

Employee Perceived Interference and Professional Ethics on Non-Compliance with Public Procurement Regulations, Evidence from Kenya

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Abstract

Public procurement is one of the governmental key areas which emphasises on the acquisition of goods and services. Governmental organizations across the world tend to spend between 8% and 25% of GDP on goods and services. Owing to the enormous amount of money involved and the fact that the money comes from the public, they demand accountability and transparency. Rules on public procurement have been enacted, however compliance by public procuring entities is still a challenge, hence the study seek to establish the underlying factors that leads to public non-compliance to procurement regulations in the public sector. An explanatory research design was utilized in the study, the target population being procurement officers of government parastatals in Kenya. A sample size of 119 respondents was used, which translated to a response rate of 90.2 %. Descriptive and inferential statistics was used to analyse the data. The study findings revealed that non-compliance is affected by factors relating to; familiarity with public procurement regulations, employee professional ethics, and perceived interference. The correlation statistics also revealed that there was a positive relationship between dependent variable (non-compliance to procurement regulations) and all the dependent variables (employee perceived interference and professional ethics). This study has highlighted several recommendations that will be of use to public procuring entities and their employees to improve compliance with the procurement regulations in place. Finally the respondents in this study are purchasers; future study could include a sample of other respondents other than purchasers, for instance the tender committee members.

Keywords: public procurement, non-compliance, employee perceived interference, professional ethics and procurement regulations.

1. Introduction

Compliance has been around as long as people have been doing business. Whenever an employer instructs employees about the law, the employer performs a compliance function. Non-compliance is a distinct concept from compliance just as researchers have shown for such opposites as love and hate and positive/negative affectivity (Lewick *et al.*, 1998; Dickey *et al.*, 2007). Whereas compliance is the degree to which an agent adheres to principal's directives, policies and procedures, non-compliance is the degree to which an agent initiates deviant policies and procedures that are not approved by the principal (Dickey *et al.*, 2007). Compliance is a problem not only in the third world countries but also evident in the countries in the European Union (EU) (Eyaa and Oluka, 2011). Gelderman *et al.*, (2006) further advances reasons for non-compliance as explained by the tendency to avoid red tape involved in the procurement process. However (Sewanyana, 2009) asserts that the type of goods and services procured sometimes influences the degree of compliance with the procurement regulations.

Public procurement refers to the acquisition of goods and services by government or public sector organizations (Uyerra and Flagan, 2010; Stephen B and Hellen Walker, 2009) and is one of the Government's key activities (Thai 2001; Stephen B and Hellen W, 2009). The goods and services may be either regular, off the-shelf products which serve the general needs of the user, or innovative products which have been delivered as a result of development carried out by the supplier to meet further requirements that are not fulfilled by existing products (Edquist *et al.*, 2000). Public procurement is concerned with how public sector organizations spend taxpayer's money on goods and services. Public sector expenditure is substantial, government organizations across the world tend to spend between 8 percent and 25 percent of GDP on goods and services

(Organization for Economic Co-operation and development, 2006: Hellen W and Stephen B, 2011). The nature and context of public sector purchasing differs from commercial practice. The public sector spends taxpayer's money and is subject to public review and needs to be transparent and accountable in its purchasing processes (Hellen W and Stephen B, 2011).

As a rapid developing country, Kenyan government has put more emphasis to channel the country's resources to right places of development. Public funds rose through the collection of income tax, companies tax, duties and other sources should flow back to the public and benefit the public in terms of good public facilities and amenities education subsidies and other developments. Hui *et al* (2010) reiterates that an effective procurement system therefore has to ensure as little leakage from the system as possible, all the loopholes should be sealed off. The government procurement system is part of this conversion process, from the collection of funds to successful implementation of projects; hence the procurements system is always under the intense scrutiny of different stakeholders. Issues of accountability, transparency, corruption, integrity and cronyism are concerns raised by the public to ensure that public funds are properly managed and wastage of public funds are properly managed and wastage of public funds are kept to a minimum, unfortunately weaknesses still exists in the system (Hui *et.al.*, 2010).

