FACTORS AFFECTING TENDERING PROCESS IN STATE CORPORATIONS: A CASE OF KENYA LITERATURE BUREAU

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ABSTRACT

Tendering is recognized as a process of making an offer, bid or proposal, or expressing interest in response to an invitation or request for tender. The objective of the study was to determine the factors affecting tendering process in Kenyan state corporations with focus to Kenya Literature Bureau (KLB). The study adopted a descriptive research design. The target population was all the 200 staffs in KLB. Stratified random sampling technique was adopted to select the sample for the study where a 30% sample was selected from each stratum. The sample size of the study was therefore 60 respondents who were picked randomly in the six departments in KLB. The study collected primary data using a questionnaire. A pilot test was conducted to test for validity and reliability. Both descriptive and inferential statistics were adopted for analysis. The data was analyzed using descriptive statistics which included frequency distribution, means and standard deviation and presented using tables, charts and graphs. The regression model was adopted to establish the relationship between variables. The study found out that supplier selection, use of technology, records management and procurement planning affected the tendering process in KLB to a great extent. The tendering process in KLB was found to be fair and efficient and the company ensured that whatever was ordered was delivered to the required level of quality, quantity and performance. The study concludes that supplier selection affect procurement and tendering process in Kenyan state corporations. Quality, technical capability, supplier profile, cost, service levels, as well as the risk factor were critical factors that affect the supplier performance. Use of technology enhances the procurement function especially in improving transparency, reducing corruption and enhancing efficiency of the tendering process. Procurement planning also greatly contributes to the success of tendering process and improved service delivery. The study recommends for improved policies to remove bureaucratic bottlenecks that hinder effective tendering process in state corporations in Kenya. There is also need for training of procurement staff on aspects of the tendering process such as the budgeting process, supplier evaluation. The state corporations should increasingly adopt technology in the tendering process, for example the e-procurement system which has the potential to enhance operational and cost efficiency as well as facilitate electronic documentation of the bidding process thus improved accountability and transparency.

Key Words: Procurement planning, Kenya Literature Bureau, technology, records management, supplier selection

1. Introduction

Globally, tendering is recognized as a process of making an offer, bid or proposal, or expressing interest in response to an invitation or request for tender. Organizations seek other businesses to respond to a particular need, such as the supply of goods and services, and select an offer or tender that meets their needs and provides the best value for money (Wogube, 2011). Tender is any offer or proposal made for acceptance; as, a tender of a loan, of service, or of friendship; a tender of a bid for a contract. An offer, either of money to pay a debt, or of service to be performed, in order to save a penalty or forfeiture, which would be incurred by non-payment or non-performance; as, the tender of rent due, or of the amount of a note, with interest (CIPS, 2005).
Public organizations are usually legally obliged to release tenders for works and services. Regulations vary on whether or not to necessarily award the tender to the lowest bidder, or to award it at all. Within the organization, there are procurement methods by quotation which is done via quotation forms, open tender which is done via media advertisement and closed tender which requires pre-qualifications before the award of the tender. Procurement of the tender has got a systematic process that is followed in determining the tender award (Thomas, 2010).

Kabaj (2003) contends that an efficient public procurement system is vital to the advancement of African countries and is a concrete expression of their national commitments to making the best possible use of public resources. Equally, Kakwezi and Nyeko (2010) argues that the procurement departments of public entities in Kenya are faced with the problem of not having enough information about the procurement procedure, its inputs, outputs, resource consumption and results, and are therefore unable to determine their efficiency and effectiveness. This implies that such a problem requires establishment of clear procurement procedures and performance standards. Performance standards when adopted can provide the decision-makers in the procurement department with unbiased and objective information regarding the performance of the procurement function.

