



Influence of Competitive Tendering on the Performance of Devolved System of Governments in Kenya

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Abstract: The purpose of study is to examine the influence of competitive tendering on the performance of devolved systems of governments in Kenya. A cross-sectional approach is adopted with primary data collected. The data yielded a response rate of 229 from 10 devolved systems of governments in Kenya, which were drawn mainly from supply chain and finance departments. The data collected was put through rigorous statistical analysis to test content validity as well as reliability. Further, a simple linear regression model was used to test relationships between competitive tendering and the performance of devolved systems of governments in Kenya. The finding proposes that successful execution of competitive tendering increases the performance of devolved systems of governments. The use of the competitive tendering method assists governments in attracting a huge pool of suppliers where they can choose their potential suppliers competitively and thus instil public confidence in the accountability of public resources. The study provides relevant knowledge in formulating a policy framework on efficient and effective management of the public procurement process in devolved systems of governments. Also, the study shows that if the competitive tendering method is properly embraced, it will increase the performance of devolved systems of governments. However, the study limited only to the competitive tendering method and yet it can only be applied in certain thresholds. Thus, a similar study can be conducted in the same sector but using other alternative procurement methods. The study provides a holistic approach in the application and use of the competitive tendering methods for improving the performance of devolved systems of governments. Also, the identified gaps provide future direction in research and encourage the adoption of the competitive tendering method as a way of promoting accountability of the use of public resources in the devolved systems of governments.

Keywords: Competitive Tendering, Performance, Simple regression.

1. Introduction

The procurement function plays an important role in an organisation by ensuring high performance of the organisation and enhancing shareholders value (Ghossein et al., 2018). For example, Djankoy et al. (2017) reported that in the year 2016, most government agencies spent about \$35tn on the transactions relating to public procurement. Equally, public procurement signifies about 18.4% of the world gross domestic product (GDP) and 50% or more of total expenditure in developing countries (Changalima et al. 2020). Additionally, in economies of developing countries, procurement expenditures are estimated to be about 9-13% of their GDP (Witting, 2002). For example, in Jamaica, the total procurement expenditures in the financial year 2015 were accounted for 30% of her GDP (Dawar & Oh, 2017). Because of these huge expenditures, strategic procurement has become synonymous as a way of accounting for the best way to use of the public resource to get value for money.

In Kenya, the devolved system of government was meant to play a significant role in spurring economic growth and development in Kenya during the promulgation of the new constitution in 2010. Moreover, the enactment of the Public Procurement and Asset Disposal Act (2015) in January 2016 promoted openness, full disclosure and attainment of value for money in devolved county governments' expenditure.

However, devolved systems of governments have been experiencing major impediments in the execution of public procurement principles. According to an audit report for the financial year, 2014/15 revealed that a huge chunk of the monies lost through the payment of unscrupulous workers or fictitious firms and non-existence suppliers in the devolved system of governments. Further, a study by Njeru (2015) noted that county government procurement sections and other

public entities in Kenya are inefficient and lack knowledge in the implementation of public procurement as laid down in the act. For example, many tertiary public training institutions in Kenya lost close to Ksh.50 million annually through procurement illegal means. Kenya Institute of Supplies Management (KISM) report of 2010 and 2015 established that on annual basis, the government of Kenya losses close to Ksh. 21 billion, about 9 per cent of the national budget, due to inflated procurement quotations a central and devolved system of governments. The report also revealed that the majority of the devolved system of governments' procurement departments are influenced by external forces in the awarding of contracts and thereby end up compromising in the adherence of public procurement principles. Similarly, a study conducted by Ethics and Anti-Corruption Commission (2015; 2016) noted that over 81% of respondents indicated that corruption, poor service delivery, tribalism, shoddy implementation of projects and embezzlement of funds are rampant in the devolved system of governments.

Although some studies have been carried out on public procurement principles, such as Odhiambo and Kamau (2013) established that although less advanced countries have taken steps to change their public procurement systems, the process is still shrouded by a high degree of secrecy, inefficiency, corruption and undercutting which has resulted to a huge amount of resources into wastage (Hagén & Zeed, 2005). Ogotu and Were (2014) found that accountability, information communication and technology influence the procurement process in a devolved systems of governments. However, non-of these studies address the influence of competitive tendering on the performance of devolved systems governments. Thus, the study sought to fill the gaps identified above.