Ever since the enactment of Kenya's public procurement and disposals Act (PPDA) in 2005, its impact and effectiveness has been seriously questioned and has resulted to a number of studies that have tried to explain non compliance to procurement directives by public procuring entities and it's unfortunate that most studies have reported negatively, the impact of the directives is rather limited and disappointing (Madsen, 2002; Nielsen and Hansen, 2001; Erridge *et al.*, 1998; Cox and Furlong, 1995; Gelderman *et.al.*, 2006). Studies and Publications have devoted to the interpretation and application of the EU Directives (Arrowsmith, 1998; Pachnou, 2000), the problems of the directives related to the EU's expansion into Central and Eastern Europe (Kanas, 2000), explaining non-compliance to public procurement and EU tendering directives (Gelderman *et.al* 2006). Surprisingly, there is much less research on the non compliance with respect to the public procurement regulations in East Africa and in particular Kenya.

A notable exception is the empirical study by (Eyaa and Oluka, 2011) carried out in Uganda, which clearly suggests that the proper use of EU directives in public procurement is far from common practice. Now, many years later, compliance is still a major issue. There are many suggested reasons why public authorities do not comply with the directives, according to PPOA non-compliance issues includes; Poor records management, documentation and tools, (ii) lack of procurement planning (iii) lack of use of standard tender documents in making mandatory reports to PPOA (iv) lack of use of standard requisition (v) lack of properly established procurement unit staffed with professionals and lastly lack of effective post award contract management. However, these claims are not substantiated by empirical evidence that can explain noncompliance with the directives.

2. Literature Review

2.1 Concept of Non-compliance with Public Procurement Regulations

Compliance has been around as long as people have been doing business. Whenever an employer instructs employees about the law, the employer performs a compliance function. Non-compliance is a distinct concept from compliance just as researchers have shown for such opposites as love and hate and positive/negative affectivity (Lewick *et.al.*, 1998; Dickey *et.al.*, 2007). Whereas compliance is the degree to which an agent adheres to principal's directives, policies and procedures, non-compliance is the degree to which an agent initiates deviant policies and procedures that are not approved by the principal (Dickey *et.al.*, 2007). Generally, compliance refers to target 'acting in accordance with an influence attempt from the source' (Payan and McFarland, 2005). From the perspective of a formal concept of compliance, the conduct of regulated actor is compared to a formal definition of the corresponding (legal) obligation (Lange, 1999). De Boer and Telgen (1998) as cited by Gelderman *et al.*, (2006) and Eyaa and Oluka (2007) explain that compliance is a problem not only in the third world countries but also evident in the countries in the European Union (EU). Gelderman *et al.*, (2006) further advances reasons for non-compliance as explained by the tendency to avoid red tape involved in the procurement process. However (Sewanyana, 2009) asserts that the type of goods and services procured sometimes influences the degree of compliance with the procurement regulations.

Other issues of non-compliance was voiced by (European Commission 2007, COCOF 07/0037/03-EN) include; non-compliance with the advertising procedures, application of unlawful contract award and selection criteria and insufficient or discriminatory definition of the subject-matter of the contract and negotiation during the award procedure. In some instances contracts are awarded by open or restricted procedure but the contracting authorities negotiates with the bidders during the award procedure, except where the discussions are solely intended to clarify or supplement the content of their bids or specify the obligations of the contracting authorities. According to a study on Dutch Municipalities carried out by (Telgen *et.al.*, 1998), Management of the purchasing function in Dutch municipalities is seldom based on an explicit policy. In general the purchasing

function was not considered a strategic priority in the overall municipal policy. Three quarters of municipalities admitted not to have a purchasing plan containing starting points and objectives. Over 50 percent of the municipalities did not periodically measure and evaluate purchasing performance, and two out of three municipalities did not use a standardized method for supplier evaluation, these pitfalls constitute non-compliance. If the rules governing public procurement are not strictly adhered to by public PE's, it predisposes the government to revenue leakages during procurement processes. Several weaknesses could arise due to non-compliance with the public procurement regulations, these include; failure to buy products in the right quantities and at the right specifications and prices resulting in higher total cost of ownership, inefficient and ineffective procurement processes, resulting in long cycle times, opaqueness and ambiguity in the procurement process resulting in leakages and corruption, (The Putrajaya Committee on GLC High Performance, 2006)