In Kenya, to manage effectively and more efficiently the tendering process, procuring entities through the existing legal framework are required to firstly consolidate departmental procurement plans to provide the entity’s corporate procurement plan which before its implementation must get the accounting officer’s approval. Basheka (2008) counsels that a tendering process is an instrument for implementation of the budget and should be prepared by the user departments with a view to avoiding or minimizing excess votes in the entities’ budgets and to ensure that procurements do not proceed unless there are funds to pay for them. This implies that all procurement plans must be well integrated into the budget process based on the indicative budget as appropriate and in compliance with the procurement law (Public Procurement and Disposal Act, 2005).

Kenya Literature Bureau (KLB) is one of the Kenyan state corporations. The organization’s procurement department endeavors to select of appropriate suppliers and contractors to promote good procurement practices with due regard to sustainable, ethical, purchasing standards and whole life costing. KLB has also made available tender and procurement opportunities to the youth, women and persons with disability under the Government initiative to empower these special constituencies in nation building. The 2010-2015 Strategic Plan, recently reviewed, has remained a guiding document upon which annual work plans and performance contract targets are developed (Ndegwa, 2014). The study was undertaken at KLB in a bid to establish the factors affecting the tendering process in Kenyan state corporations.

2. Statement of the Problem

It is estimated that weaknesses in public procurement, including vulnerability to corruption, are a global problem with approximately $400 billion (Kshs 34.9 trillion) reported as being lost to bribery and corruption in procurement globally (Transparency International, 2014). In Kenya, the Public Procurement and Disposal Act seeks among other things to promote competition, promote the integrity and fairness of procurement and disposal procedures, increase transparency and accountability the tendering process, and increase public confidence in those procedures (Public Procurement Oversight Authority, 2009).
However, in 2009 the Public Procurement Oversight Authority (PPOA) estimated that procuring entities were buying at an average of 60% above the prevailing market price, an indicator that public procurement in Kenya does not receive the benefit of competitive procurement (PPOA, 2009). This is in agreement with Transparency International Kenya report (2014) that the procurement processes have either been marred by huge variations between the price announced at opening of the tender and the price at which the tender was awarded or failure to ensure due diligence in the tendering process. The procurement process in all instances was shrouded in secrecy, inefficiency, corruption and undercutting which resulted in huge amounts of resources going to waste. On the other hand, a study by Kadima, Musiega, Kibet and Manase (2013) established that despite the efforts made by the PPOA to strengthen the public procurement system in Kenya, a number of tendering processes in the public sector are marred with general gross inefficiency while Mutava (2012) revealed that tendering process was riddled with delays in terms of time due to a lot of documentation required, cost overruns and compromised quality of works; this makes the whole process tedious and challenging. This begs the question where could the procuring entities be getting it wrong; is it on procurement supplier selection; could it be the use of technology in tendering process; could it be due the procurement plan? There is need to unearth the critical factors affecting the tendering process in Kenya state corporations.

A review of existing local studies such as Kiage (2013), Bashuna (2013), Shale, Guyo and Iravo (2013) shows that despite increased interest in public procurement in Kenya; there was very little empirical evidence to inform on the factors affecting the tendering process in Kenya state corporations. It is in this light therefore that this study sought to fill the gap by conducting a study to determine the factors affecting the tendering process in Kenyan state corporations.

3. Objectives of the Study

The general objective was to determine the factors affecting tendering process in Kenyan state corporations.

The study was guided by the following specific objectives:

i. To assess the effect of supplier selection on tendering process in Kenya Literature Bureau.

ii. To determine the effect of technology on tendering process in Kenya Literature Bureau.

iii. To analyze the effect of records management on tendering process in Kenya Literature Bureau.

iv. To establish the effects of procurement planning on tendering process in Kenya Literature Bureau.