This paper is structured as follows. In section 2, we present how competitive tendering interacts with the performance of the devolved systems of governments from the literature reviewed. Part 3 discusses research methodology. Section 4 statistical analysis of data collected, and part 5 presents the conclusions both discussion and implications.

2. Literature Review

2.1 Competitive Tendering

Competitive tendering is the means of acquiring goods, services and works into and an organisation using an open tendering process. In public procurement, competitive tendering is regarded as an open tendering where all potential bidders are given equal opportunity to participate (PPADA, 2015). Therefore, open tendering is the favoured procurement method for procurement in the acquisition of goods, works and services in organisations, particularly the public sector. This method provides equal chances for potential suppliers to participate. For example, in Kenya, the act has highlighted the procedures used when using the open tendering method (PPADA, 2015). This invitation usually is given a grace period of 21 days if it is domestic tender and 40 days if it is international. This time is regarded as sufficient to allow potential bidders to submit their tenders. The advertisement can be done through many platforms such as government portals, the organisation websites, at least two daily newspapers circulated widely. Then accounting officer may upload the tender to the portal. The accounting officer of a procuring entity may charge such fees as may be prescribed for copies of the tender documents but should not exceed three thousand shillings for catering for tender preparation expenses (PPADA, 2015).

Thus, once bids have been received from major suppliers, the organisation should constitute the opening tender committee. This committee is mandated to open the tender box and register all bids received in the presence of bidders. The evaluation committee, which constitutes financial and technical committees, is formed to evaluate bids received from potential supplies (PPADA, 2015). Once the evaluation is complete, the organisation is required to communicate to the supplier who has won the tender and negotiations starts immediately. Then the contract is signed for management and of the execution the tender. During this exercise, all parties must disclose all the material facts regarding the contract, and if inaccurate if given, it will result in misunderstandings and which might increase costs. Open tendering would prevent favouritism as it will allow all potential suppliers to participate in the bidding process. These will include organisation to acquire sound vendors who will meet organizational needs and demands (Erridge et al., 1999).

2.2 Performance of Devolved Systems of Governments

Organisational performance is regarded as the final output or outcome. In public entities, sound public procurement policies and, principles are crucial attributes of good governance (KIPPRA, 2006; World Bank, 2002) which in turn will yield good performance. In measuring the performance of public procurement performance, it is important to evaluate the procurement system, which should be focusing on effectiveness, where procuring entities should meet the commercial, regulatory and socio-economic goals of government in a way that is in line with the procurement requirement. Wittig (1999) established that any advancement in the public procurement system could have a direct or indirect beneficial outcome on of the overall economic situation the county.

According to Richardson and Sevenesson (2018), they established that procurement performance could be measured the price dimension where the relationship between the standard/baseline and the actual price of the items delivered are measured. They further found out that product or quality dimensions of items of goods purchased as a key performance measuring indicator. They also revealed that the efficiency of inventory flow of purchased materials and service in terms of quantity control, timely delivery of supplies are important when measuring procurement performance.

Moreover, a purchasing Magazine survey of consultants revealed several objectives that firms pursue when employing procurement strategy. They included driving the lowest possible purchase price, identifying sources of high-quality products/services, simplifying the purchasing and supply management processes, and reducing transaction costs. In addition, a leading consulting firm reported that companies use strategies to reduce transaction costs, purchase price, purchase order processing cycle times, and speed up the time-to-market cycles are the common measurements of procurement performance (www.aberdeen.com 2003). Thus, this study will adopt the lowest purchase price, high-quality products/services, simplified procurement processes, procurement order processing cycle times and reduced transaction costs to measure the performance of devolved county government. This lead to the following research hypothesis;

H01: There is no significant relationship between competitive tendering and the performance of county governments in Kenya.

3. Methodology

3.1 Research Design, Sampling Technique and Sample Size

A cross-sectional approach is adopted. This design allowed allow the study to gather data just at once, perhaps over days a period, weeks or months, to answer the research problem. Pagano and Gauvreau (2000) formula was applied to calculate a sample size of 229. The study used stratified sampling to come up with ten strata (Counties), and from each stratum, simple random sampling was used to pick 229 respondents who were drawn from supply chain and finance departments.

