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**Effect of Ethical Procurement Practices on Performance of Commercial State
Corporations in Kenya**


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Abstract

Purpose: Procuring commodities and service is a critical avenue for delivery of public services by the state in any country. Process integrity right from need identification, tendering and eventual provision of services and works or delivery of the goods and their utilization is significant in identifying how robust public service is. Notably, challenges afflict ethical procurement practices in the public sector, leading to public resources losses along the supply chain. Thus, this study's main goal was to evaluate the relationship between ethical procurement practices and performance of Kenya's commercial state corporations.

Methodology: Descriptive research design was used to study 165 Supply Chain Management staff at the targeted 33 functional corporations. Data was compiled through questionnaires. Pilot study was done to ensure reliability and validity of research instruments. The data was analyzed by use of descriptive statistics that included analysis of frequency, percentages, mean and standard deviation. Inferential statistics were further applied to assess the degree of relationship among the study variables, and results presented through tables and charts.

Findings: The study results indicated a positive and significant relationship between ethical procurement practices (tendering, contracting and sourcing) and performance of commercial state corporations. However, ethical practices in specifications development did not have a significant effect. The study therefore concludes that ethical practice in tendering, sourcing and contracting significantly directly affected commercial state corporations' performance.

Unique Contribution to Theory, Practice and Policy: The study recommended that commercial state corporations should invest in staff capacity building on specifications development, inherent ethical standards/practices and their significance in order to improve quality service delivery to the public.

Keywords: *Ethics, Procurement Practices, Performance, Commercial State Corporations*

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INTRODUCTION

All over the world, governments establish entities to provide monopolistic services geared towards social economic development of the nation. These institutions are called State Corporations (SCs) and in Kenya established during the colonial period in the wake of Africanizing the government institutions and redistributing regional income (Gatobu, 2020). Upon independence, SCs were strengthened by government to propel national concerns in: quickening social and economic development, resource imbalances in regional economies, increase local contribution by citizens to economic growth, encourage local enterprise, and as well attract foreign investment through joint venture (Fiebelkorn, Owuor & Nzioki, 2021). It is public expectation that the state corporations should provide quality goods and services and be sustainably managed.

The procurement process in state corporations is critical for economic development around the world with a Gross Domestic Product (GDP) contribution of seventy percent in developed economies and as well about forty percent in developing countries (Menga & Gikara, 2020). According to Chen, F., Jan van Dalen, F. W. (2024), the process entails identification of required commodities and services, selection and development of suppliers. In procurement strategic planning, long-term purchasing policies are developed as well as the supplier base. Considered important is the design of the supply chain for sourcing decision making- like quantities and delivery times for materials. The effectiveness of procurement strategies can greatly enhance the supply of quality goods and in time, leading to clients' satisfaction.

In Kenya, however, state corporations' significance in driving economic growth and development is in limbo, with the commercial state corporations performing lowly and are now being privatized to keep afloat (Gatari, Noor & Osoro, 2022). Studies show that ethics in procurement is a critical contributor to the bad state of the SCs. Fiebelkorn, et.al. (2021) assessment of the state of SCs in Kenya paints a grim picture, and recommending critical review of inherent challenges that are mostly unethical practices related. In relation to Kenya's SCs challenges, Muli and Mwangangi (2019) contended that unethical practices in public sector procurement are driven by high political influence and interference.

In public procurement, there has also been a great concern about the effect of unethical practice and organizational performance. The Institute of Economic Affairs (2018) cited cases of unqualified suppliers, delays in deliveries and procurement of below standard commodities and payment for undelivered goods are witnessed in public sector organizations. However, sourcing ethics if well implemented would significantly improve procurement performance (Makali, Githii & Ombati, 2018). Ethics along the procurement process can play a critical role in informing the perceptions of stakeholders, especially the Kenyan public who fund the process through taxes levied by government.

Ethics in Procurement Process

The origin of ethics can be traced to philosophical reference to common human principles linked to individual and collective actions' appropriateness and otherwise (Ogbu & Asuquo, 2018). Ethics in business as related by Uttam and Roos (2015) entails the adoption and application of recognized social principles involving fair and just conduct in business. Thus, ethics revolves adherence to behaviour and habits perceived fair as customary in business and society in general. Such behaviour could include justice, fairness and honesty while working or trading with suppliers. Conversely, unfair and unethical practices can be related to favourism with intent to defraud, corruption, undue influence and generally non-compliance to ethical

standards. However, ethics and related actions are diverse and contextual, seemingly important in some instances and assumed in others as business norms.