4. Review of Related Literature

A number of studies have been conducted to establish the factors affecting tendering process in public entities. For instance Stanley and Wisner (2009) surveyed a number of industries and suggested that quality and on-time delivery are the most important attributes of purchasing performance evaluation. Wang, Samuel and Dismukes (2004) also suggested that apart from
optimum cost, joint development, culture, forward engineering, trust, supply chain management, quality and communication were also important. They further suggested that the suppliers’ history of supply, production price, technical capability and transportation cost also play an important role during suppliers’ selection. O’Brian and Ghodsypour (2008) agreed that cost, quality and service are the most important factors in supplier selection process. Therefore, it is important to note that cost and quality dominated more in the supplier selection process.

Mwikali and Kavale (2012) conducted a study to identify the factors affecting supplier selection. They found out that cost, technical capability, quality assessment, organizational profile, service levels, supplier profile and risk factors, in that relative order affected supplier selection. They concluded that a cost criterion, technical capability, quality of materials and profile of the supplier were key factors affecting supplier selection. They recommended that since selection of suppliers is a complicated process, numerous criteria must be considered in the decision making process.

O’Connell (2010) conducted a study on effective use of information communications technology in tendering in the Irish construction industry. The study established that there is a similar level of e-Tendering uptake to that of other countries. However, this uptake was significantly discouraged by a number of barriers identified. The study concluded that potential cost savings in the Irish construction industry would be achieved through the application of integrated ICT tools in the construction tendering process.

Kissang (2014) conducted a study on the factors affecting the tendering process in a manufacturing company. The study was geared towards establishing the effects of information technology on the tendering process in an organization. The study focused on the management and activities of Unga limited company industrial area in Nairobi, and included the staff and related activities in at the Unga manufacturing company head Office. The study found out that inadequate information technology affected tendering process to a large extend. The study recommended that the organization should adopt the latest systems to manage their tendering process.

Ayoti (2012) conducted a study on the factors influencing effectiveness in tendering process in public sector. The study specifically focused on Kenya Urban Roads Authority, Kenya Highway Roads Authority and Kenya Rural Roads Authority in Central Region Nyeri County. The Study aimed at established how records management and ICT use influence effectiveness of tendering process. The study findings indicated that there was poor records keeping which affected the tendering process in Nyeri County. This was due to lack of a strong procurement profession and inadequate training of staff that led to failure to employ good practices in procurement, creating inefficiencies and high costs in the tendering process in the county the study recommended that the organizations should train all the procurement staff in order to provide them with skills and knowledge of procurement process.

Chimwani, Iravo and Tirimba (2014) conducted a study on the factors influencing procurement performance in the Kenyan public sector. The objective was to assess the extent to which records management systems influence procurement performance. The target population was 60 State Law Office (SLO) staff in 7 departments. Both descriptive and inferential data analysis methods were used. The study revealed that records management was the most significant driver in procurement performance. The study recommended reforms in the Department be accelerated
with a view of streaming procurement processes as well as automating activities and back office operations.

Rono (2013) conducted a study on procurement planning and service delivery in Kenyan state corporations. The objective of the study was to establish the factors affecting service delivery and the relationship between procurement planning and service delivery in State Corporation in Kenya. The study revealed that the main factors affecting procurement planning and service delivery in State Corporation in Kenya included corruption, provision of better infrastructure such as roads and electricity lagging behind for years, investment climate, government policies, challenge of limited skilled personnel to meet the rising needs of local people and challenge to get the right service provider with the equipments to do the job well. The study recommended effective procurement planning in the provision of service delivery by State Corporations.

Mamiro (2010) investigated how procurement reforms have failed to take up value for money in its agenda with Tanzania as the case study. This was based on attempts by Tanzania’s power utility firm to buyout a second hand power plant earlier acquired under lease. Mamiro (2010) concluded that one of the major setbacks in public procurement is poor procurement planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff responsible for procurement.