3.2 Instrument Development

Content validity is ensured by adapting all the instruments from the existing previous researches in competitive tendering, which are deemed to have reliable and valid scales. A five-point Likert scale anchored by 1 (Strongly Disagree) 5 (Strongly agree) is used to assess the degree of competitive tendering in the opinion statements provided “kindly assess to what extent you agree or disagree with the following opinion statement”. Performance of devolved systems of governments was also measured using a five-point Likert scale of 1(Strongly Disagree) 5(Strongly Agree) and by ticking in the box of the revenue indicators provided for the last five years.

3.2 Data Collection

The study focused on devolved systems of governments in Kenya because few studies are featured in this sector. The study targeted logistics/supply chain/procurement managers in senior positions to answer the dropped questionnaires since they possessed sufficient knowledge regarding the overall process of competitive tendering method and the performance of devolved systems of governments. After randomly selecting 229 samples of respondents, the researchers dropped the questionnaires, which generated later a response rate of 229 which translated to 100%.

4. Results

The following section contains the findings of competitive tendering and performance of devolved systems of governments in the descriptive and inferential statistics form. The respondents were asked to indicate the extent to which they agreed with competitive tendering opinion statements executed in the devolved systems o governments. The results of the analysis are presented in Table 4.1. From the results, the majority of the devolved systems of governments with a mean rate of 4.56 strongly agreed that they had the evaluation committees for evaluation of suppliers. Equally, the study established that the majority of the most devolved systems of governments with a mean rate of 4.49 had adopted open tendering for procuring goods and services. Similarly, the study noted that the majority of the devolved systems of governments with a mean of 3.92 they select suppliers basing on several factors such as finance, past performance, capacity, and tax compliance as set out in the public procurement and asset disposal act of 2015. The study found out that most devolved systems of governments with a mean of 4.59 used an advertisement method to invite and provide required information to potential suppliers.

Table 4.1: Competitive tendering descriptive statistics findings.

Opinion statements	SD	D	N	A	SA	M	STD
Evaluation committee for evaluation of suppliers	0.0%	1.3%	6.6%	24.3%	67.7%	4.56	.805
Open tendering method for inviting suppliers	0.0%	0.0%	6.6%	38.1%	55.3%	4.49	.620
Suppliers credibility in carrying out previous contracts awards	1.3%	7.1%	18.6%	44.2%	28.8%	3.92	.935
Use advertisement the source of information of suppliers	1.3%	2.2%	2.7%	23.5%	70.4%	4.59	.768
Award tender to the most competitive bidder	0.0%	5.8%	5.3%	26.2%	62.7%	4.46	.839

Key: SD= Strongly Disagree, D= Disagree, N= Neutral, A=Agree, SA= Strongly Agree, M= mean, STD= Standard Deviation

Additional test on simple regression was conducted to determine the influence of competitive tendering on the performance of devolved systems of governments in Kenya. The null hypothesis was:

H01: There is no significant relationship between competitive tendering and the performance of county governments in Kenya.

The objective was tested by regressing competitive tendering on the performance of devolved systems of governments guided by the equation $Y = \beta_0 + \beta_1 X_1 + \epsilon$. From the results in Table 4.2, R² for the regression model between competitive tendering and the performance of devolved systems of governments in Kenya was 0.630, meaning that competitive tendering explain 63.0 % variation in the performance of devolved systems of governments in Kenya. In contrast, the remaining variation is explained by the other factors which are not covered in the study.

Table 4.2: Model Summary of Competitive Tendering.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890 ^a	.780	.630	.703

a. Predictors: (Constant), Competitive tendering principle

Additional test on ANOVA, the regression model was a good fit as indicated by a significant F-statistic (F=24.851, p<0.05). See Table 4.3.