2.2 Employee Professional Ethics and Non Compliance to Public Procurement Regulations.

Purchasing is a critical boundary spanning function for industrial organizations, and in some industries controls as much as 60% of a firm's costs (Carter, 2000; Saini, 2010). While considerable research attention has been given to ethical issues in sales management and personal selling (Hunt and Vasquez-Parraga, 1993; Saini 2010). Ethical issues of the purchasing function deserve further research attention; ethical issues facing purchasing executives are characteristically different. Purchasing executives are caught between trying to source the best quality goods while keeping their costs at the lowest possible level. Any unethical actions by purchasing executives such as sourcing poor quality goods in return for any favors by the suppliers can harm the purchaser firm's performance, reputation, and competitiveness (Carter, 2000; Saini 2010). Unethical activities commonly attributed to the purchasing function include: acceptance of gifts (physical gifts, free meals, free trips, or free entertainment) from suppliers, informing a supplier of competitor's quotes and allowing them to re-quote, preferential treatment of suppliers favoured by management and soliciting quotes from supplier who have small chance of success, etc. (Rudelius and Buchholz, 1979; Saini 2010).

Non-compliance to public procurement policies has been associated to lack of professionalism (De Boer and Telgen, 1998). Professionalism in public procurement relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities. If the workforce is not adequately educated in procurement matters, serious consequences arise including breaches of codes of conduct, (Raymond 2008). Procurement professionals grapple with various issues affecting their practice and the organization in which they work, for instance whether it's important to attain procurement certification and skills required of procurement professionals to perform effectively and deliver results; (Ogachi, 2010). Lack of high degree of professionalism in public procurement could results in vices like corruption which ultimately impedes compliance, (Raymond, 2008). According to (Hui *et.al.*, 2011) procurement officers must be trained and must be acquainted with regulations regarding procurement and related procedures. Lack of properly established procurement units staffed with professionals was one of the areas of non-compliance established during procurement and disposal assessment by Public Procurement Oversight Authority in 2012. (PPOA, 2012). Therefore we hypothesis:

H0₁ Employee professional ethics has no significant influence on non-compliance to public procurement regulations in the public sector in Kenya.

2.3 Perceived Interference and Non-compliance to Public Procurement Regulations.

According to (Pillary, 2004) senior official and political leaders are fond of using public office for private gains and these have weakened the motivation to remain honest. Moreover (Raymond, 2008) argued that ministers and political parties have been receiving clandestine payment in Government procurement process hence compromising procurement process restricting compliance. In developing countries, ministerial interference emerged as one of the major obstacles to procurement system and award of tender. The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives hence compromising compliance (Aketch, 2005). Public procurement is considered an inherently political sensitive activity (Schapper *et.al.*, 2006). According to (Hui *et .al.*, 2011) as cited by (Tukamuhabwa,2012), the interference from the local politicians, business persons, members of parliament and very influential top management individuals has interrupted procurement process and deterred transparency. Politicians influence procurement through heinous acts such as collusion (Goviello and Gagliarducci, 2010).

Procurement officer could be interfered on his day to day activities by the procuring entity's upper management, this could arise if the accounting officer has some vested interest on the tender process he/she could compromise the process of procuring or disposal of obsolete assets and stores. Suppliers pose another threat to procurement officers; they are culpable of influencing the tender process by compromising the procurement officers with bribes. A study conducted by Ernst & Young Audit Firm on Global Fraud, 32 % of the respondents admitted that their business partners offered the expensive lunches, personal trips and personal gifts in order to win tenders. (Saturday Nation, July 21, 2012 p.35).

Poor interpretation and understanding of (Public procurement and disposals Act, 2005) and Public procurement and disposals regulations (2006) is another challenge both on the side of procurement officers and the accounting officers(CEO's/MD's), if the accounting officers are well conversant with the act, they won't frustrate the procurement officers on the course of their duties. Tender committee could be a huddle to compliance, for instance a case where by the decision whether to award tender or not is passed by a simple majority, in an event of a tie, the Chairman's vote is to be used to break the tie. In case of collusion in favour of a certain bidder, the procurement regulations shall have been flouted without the procurement officers' intervention. Therefore we hypothesize:

H0₂ Employee perceived interference has no significant effect on non-compliance to public procurement regulations in Kenya.