A study by Ngugi and Mugo (2012) investigated the internal factors affecting procurement process (Tendering Process) of supplies in the public sector. The study found that procurement process in Kenyan Government Ministries for health care supplies was affected by factors such as; accountability to a very great extent and justification of results to internal or external monitors to a moderate extent. The government officials used discretion to license and accredit facilities, providers, services and products, opening risk of abuse of power and use of resources. High amounts of discretion without adequate controls could create opportunities for corruption. Performance incentives to reward good performance increased accountability at Kenya government ministries and that the boards or other civic organizations to demand explanation of results increased accountability at Kenya government ministries.

The study further concluded that ICT adoption affected procurement process at Kenyan government ministries to a great extent. ICT adoption enhanced the process of effective tendering through advertising, sourcing reviews, prequalification, potential for cost savings and greater awareness of new development. Adopting ICT enabled Kenyan government ministries to provide excellent service to their suppliers in an effective and transparent manner. The study recommended that examination and evaluation of offers be made effective. Accountability and measurement of goals and results need to be considered since they affect procurement process at Kenya government ministries. Procurement results need to be reported to internal or external monitors since this affects procurement process at Kenya government ministries. The government officials need to be encouraged to use discretion to license and accredit facilities, providers, services and products to reduce opening risk of abuse of power and use of resources. Adequate controls should be put in place reducing opportunities for corruption. Performance incentives need to be offered to employees to reward good performance. This will help to increase accountability. The study further recommended Kenyan government ministries to adopt ICT adoption.
5. Research Methodology

The study was conducted at Kenya Literature Bureau (KLB) and targeted all the staff in the six departments in KLB. They consisted of the top management, middle level managers and operational staff. Kenya Literature Bureau had a total of 200 employees in the six departments. Stratified random sampling technique was used to select the sample size for the study. The study grouped the population into strata, which were the six departments in KLB. From each stratum the study took a 30% sample as guided by Muegnda and Mugenda (2003). The sample size was therefore 60 respondents.

The study collected primary data using a questionnaire. The questionnaire had both closed and open-ended questions. The closed ended questions enabled the researcher to collect quantitative data while open-ended questions enabled the researcher to collect qualitative data. Pilot test was conducted to check for validity and reliability of the questionnaire. Reliability was calculated using Cronbach’s alpha test while validity of the instrument was established by the supervisor who reviewed the items in the questionnaire.

Both descriptive and inferential statistics were adopted for the study. Descriptive statistics included frequency distribution tables and measures of central tendency (the mean), measures of variability (standard deviation) and measures of relative frequencies while inferential statistics included a multivariate linear regression analysis. The analysis was aided by Statistical Package for Social Sciences (SPSS) software. The results were presented using tables, charts and graphs.

6. Results and Discussion

The study found out that the company considered the price of goods purchased from suppliers; and the technical capability of the suppliers in delivering the goods; this was presented by the mean scores of 4.37 and 4.33 respectively. The respondents also indicated that the company evaluated the financial capacity of suppliers as shown by the mean score of 4.17. The respondents further stated that the organization considered other factors such as compliance to statutory requirements, direct sourcing for specialized services, effectiveness of the supplier, gender and youth (30% preference of youth, women and people living with disabilities). The respondents also indicated that the company considered previous work experience of the supplier, competence of the supplier, documentation, quality of goods supplied and delivery time. The above findings are in agreement with Mwikali and Kavale (2012) who conducted a study to identify the factors affecting supplier selection and revealed that; cost, technical capability, quality assessment, organizational profile, service levels, supplier profile and risk factors, in that relative order affected supplier selection. O’Brian and Ghodsypour (2008) also agreed that cost, quality and service are the most important factors in supplier selection process. The findings are also supported by Tarofder and Haque (2007) who revealed that the cost factor, technical capability and quality assessment factor were important determinants for suppliers’ selection.

Majority of the respondents indicated that supplier selection affected the tendering process in KLB to a great extent. The findings concur with those of Stanley and Wisner (2009) who indicated that suppliers’ attributes such as quality and on-time delivery are the most important attributes of purchasing performance evaluation and they enhance performance of the tendering process. The findings are also in line with those of Tarofder and Haque (2007) who indicated
that the organizations that seek to improve their tendering process should enhance their suppliers’ selection process models by paying emphasis on cost factor, technical capability and quality. This therefore implies that critical assessment of suppliers’ cost, technical capability and quality leads to an improved and successful tendering process.

