidding and electronic evaluation. If private commercial banks embrace availing tender documents online for its suppliers then there will be cost reduction and timing of delivery will improve. Concerning ethical issues, there is need for private commercial banks to always set aside a substantial part of their resources for activities that influence its integrity and reputation. This is because decisions made here have major effects on the banks sustainability in the market. The study recommends that procurement staff in the private commercial banks should ensure that they strictly follow procurement procedures to ensure that goods supplied are of the right quality, in the right quantity, at the right time, to the right place from the right source. This will aim at satisfaction of customers in terms of cost, quality, and timeliness of the delivered product or service, minimizing administrative operating costs, conducting business with integrity, fairness and openness. More checks and controls should be introduced to check on the integrity of the sourcing systems.

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