The ethical principles of Efficacy, Accountability and Transparency (EAT) are the three key principles in effective procurement for public sector organizations. Evidently, the three principles are founded on international best practices in the global supply chain function (Ogbu & Asuquo, 2018) Eshitoli (2016) however denoted that in practice, there are challenges in the alignment of compliance levels to best practice standards in many countries. The three principles provide a credible matrix for the assessment of procurement performance in any organization, including commercial state corporations.

Ethics has been heralded to enhance public organizations' performance. Salil, Musau and Kurere (2023) and Otieno and Makori (2017) analytical study on effects of ethical issues on procurement performance in ministry of health in Kenya found that ethical behavior can help improve procurement performance in organizations. Noted was that although Kenya's health sector strived to embrace and adhere to ethical behavior, challenges abound, including issues of conflict of interest and lack of professionalism. Concluded was that public procurement process efficiency was critical in obtaining value for money. This could be significant for commercial state corporations too.

Ethical practice in procurement function can greatly inhibit challenges relating to suppliers. They can reduce cases of conflicts of interest, lack of tender information confidentiality, poor supplier relationship management, and avoidance of gifts and hospitality which may compromise sourcing decisions (Government of Kenya, 2015). In the Kenyan public procurement practice, there is evidence of delayed compliance to set legislation for ethical conduct. Reported are cases of over-expenditure in procuring goods and services, attrition of procurement staff due to expulsion for unethical practices and poorly coordinated business relations. This has an effect and leads to poor performance of state corporations.

According to Kisurkat (2016), public procurement controls utilization of national budgets and ethical practices are highly expected. Ethics in procurement for public organizations does not just entail suppliers' bribes and gifts to officials, but also entails internal sourcing strategy tenets. Menga, and Gikara (2020) advocated that the foundation for good ethics is the practice of integrity in the organization. Thus, individuals' avoidance of conflicts of interest and greed, selective award of procurement tenders and complying with legal and other obligations can determine ethical practice. It is the duty of all persons engaged in public procurement to uphold set policies on ethics. Management should endeavor to actively encouraged employees to embrace ethical principles. Several procurement process functions including specifications development, sourcing, tendering and contracting require effective implementation of procurement ethics.

Namusonge, S.O., Mukulu. E., & Kirima, N., (2018) advocate that practical implementation of ethical practice is a challenge for many public organizations. Further, depending on countries, cultures, customs, and even industries, ethical or unethical activities definition may vary. Thus, some practices defined as corrupt by some parties may be taken for granted by others and considered a normal part of doing business. Whether these challenges abound and others for state corporations in Kenya shall be a key focus in this study. In Kenya, the public sector ethical challenges have been highlighted. The Institute of Economic Affairs (IEA) confirms the reports of Office of the Auditor General (OAG) on the flouting of procurement regulations which has

undermined effectiveness of public spending. This has led to resources wastage which should otherwise be spent on improving public services (IEA, 2018).

Efforts in strengthening ethical practice in public procurement include interventions for sealing corruption opportunities in public spending and enhancing transparency and accountability in the entire public procurement tendering cycle. Further is the avoidance of broad confidentiality clauses in tender documents (Eshitoli, 2016). In addition are mechanisms for revelation of significant variations in tendering projects. Notably, majority of the resolutions don't require legal amendment of laws and regulations but rather enforcement and adherence in Kenya (IEA, 2018).

State Corporations' Performance in Kenya

State corporations in Kenya are governed under the Corporations Act, Chapter 446. They are established by an Act of Parliament and a presidential order. They are established to execute certain functions in the economy of the country. In Kenya, there are 223 State Corporations as of the year 2021. The corporations include public universities, manufacturing firms, financial firms, development authorities, regulatory bodies and also training institutions among others. There were 33 commercial state corporations in 2021 (RoK, 2021). Majority of these are in energy and transport functions.