Majority of the respondents were of the opinion that technology highly affects the tendering process. The findings are in agreement with other authors who found technology to have positive effect on the tendering process of organizations. For instance, Daud et al., (2013) revealed that applications of e-procurement such as e-bidding, e-tendering, e-monitoring and many more can help contractors to improve and enhances their business performance. The study encouraged firms to use the e-procurement in order to improve their business performance. Kissang (2014) also recommended that the organization should adopt the latest systems to manage their tendering process, since it has a positive impact on the tendering process. Most of the respondents indicated use of technology affects the tendering process in KLB to a great extent. The findings are in agreement with those of Rankin et al., (2006) who indicated that usage of ICT in tendering process would influence the effectiveness in tendering process.

On record management and tendering process, the study found out that the records on the tendering activities in the organization were accurate; and that the tender and procurement activity documents are easily accessible; this is shown by the mean scores of 3.83 and 3.87 respectively. The respondents also agreed that the tender records of procurement activity were complete with all details and well managed. These findings are in line with the Public procurement regulations in Kenya as stipulated in section 45(1), of the PPDA (2005) which states that records should be kept and maintained in tendering process. Procuring entities are required to keep records for each entity for at least six years after the resulting contract was entered into or, if no contract resulted after the procurement proceedings were terminated. The findings are also in line with Bailey et al., (2008) who considered tender records to be the most important records of an organization throughout the records life-cycle, which includes from the time such records are conceived through to their eventual disposal.

On procurement planning and the tendering process in KLB, the study found out that procurement planning affects the tendering process to a great extent. The findings concur with those of Kiage (2013) who conducted a study to ascertain the determinants of procurement performance in public entities in Kenya and found out that procurement planning had a significant impact on procurement performance and especially the tendering process. The study concluded that procurement planning accounts for 26.9% of variations in procurement performance.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.644(a)</td>
<td>0.415</td>
<td>0.368</td>
<td>0.273</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), supplier selection, technology, records management, procurement planning

The R is the co-efficient value used to show the linear relationship between the dependent and the independent variables in the regression analysis. R-Squared is the coefficient of determination, which measures the proportion of the variance for a dependent variable that's explained by an independent variable or variables in a regression model.
determination which tells us how the various identified factors varied with the dependent variable. The results in Table 4.9 show that the value of the R-squared was 0.415. This implied that supplier selection, technology, records management, procurement planning explained 41.5% of tendering process in KLB at a 95% confidence level. The remaining 58.5% may be explained by other variables or predictors not included in the study.

**Table 4.10: Analysis of Variance (ANOVA)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>10.429</td>
<td>4</td>
<td>2.607</td>
<td>7.858</td>
<td>0.000(a)</td>
</tr>
<tr>
<td>Residual</td>
<td>16.268</td>
<td>49</td>
<td>0.332</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>26.697</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), supplier selection, technology, records management, procurement planning
b Dependent Variable: Tendering process

The ANOVA results shows the significance of the regression model from which an F-significance value of p=0.000 was established. This shows that the regression model has a 0.001 (0.1%) probability of giving a wrong prediction. This therefore means that the regression model has a confidence level of over 95% hence high reliability of the results.
Table 2: Coefficients Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.324</td>
<td>1.718</td>
<td></td>
<td>1.936</td>
</tr>
<tr>
<td>Supplier selection</td>
<td>0.136</td>
<td>0.214</td>
<td>0.118</td>
<td>2.635</td>
</tr>
<tr>
<td>Technology</td>
<td>0.928</td>
<td>0.419</td>
<td>0.464</td>
<td>2.214</td>
</tr>
<tr>
<td>Records management</td>
<td>0.562</td>
<td>0.329</td>
<td>0.336</td>
<td>3.707</td>
</tr>
<tr>
<td>Procurement planning</td>
<td>0.474</td>
<td>0.267</td>
<td>0.337</td>
<td>2.777</td>
</tr>
</tbody>
</table>