2.4 Theoretical background

As cited by Defee *et al.*, (2010), good research should be grounded in theory (Mentzer *et al.*, 2008). The study was guided by socio-economic theory of regulatory compliance, and principal agent theory. Socio-Economic Theory of Regulatory Compliance was coined by Becker in (1968), it was meant to explain compliance issues regarding regulations of economic activities in the natural resources industries. According to this theory regulated economic agents are typically controlled through monitoring, surveillance and enforcement authorities and not systematically considered when developing regulatory policies. Public procuring entities must adhere to the enacted procurement and disposals regulations (PPDA, 2005), since their actions are continuously monitored by the stakeholders, who include the Government, bidders and other potential suppliers and customers. The basic deterrence framework used in these studies assumes that the threat of sanctions as the only policy mechanisms available to improve compliance with regulations. This is justified in this study, since the regulations set up by PPOA offer stiff penalties to offenders of the laid down public procurement regulations. Furthermore to improve and boost the understanding on compliance issues, an enriched model of compliance was developed, that's Neo Classical deterrence model which holds that rational individuals are driven by both intrinsic and extrinsic motivations, (including but not restricted to wealth enhancement). This model integrates economic theory with theories from psychology and sociology to account for both tangible and intangible motivations influencing individual's decision whether to comply with a given set of regulations, individuals violated rules only if the benefits less the expected cost of violating exceeds or equals benefits of compliance otherwise the individual complies, moral acts are fronted as the key to compliance.

The principal agent theory as advocated by Donahue, (1989) explains that procurement managers in public sector play a relationship role. But his findings are based on the buyer/supplier relationship and the need of the buyer, as the principal, to minimize the risks posed by the agent. The author argued that procurement managers including all civil servants concerned with public procurement must play the agent role. Therefore procurement managers take on the role of agent for elected representatives. The principal-agency theory holds that shirking is likely to occur when there is some disagreement between policy makers and the bureaucracy. The democratic perspective focuses on responsiveness to citizens and their representatives (Strom 2000; Lupia 2003). However, Soudry, (2007) identifies this principal/agent relationship among the possible risks whereby procurement managers show apathy towards principal's preferred outcomes or even overriding of the principals preferences thus will result into noncompliance.

3. Methodology

3.1 Sampling and data collection procedures

This study adopted case study research design with descriptive approach which yielded statistical information about a phenomenon in its context that was of interest to economic policy makers. The target population for the study was within Kenya the respondents in this survey were 132 procurement officers working for the 132 Government Parastatals in Kenya. The study purposively selected one procurement officer. The questionnaire was used to obtain information for study on the basis of 'drop and pick' or 'pick later', it also enabled the researcher to collect a large sample of information in a short time and at a reasonably low cost (Mwangi, 1999) and give similar or standardized questions to the subjects making it easier for comparison. Questionnaires also enable the researcher to easily reach distant subjects by posting the questionnaires to them (Kerlinger, 1973).

3.2 Measures

The questionnaires were the main instrument of data collection. The questions were divided into variables of interest. Likert scale with point 5 was used with 1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly agree. The variable under study included employee perceived interference and professional ethics. All these three variables related to Corporate Social Responsibility of a bank in the area under study. The dependent variable was non-compliance with public procurement regulations. The respondents were to respond to the questions in each variables base on strength of 1 to 5.

4. Analysis and Findings

4.1 Reliability and validity

Special care was taken in this study to ensure reliability and validity. The instruments were developed from prior research and previously tested for reliability. Some of the questions used were slightly modified to make them more relevant to the purpose of the study. Thus, a reliability test was conducted to determine the internal consistency of the measures used. The generally acceptable level of Cronbach's alpha is that above 0.70 and it may decrease to 0.60 in exploratory research (Hair *et al.*, 2006). The scores of reliability coefficient for this study were calculated using SPSS software and the result are shown in Table 1 which two items had a score above 0.6 while one had 0.532 which was low but acceptable for further study.

Next, the variables in this study were validated using principal component analysis (PCA) with varimax rotation from exploratory factor analysis. Before performing the analysis, the suitability of the data was assessed through two tests; Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) and Bartlett's Test of Sphericity. The KMO has to be more than 0.50 and Bartlett's Test of Sphericity has to be significant (Kaiser, 1974). From factor analyses, it was suggested that items that had factor loadings lower than 0.50 should be eliminated (Hair *et al.*, 2006). From table 1 only one item load was less than 0.5 and it was dropped from further study (Liao *et al.*, 2007; Wei *et al.*, 2008).