Empirical studies have sought to evaluate state corporations' performance in Kenya. A GoK (2021) analysis report indicated that in Financial Year (FY) 2019-2020, commercial state corporations accounted for eighty five percent of total revenues and eighty nine percent of total liabilities in the state corporations' sector. Fiscal risk parameters analysis of eighteen major corporations established that these risks were primarily on liquidity shortfalls resulting from unfavorable revenue and economic performance. Further, eleven state corporations were loss-making, and a similar percentage reflecting high liquidity risk. This implied that they were not able to service short-term obligations when due. Subsequently, fourteen state firms had accumulated sizable arrears significantly amounting to Kshs. 211Bn.

In relation to procurement and performance, Muli and Mwangangi (2019) study on state corporations in Kenya showed a significant link between supplier relationship management, IT adoption, strategic sourcing methods and state firms' performance in Kenya. Notably, there is growing pressures for organizations globally to internalize procurement ethical behaviour, in enhancing internal and external competencies. The case of Kenya's commercial state firms was evaluated in this current study.

Statement of the Problem

The government owned corporations in Kenya are mandated to provide quality public services to citizens. In the recent past, ethical challenges in these corporations have led to poor management practices contributing to their low out-put (Muli & Mwangangi, 2019). The situation is manifested by myriads of decried problems including but not limited to nepotism, embezzlement, corruption, and loss of resources. The resultant negative impact on economic growth has been a concern not only to the government, the public but also to development partners all over the world. Institutions like the World Bank and International Monetary Fund outcry is especially in regards to non-compliance and poor implementation of proposed structural and policy reforms towards best management practices for state firms (WB, 2019). The public has also suffered due to poor service delivery and loss of tax monies invested in the state corporations, especially along procurement process.

In all nations, public procurement involves massive use of public resources, raising temptations for unethical conduct especially in state corporations. The temptations include the unlawful enrichment of the public officials, friends and close acquaintances using public resources. When unethical practices are undertaken, the is the result of wastage of public resources and procurement of substandard goods that do not serve the citizens appropriately (Nyansimora & Deya, 2022). Kisurkat (2016) noted that drivers to temptations and conduct of unethical behaviors among the public procurement officials are varied and may include: top management commitment to ethics, the firm's environment, scarce resources, low skilled professionals, legal environment, political influence and culture.

Republic of Kenya-RoK (2021b), accorded that in the recent past, state corporations have been experiencing losses (Kenya Airways, Kenya Airports Authority), winding-up, government bail-outs (Uchumi supermarkets, Mumias Sugar) and closure (Rivatex). Menga and Gikara (2020) further noted that Ethics and Anti-Corruption Commission (EACC), (2018) illustrated challenges in its survey whereby majority of the respondents stated that the public sector is most rife in unethical behaviour, especially corruption, leading to poor organizational performance. Notably, the unethical conduct included embezzlement of funds through procurement fraud and pilferage. However, some state corporations were found to remain afloat, but struggling to be sustainable, requiring strategic enterprise development and supply chain controls, which can be supported by ethical practice.

The national government and other stakeholders in public procurement and supply chain management have developed policies, strategies and legal frameworks that regulate public procurement in ensuring value for tax payers' money and reducing unethical conduct and losses. The effectiveness of such strategies has not been clearly established, and there was scarcity of information on how adoption of procurement ethics affects performance of state corporations, a motivation to this study.

Specific Objectives of the Study

- i. To evaluate the effect of ethical practices in specifications development on Kenya's commercial state corporations' performance.
- ii. To assess the effect of ethical sourcing practices on Kenya's commercial state corporations' performance.
- iii. To evaluate the effect of ethical tendering practices on Kenya's commercial state corporations' performance.
- iv. To assess the effect of ethical contracting practices on Kenya's commercial state corporations' performance.

The Organizational Culture Theory (OCT)

The organizational culture theory was proposed in the works of Clifford Geertz, Michael Pacanowsky, and Nick O'Donnell-Trujillo. The theory basis propounds the diversity of organizational culture. Further, members of the organization create culture with symbols enacting it. According to the theory, organizational culture prevails over time, being passed on to incoming members and adopted as a norm (Ravasi & Schultz, 2006). In this respect, culture perspective diverges from the normal use to define society in terms of ethnic or racial groups.