a Dependent Variable: Tendering process

The study shows that there was a positive and significant relationship between the tendering process and all the factors as shown; supplier selection ($\beta = 0.136, p=0.032<0.05$), technology ($\beta = 0.928, p=0.037<0.05$), records management ($\beta = 0.562, p=0.021<0.05$), procurement planning ($\beta = 0.474, p=0.039<0.05$). This implies that a unit increase in supplier selection, technology, records management and procurement planning would lead to an increase in tendering process by a unit of 0.136, 0.928, 0.562 and 0.474 respectively.

The above findings concur with those of Tarofder and Haque (2007) who found out that, suppliers’ selection aspects such as cost factor, technical capability and quality leads to an improved and successful tendering process. On the other hand Betts et al., (2006) found out that application of technology such as an e-tendering system enhanced efficiency and cost-effectiveness of the tendering process while Chimwani et al., (2014) found out that records management was the most significant driver in procurement performance and specially the tendering process. Moreover, Kiage (2013) found out that procurement planning has a significant impact on procurement performance and especially the tendering process.

7. Conclusions

The study concluded that supplier selection affect procurement and tendering process in Kenyan state corporations. Supplier aspects such as quality assessment; technical capability, supplier profile, cost aspect, service levels, as well as the risk factor were critical factors that affects the supplier performance which in turn affect the tender process in Kenyan state corporations.

The study further concluded that technology affects tendering process to a great extent. Adoption of e-tendering would enhance the procurement function and electronic data interchange in the procurement function. Technology would also enhance transparency, eliminate corruption and enhance efficiency of the process due to reduced paper work hence shorter lead time.

Finally, the study concluded that procurement planning affect tendering process to a great extent. Procurement planning is one of the primary functions of procurement with a potential to contribute to the success of tendering process and improved service delivery. In this regard, the process of procurement planning should engage all key players and departments. Participatory planning would ensure effective management of costs and risk associated with the tendering process as well as improves service delivery.
8. Recommendations

To improve the tendering process, there is need to conduct supplier appraisals in a fair and free manner. The potential suppliers should be approved by quantitative assessment on aspects such as quality, cost, capability and risk factor. The purpose of suppliers’ appraisals should be to ensure value for money, enhance supplier performance and reduce the likelihood of supplier non-performance, such as late delivery, non-delivery, or delivery of non-conforming goods.

There is also need for improved policies to remove bureaucratic bottlenecks that hinder effective tendering process in state corporations in Kenya. In this regard, there is also need for training of procurement staff on aspects of the tendering process such as the budgeting process, supplier evaluation. The training of staff should also extend to improving their knowledge on the regulations guiding the procurement process, as stipulated in the Public Procurement and Disposal Act and other procurement regulations.

The study also recommends for adoption of e-procurement (e-tendering). E-procurement would enhance operational and cost efficiency as well as facilitate electronic documentation of the bidding process thus enhancing accountability and transparency. The e-procumbent should also ensure efficiency of the tendering process thus better performance.

9. Areas of Further Research

The objective of this study was to determine the factors affecting tendering process in Kenyan state corporations, with a focus on Kenya Literature Bureau as the case study. The study recommends a further research be conducted in other state corporations in Kenya for comparison of results and generalization of results. On the other hand, the regression results showed that the factors studied (supplier selection, technology, records management, procurement planning) only explained 41.5% of tendering process in KLB; which implies that the remaining 58.5% may be explained by other factors not included in the study. This opens a gap for further study where future studies should try and establish other factors that affect the tendering process in Kenyan state corporations.
References


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