4.2 Sample characteristics

The study targeted 132 respondents but 119 managed to fill the questionnaires, the response rate yielded 90.2%. This was an effective response rate (Gelderman *et al.*, 2006). The demographic profile of the respondents is presented in table 2 reveals that the majority of the respondent were male (N=77; 64.7%) and (N=42; 35.3%) were female. Regarding the age group most of them (N=74; 62.2%) were aged between 26-35 years and the least group had 46 years of age and above. Their level of academic qualification was also examined and a larger number of the respondents were diploma holders (N=64; 53.8%) and degree (N=52; 43.7%). Only (N=3; 2.5%) of them had a certificate. In terms of professional qualification (N=51; 68.1%) of the respondents possessed professional qualifications in procurement. Moreover, the study showed that (N=87; 73.1%) of the respondents in the public PE's had undergone training in procurement and (N=32; 26.9%) of them had no training in procurement. Nevertheless, (N=77; 64.7%) of them had procurement experiences of less than 5 years, while (N=30; 25.2%) and (N=12; 9.2%) of them had 5-10 years and above 10 years of experiences in procurement respectively. Study results indicated that they had different job titles and statistics showed that; a larger percentage of them were purchasing and supplies assistants (N=52; 43.7%) followed by senior purchasing assistants (N=29; 24.4%) then procurement/purchasing officer (N=16; 13.4%), purchasing and supplies clerk (N=13; 10.9%) and finally the stores clerk who were (N=9; 7.6%).

4.3 Descriptive Statistics

4.3.1 Employee Perceived Interference

The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives hence compromising compliance (Aketch, 2005). Table 3 below indicates (mean of 4.57 and SD of 0.592); the purchasing staff fought bribery temptation from suppliers who wanted favour on purchasing process. It was also seen that political influences attracted public tenders that include huge sums of money this being represented by a (mean of 4.16 and SD of 0.924). Respondents also proved that during some tendering processes there was a possibility of the tender committee members colluding in favour of a certain bidder (mean 3.89, SD 0.855). Moreover employees faced challenges when adhering to the stipulated procurement procedure while dealing with heads of procurement entities that are not versed with public procurement and disposal regulations (mean 3.57, SD = 1.230).

4.3.2 Employee Professional Ethics

De Boer and Telgen (1998) stated that the cause of non-compliance is lack of professionalism. Professionalism in public procurement do not relate only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities. Table 4 indicates that purchasing staff in public service are faced with temptation of showing partiality towards the suppliers preferred by upper management of the public procuring entity (mean 3.53 and SD 1.261). However, it was evident that purchasing staff do not face conflicts between opportunities for personal financial gains and proper performance of their responsibilities (mean 3.31 and SD 1.048). It was also emerged that, in other instances the purchasing staff failed to provide goods and services of highest quality by colluding with suppliers (mean 3.21, SD 1.246) hence the public PE's won't get value for their money. Confidentiality was not highly observed as there were some instances where the staff revealed confidential bids thus allowing suppliers to re quote (mean 3.18, SD = 1.344). Least incidences were observed where the suppliers offered gifts to staff to influence their purchasing decision (mean 3.17, SD=1.404). In overall, respondents were positive towards employee professional ethics (mean = 3.13 and standard deviation = 0.917)

4.3.3 Non-compliance

compliance is the degree to which an agent adheres to principal's directives, policies and procedures, non-compliance is the degree to which an agent initiates deviant policies and procedures that are not approved by the principal (Dickey *et al.*, 2007). Table 5, research findings showed that, some public procurement entities failed to periodically measure and evaluate their purchasing performance, (mean 3.82, SD = 0.847) at times there were delays in submitting quarterly reports to public procurement oversight authority, (mean 3.80, SD = 0.801) thus making it difficult to monitor its performance. Also there were some instances where the timeframe for receiving bids were extended (mean 3.69, SD = 0.912). Further it had been observed by the respondents that some purchases were done without necessarily using the standard tender documents (mean 3.61, SD = 1.184) and at times the post award contract management was not undertaken (mean 3.60, SD = 0.777). There were also instances whereby records are misplaced in the department (mean 3.51, SD = 1.076). A low output on some occasions where tenders valued above ksh.5 million thresholds were not advertised in public procurement oversight authority's journal and website (mean 3.22, SD = 1.274).