In this theory, organizations are studied through the lens of culture. It asserts that culture is a way of living within the organization and relates to emotions and psychological tenets including morale, attitudes and levels of productivity (Jo, Hatch & Mary, 2013). The theory

asserts that collected webs of relationships culminate to a culture among individuals within an organization. The culture of an organization begets compliance to ethical rules and regulations in achievement of organizational goals (Flamholtz, Eric Randle & Yvonne 2011). For procurement entities, this relationship transcends from within the organization to suppliers. The net effect of the relationships during sourcing may influence ethical conducts, conflict of interests and procurement performance.

The theory is related to the culture of organizations due to the reason that because of inherent change and complexity, all part of any organization's life cycle (Selart, Marcus, Schei& Vidar, 2011). The effect of change may lead to confusion, anxiety, frustration and excitement, especially when it involves public procurement where politics and self-interests, government regulations on compliance and strategies to streamline procurement through technology are of concern. Equally, culture of the organization influences emotional and psychological organizational atmosphere and thus ethical conduct, excellence of management and organizational performance.

Flamholtz, Eric; Randle and Yvonne (2014) note the assumptions in the theory including the assumption that members of the organization embrace reality of the organization that results to better understanding of values. Also assumed is the utilization interpretation of symbols which are important to culture. Assumed also is the varying factor of culture across organizations and interpretation of cultural diversities. In this study, the theory was relevant as it looked at the behavioral effect of workers on performance of the organization. In relation to procurement process and it helped deconstruct related ethics tenets, ethical culture and linkage to performance of the commercial state corporations in Kenya.