Table 4.3: ANOVA of Competitive Tendering.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	5.823	1	5.823	11.765	.018 ^b
Residual	109.324	221	.495		
Total	110.197	222			

a. Dependent Variable: Measure of performance of the devolved system of county government

b. Predictors: (Constant), Competitive tendering principle

The regression model obtained from the output was
Performance = 3.662 + 0.102 Competitive tendering + error

The regression coefficient for the competitive tendering principle was 0.089. The value of 0.089 indicates that a unit increase in the competitive tendering principle would result in 8.9% increase in the performance of devolved systems of governments in Kenya. The t-statistic for the regression coefficient for the competitive tendering principle was significant at 5% level of significance (T=4.328, p<0.05), implying rejection of the null hypothesis. See Table 4.4. Based on these statistics; the study concludes that there is a significant positive relationship between competitive tendering and the performance of devolved systems of governments in Kenya. Hence, the null hypothesis was rejected.

Table 4.4: Coefficients of Competitive Tendering

Model	Unstandardised Coefficients		Standardised Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	3.662	.342			10.715	.000
Competitive tendering principle	.102	.077	.089		4.328	.018

a. Dependent Variable: Measure of performance of the devolved system of county government

5. Discussion

5.1 Theoretical Contribution

From the study, it was noted that the majority of the devolved systems of governments with a mean rate of 4.56 strongly agreed that they had the evaluation committees for evaluation of suppliers. These findings are in agreement with the public procurement, and asset disposal act of 2015 that evaluation committee should be constituted by the accounting officer of the procuring entity ad hoc and this committee would evaluate technical, and financial aspects as well as negotiating the bids. Equally, the study established that the majority of the most devolved systems of governments with a mean rate of 4.49 had adopted open tendering for procuring goods and services. This method provides equal chances for potential suppliers to participate and is the most preferred procurement method. Similarly, the study noted that the majority of the devolved systems of governments with a mean of 3.92 they select suppliers basing on several factors such as finance, past performance, capacity, and tax compliance as set out in the public procurement and asset disposal act of 2015.

Also, the study found out that most devolved systems of governments with a mean of 4.59 used an advertisement method to invite and provide required information to potential suppliers. The public procurement and asset disposal act of 2015 provides that if the estimated value of goods, services and works is equal to or more than the prescribed threshold, the procuring entity should advertise the tender in government portal or its website or most circulated newspapers in a period not less than 21 days for local tender and not less than 40 days for international tenders. Further, the study noted that the devolved systems of governments with a mean of 4.46 award tenders to the most competitive bidders. The study findings concurred with the public procurement and asset disposal act of 2015 that/successful tender is the one with the lowest evaluated price, highest score by combining the technical and financial aspects, lowest evaluated total cost of ownership and tender with the highest technical score if it was evaluated using the procedures provided by the act of parliament.

Additional results of thematic analysis, the respondents were asked to suggest ways in which competitive tendering principle can influence the performance of the devolved system of governments. The respondents' suggestions were grouped into an increase in competition, reduces fraud and increase in public participation. On the completion, the respondents suggested that competitive tendering assist devolved systems of governments in tender negotiations, and it gives them the bargaining power since they have a pool of suppliers to for comparison. Competitive tendering helps them to instil trust with the public and provides public with a fair chance to participate in the tendering process.

5.2 Managerial Contribution

The study recommends that all devolved systems of governments should constitute evaluation committees for evaluating suppliers and adopted open tendering for procuring goods and services that meet the threshold as provided in the public procurement and asset disposal act of 2015. Also, the study recommends that all the devolved systems of governments select suppliers as provided in the public procurement and asset disposal act of 2015. Further, the study recommends that all the devolved systems of governments should adopt the competitive tendering method because it provides them with a better opportunity in negotiating tenders and more bargaining power since they can attract a pool of suppliers. Also, competitive tendering would help the devolved systems of governments to instil trust with the public and provides them with a fair chance to participate in the tendering process, accountability and building, thus increasing the performance of devolved systems of governments in Kenya.

5.3 Limitations and Future Research

The study provides relevant knowledge in formulating a policy framework on efficient and effective management of the public procurement process in devolved systems of governments. Also, the study shows that if the competitive tendering method is properly embraced, it will increase the performance of devolved systems of governments. However, the study limited only to the competitive tendering method and yet it can only be applied in certain thresholds. Thus, a similar study can be conducted in the same sector but using other alternative procurement methods.

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