4.4 Correlation Statistics

Correlation is the degree of relationships that exists between two or more variables. The degree of relationship between two variables is called simple correlation (Koutsoyiannis, 1993). The correlation results for the study are as shown below in table 6: Pearson correlation analysis was conducted to examine the relationship between the variables (Begum *et al.*, 2008; Hui *et al.*, 2008). Moreover according to (Hiew *et al.*, 2005), correlation coefficient value (r) range from 0.10 to 0.299 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. According to Field (2005) also cited by (Hui *et al.*, 2008), correlation coefficient should not go beyond 0.8 to avoid multi collinearity. Since the highest correlation coefficient in this research is 0.776 there is no multi-collinearity in the study as shown in the table 8. Furthermore there exists a positive relationship between non-compliance to public procurement regulations (NCP) and all the independent variables; employee professional ethics (PE) and perceived interference (EPI). Results in table 5 showed that employee professional ethics (PE) had the highest positive relationship with non-compliance to public procurement regulations (Pearson correlation = 0.776, $p < 0.01$).

4.5 Testing of Hypotheses

Regression analysis was used to test the relationship between employee perceived interference (H_1) and professional ethics (H_2) on non-compliance with public procurement regulations. The regression analysis result in Table 7 indicates that perceived interference (EPI) is positively and significantly related to non-compliance with public procurement regulations. While professional ethics (PE) was also found to be positively and significant related to non-compliance with public procurement regulations. The adjusted R-squared was obtained at 0.689 with a significant level $p < 0.001$. Therefore, this finding rejected H_1 and H_2 respectively. This also concurs with most researchers who found positive relationship between employee's perceived interference (H_1) and professional ethics (H_2) on non-compliance with public procurement regulations.

To test the study hypothesis, H_{01} , and H_{02} , the study used direct effect regression model. Results on table 7 overleaf reported that beta value for *employee perceived interference* was .460 with p value of 0.000 which was less than 0.01 (level of significance) hence the study rejected hypothesis H_{01} that there is no significant effect of *employee perceived interference* on non-compliance with public procurement and concludes that *employee perceived interference* on non-compliance with public procurement regulations with 42 units rate of change.

More study results on table 7 below showed that professional ethics had a beta value 0.475 with p value of 0.000 which was $p < 0.01$ (level of significance) which was significant, thus the study rejects hypothesis H_{02} there is no significant effect of professional ethics on non-compliance with public procurement regulations with 47.5 units rate of change, we concludes by stating that there is significant effect of professional ethics on use of self-service technology. This implies that increasing professional ethics by one unit it affects non-compliance with public procurement regulations 47.5 units positively.

Figure 7 indicates that the conditions for is an effect of employee perceived interference (H_1) and professional ethics to be ($\beta = 0.460, p < 0.001$), and ($\beta = 0.438, p < 0.001$) respectively.

5 Conclusions, Recommendations and Areas for Further Research

Ever since the enactment of (PPDA, 2005), compliance to public procurement and disposal directives is still an uphill task. In as much as this is a very important area of research, a few empirical studies have been conducted. This study aimed at filling this gap, by identifying factors and variables in which non compliance can be measured. Familiarity with procurement regulations is a significant predictor of compliance with procurement regulations. The implication is that the more procurement personnel are familiar with the regulations, the more compliant they will be. This finding is in agreement with Gelderman *et al.*, (2006) who in his study on the causes

of non-compliance with European Union procurement directives established that familiarity with procurement regulations improves compliance. Lukic (2007) in his paper on how to improve compliance with international environmental law argues that compliance can be improved by increasing knowledge of the law. This argument is based on the notion that once people are aware or familiar with what they are supposed to do or not to do, it becomes easier for them to do the right thing, which in this case is compliance. According to Howsam (1985), “some of the indicators of professionalism include skills based on theoretical knowledge, existence of a professional association, extensive period of education, testing of competence, institutional training, licensed practitioners, work autonomy, code of professional ethics, self-regulation, legal recognition, control of pay and high status and rewards.