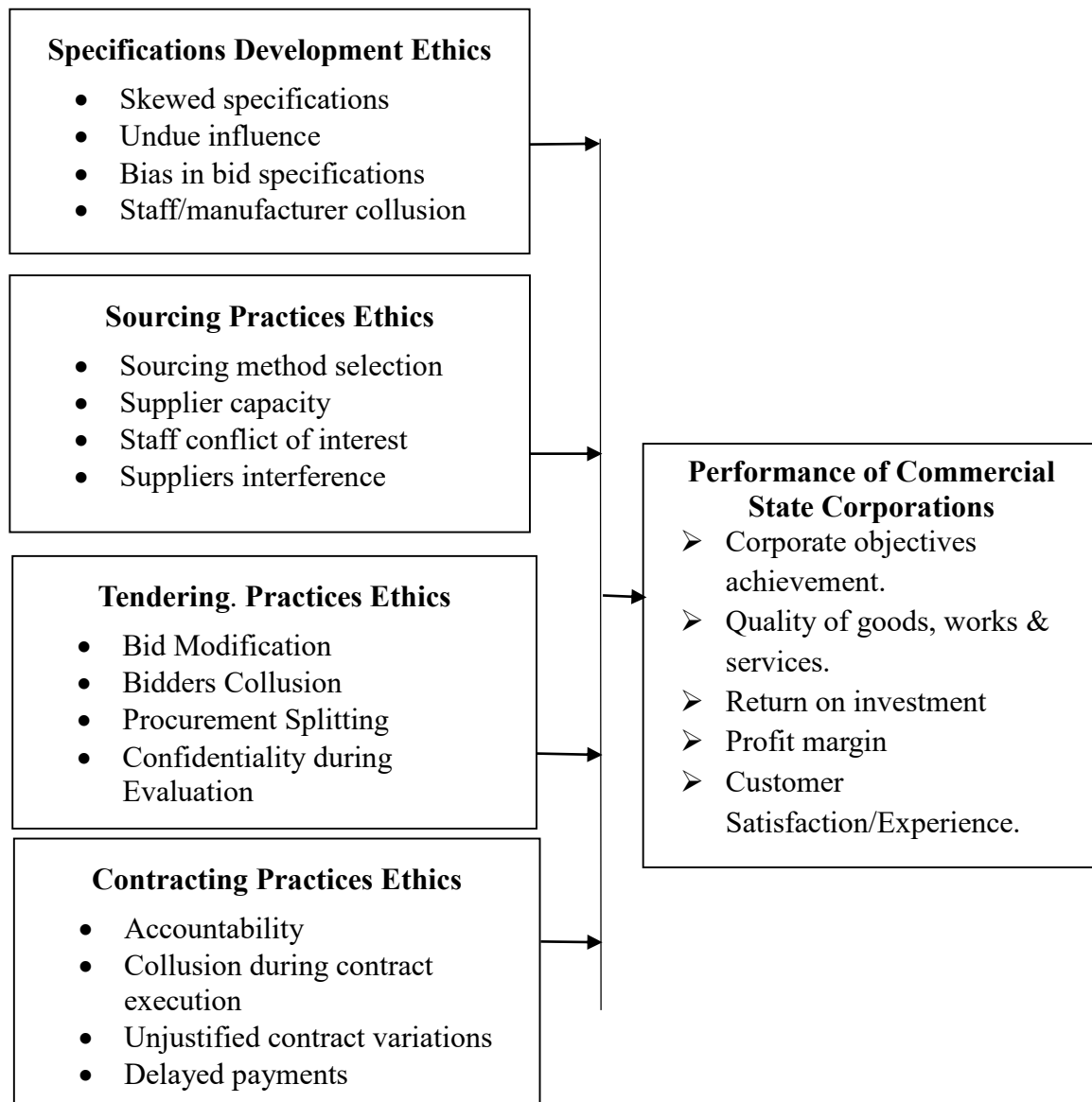
Conceptual Framework

A conceptual framework in research is utilized in linking the relationship between study variables. Independent variable (s) are presumed to influence change in the dependent variable (Kothari, 2004). In this current study, the dependent variable is performance of commercial state corporations measured through both financial and non-financial parameters. The independent include: specifications development ethical practices, sourcing ethical practices, tendering ethical practices and contracting ethical practices.

The conceptual framework stipulates the dependent variable as performance of State Corporations (SCs), with influence of independent indicated by the direction of the arrows. Hence, ethical procurement practices (being the independent variables) including specifications development, sourcing, tendering and contracting direct effect on SCs performance was assessed.

Ethics in Procurement Practices

Corporations Performance



Independent variables

Dependent variable

Figure 1: Operational Framework

The need for the Ethical Procurement Practices

According to Kisurkat (2016), public procurement controls utilization of national budgets and ethical practices are highly expected. Ethics in procurement for public organizations does not just entail suppliers' bribes and gifts to officials, but also entails internal sourcing strategy tenets. Menga, and Gikara (2020) advocated that the foundation for good ethics is the practice of integrity in the organization.

Specifications development is a key function in the beginning of procurement process. Specifications for procured goods comprise the statement of required characteristics. The statements define the need of the particular good or service and consequently, the precise item

for supply. They are the explicit requirements furnished with a solicitation, based on which purchase order is made and based (Anne-Maria & Sammalmaa, et.al. 2020). Featured are price details, physical characteristics, quality, or application of the item to be procured. They thus inform suppliers of order specifications for the award of procurement contracts (Holma & Johanna, et.al. 2019). Notably, order specifications could be complex or simple depending on the nature of need and use.

Ethical sourcing (ES) in procurement entails stakeholders conduct along the procurement process and entire supply chain (Alahmadi & Alghaseb, 2022). With many methods of sourcing including direct and indirect systems, public organizations are required to follow strict government regulatory guidelines on procurement (Lambrechts, 2021). The nature of sourcing and related decisions including single sourcing, open tenders or through framework contracting influence procurement performance. Ethical practices inherent in sourcing process are mainly related to supplier selection, procurement methods, and whether to source locally or outside locations. In sourcing, issues of quality, price value and utility as well as lead-time are critical considerations (Shiundu & Rotich, 2020). The favourable sourcing environment results in quality services, positive consumer experience and outcomes, as well as better organizational performance (Kisang, 2017). As a core principle, ethical behaviour and practice should be adopted to create value through intangible forms such as strategic planning, reputation, employee motivation and ethical firms can better survive crisis.

Tendering is one of the critical procurement activities especially in public organizations. Tendering process may vary depending on ministry or organization, but in all, ethics must be a guiding principle for effectiveness. Tenders may be single offers, open, frameworks or a combination of either (Kang, et.al., 2018). In Kenya, PPDA provides guidelines for tendering in public organization. It provides a strict requirement for ethical conduct including transparency and accountability, as well as responsibility of suppliers and procurement staff (Muli & Mwangangi, 2019).

Contracting in the procurement process involves the actual engagement of the selected supplier and may be infiltrated by unethical conduct (Gatari, Noor & Osoro, 2022). Once a supplier is awarded a tender, they are expected to sign a contract with the public organization. In contracting, a challenge may arise due to general description in the selection. The risk arises about skewed assessment that favors a specific bidder is more common. In some cases, contracts may be invoiced and not yet completed through corruption hence reducing value for money to the organization and beneficiaries (Ochola & Kithika, 2019). Such situations cripple the performance of organizations.