The empirical findings indicate that employee professional ethics and employee perceived interference have a positive statistically significant relationship with non compliance. The managerial implications of these findings would be that, there is need to train, educate and sensitize purchasers and this would be a major contributor to compliance

5.3 Recommendations

The recommendations to public procuring entities are as follows;

5.3.1 Employee professional ethics

Public procurement stakeholders should place more emphasis in inculcating sound moral standing and ethics on procurement employees. Stiffer penalties on members of KISM should be set for any compromise on public procurement rules.

5.3.2 Employee perceived interference

Political influence should be kept off all the public procurement and tendering processes, procurement employees should be well remunerated to ward off the temptation of receiving bribes from crafty bidders, There’s need to train the tender committee on importance of personal integrity to avoid colluding in favour of certain bidders and finally PPOA should sensitize all the heads/accounting officers of public PE’s on procurement regulations and the penalties for non-compliance.

5.4 Limitations and areas for further research

No research is without its limitations, and there are some cautions in interpreting the results of this study. Although our investigation is a step towards understanding compliance issues with respect to public procurement regulations and procedures, more research is needed in this area. The current study is limited in its setting, the questionnaires were administered to one respondent in each public procuring entity, there is need to diversify the sample to cover a higher number of purchasers per procuring entity to further justify the research findings. Furthermore the respondents in this study are purchasers; future study could include a sample of other respondents other than purchasers, for instance the tender committee members and the prequalified suppliers.

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Appendix II

Figure 1

Conceptual Framework

Independent Variables (IV).

Dependent Variable (DV)

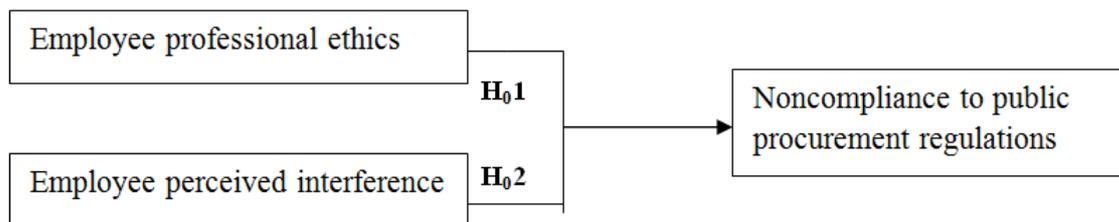


Table 1: Factor Analysis and Reliability

Measures	Factor Loadings	Cronbach's alpha
Employee professional ethics		
Conflicts for personal financial gains	0.70	
suppliers preferred by upper management	0.75	
Offering gifts to procurement staff with intention of compromising them to influence purchasing decisions	0.65	
Revealing of confidential bids to suppliers	0.73	
Failing to provide products and services of highest quality by colluding with suppliers	0.72	
<i>*Note: KMO = 0.764, Bartlett's Test of Sphericity Sig p < 0.001</i>		0.9
Employee perceived interference		
huge sums of money often attract political influences	0.57	
the temptation of being bribed by suppliers	0.84	
favor of a certain bidder tender committee	0.79	
Challenge of adhering to procurement procedure	0.78	
health, safety standards and environmental protection	0.88	
<i>*Note: KMO = 0.664, Bartlett's Test of Sphericity Sig p < 0.001</i>		0.5
Noncompliance to public procurement regulations		
Advertisement of tenders valued above Kshs.5 million	0.51	
Delays in submitting Quarterly reports	0.71	
Standardized method in evaluation of tendering process	0.61	
Measure and evaluation of purchasing performance.	0.44	
Contract management is not undertaken.	0.69	
Extension of time frame for receiving bids.	0.80	
Use of the standard tender documents in purchasing.	0.59	
whereby records are misplaced in the department	0.64	

Table 2: Profile of respondents

Characteristic		Frequency	Percent
Gender	Female	42	35.3
	Male	77	64.7
Age	18-25 yrs	18	15.1
	26-35 yrs	74	62.2
	36-45 yrs	26	21.8
	46-above	1	0.8
Level of academic qualification	Certificate	3	2.5
	Diploma	64	53.8
	Degree	52	43.7
Total		119	100
Professional qualification	No	38	31.9
	Yes	81	68.1
Training in procurement	No	32	26.9
	Yes	87	73.1
Experience in procurement	Below 5 years	77	64.7
	5-10 years	30	25.2
	Above 10 years	12	10.1
Job title	Procurement/purchasing officer	16	13.4
	Senior purchasing Assistant	29	24.4
	Purchasing/supplies assistant	52	43.7
	Purchasing/supplies clerk	13	10.9
	Stores clerk	9	7.6

Source: Researchers survey and compilation (2012).

Table 3: Employee Perceived Interference

	Mean	Std. Deviation
Tenders involving huge sums of money attract political influence	4.16	0.924
Purchasing staff at times fight the temptation of being bribed	4.57	0.592
Tender committee members collude in favour of certain bidders	3.89	0.855
Conversant with the public procurement and disposal regulations	3.57	1.23
Observation of health, safety standards and environmental protection during disposal of obsolete items is generally still low among the public procuring entity's	3.43	1.09
Employee Perceived Interference	3.893	0.52436

Source: Researchers survey and compilation (2012).

Table 4: Employee Professional Ethics

	Mean	SD
purchasing staff face conflicts between opportunities for personal financial gains and proper performance of one's responsibilities	3.31	1.048
Staff often face the temptation of showing partiality towards the suppliers preferred by upper management of the public procuring entity	3.53	1.261
Some suppliers offer gifts to procurement staff with the intention of compromising them to influence purchasing decision	3.17	1.404
Some purchasing staff reveals confidential bids to suppliers and allow them to re-quote	3.18	1.344
Purchasing staff fails to provide products and services of higher quality by colluding with suppliers.	3.21	1.246
Ethics	3.1306	0.91756

Source: Researchers survey and compilation (2012).

Table 5: Noncompliance with public procurement

	Mean	SD
Some Public Procuring Entity's fail to periodically measure and evaluate their purchasing performance	3.82	0.847
Sometimes there are delays in submitting Quarterly reports to the Public Procurement Oversight Authority	3.8	0.801
There are instances whereby time frame for receiving bids is extended	3.69	0.912
Some purchases are done without using the standard tender documents	3.61	1.184
standardized method for supplier evaluation in the tendering process	3.61	1.227
At times post award contract management is not undertaken	3.6	0.777
There are instances whereby records are misplaced in the department.	3.51	1.076
There are instances whereby Tenders valued above Kshs.5 million threshold are not advertised in the Public Procurement Oversight Authority's journal and website	3.32	1.274
Non-compliance	3.5321	0.5845

Source: Researchers survey and compilation (2012).

Table 6: Correlations

		NCP	EPI	PE
NCP	Pearson Correlation	1		
EPI	Pearson Correlation	.722**	1	
PE	Pearson Correlation	.770**	.776**	1

- a. **. Correlation is significant at the 0.01 level (2-tailed).
- b. Dependent Variable: NCPP = non-compliance with public procurement
- c. Note: ** Indicates significant at $p \leq 0.01$. Adjusted $R^2=0.689$, $n=119$, EPI= employee perceived interference, PE= professional ethics.

Table 7: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	SE	Beta			Tolerance	VIF
(Constant)	1.078	.308		3.500	.001		
EPI	.420	.068	.460	6.189	.000**	.478	2.091
PE	.475	.081	.438	5.901	.000**	.478	2.091

- a. Dependent Variable: non-compliance with public procurement
 b. Note: ** Indicates significant at $p \leq 0.001$. Adjusted $R^2=0.689$, $n=119$, EPI= employee perceived interference, PE= professional ethics, SE= Std. Error

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		Durbin-Watson
					R Square Change	F Change	
1	.833 ^a	.694	.689	.53177	.694	131.625	1.161

- a. Predictors: (Constant), employee perceived interference and professional ethics
 b. Dependent Variable: non-compliance with public procurement regulations

Table 9: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.443	2	37.221	131.625	.000 ^b
	Residual	32.803	116	.283		
	Total	107.246	118			

- a. Dependent Variable: non-compliance with public procurement
 b. Predictors: (Constant), EPI= employee perceived interference, PE= professional ethics

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