Summary of Literature

In public institutions, procurement is a major fiscal item in budgets, more so in state corporations. Procurement amounts are in billions of shillings, taking up a large portion of government spending. Thus, management and control of processes in procurement departments should be a critical govern function in safeguarding these huge amounts to be spent, while ensuring prudence and value for money to the taxpayers. When procurement is undertaken efficiently, effectively and ethically, it results to high performance of organizations (Gatobu, 2020). However, Nyansimora and Deya (2022) contended that challenges of procurement unethical practices had rendering state corporations non-performing, making losses, and some under receivership albeit huge investments by government.

According to Nyansimora and Deya (2022), the objects of establishing state corporations and to which performance targets are set include: market failure correction, political and social goals exploitation, enhancing regional development especially in marginal area, and provide education and health services to the public. According to Kenya law, commercial state corporations are provided flexibility for financial management and can therefore be assessed through financial performance metrics. Though the commercial SCs play a crucial role for government in service to the citizens and national economy, they have been performing lowly especially in the last decade, with some being liquidated for non-performance (RoK, 2021). According to Fiebelkorn, *et.al.*, (2021), only a few corporations had established pre-requisite strategic responses necessary for sustainability. The reason for this was the high cost of implementation as well as gaps in skills in the labour market. However, the recommendation was that through proper implementation of the corporate strategies, state corporations will remain sustainable (Fiebelkorn, *et.al.*, 2021).

METHODOLOGY

A descriptive survey design was adopted for analyzing quantitative and qualitative responses relating to the study problem. This design provided sufficient protection against biases and optimizes reliability of data (Kothari, 2007). The targeted population was 165 supply chain management staff at the headquarters of all the 33 commercial state corporations in Kenya. Stratified sampling method was applied for the targeted 99 lower-level management staff at 30% to the size of 33, while total population sampling was applied for upper (33) and middle (33) level management staff and the total sample size was 99 respondents. Kothari (2017) describes sampling in research as the process of selecting units from a homogeneous target group. The technique enables fair representation of specific groups by random selection of individuals from strata list (Ngechu, 2004). The study employed a semi-structured questionnaire which comprised of open ended and close-ended questions as the tool for data collection. Pilot testing scope was limited to 10 questionnaires, 10% of the study's sample size to enhance relevance and effectiveness. Cronbach Alpha technique was applied to test validity at the recommended threshold of 0.7 in social studies. The alpha score was 0.767 above the recommended threshold making the questionnaire reliable (Cooper & Schindler, 2006).

To achieve casual effect on one variable against another, a regression model/equation was formulated where parametric coefficients of independent variables related to the future values of the dependent variable as indicated below.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$: where

Y = Performance

B_0 = Intercept or Constant

X_1 = Ethical Practices in specifications Development

X_2 = Ethical tendering practices

X_3 = Ethical Sourcing Practices

X_4 = Ethical Contracting Practices

$\beta_1, \beta_2, \beta_3, \beta_4$ = regression coefficients

e = Error term

Regression coefficients (β) indicate relative change of dependent variable (Y) upon change in dependent variable ($X_1 - X_4$). Error term indicated other factors affecting the dependent variable but not considered in this current study.

FINDINGS AND DISCUSSION

Eighty-three questionnaires were administered during data collection and response rate indicated that only twelve questionnaire was not returned and eighty-two questionnaires were returned. Upon data cleaning, six of the questionnaires was found not completely filled and unsuitable for analysis. Thus, only eighty-one (81) questionnaires were fit for analysis, representing 81.8% response rate. According to Kothari, (2007)., a response rate of 70% and above was commendable in social research.

A) Ethical Standards Enshrined in the Service Charter of the Corporation

The study evaluated the ethical policies as indicated through Corporations' service charter. The results in figure 2 shows that the state corporations' ethical policies as enshrined in the service charter advocated for accountability, transparency, zero-corruption, integrity and quality service delivery according to all the respondents. Thus, all the respondents were aware of the ethical intent and standards expected by the Corporations. Further, since the service charter is a public document, eligible supplies were informed of the expectations of the firms on ethical conduct and relationships during procurement process.

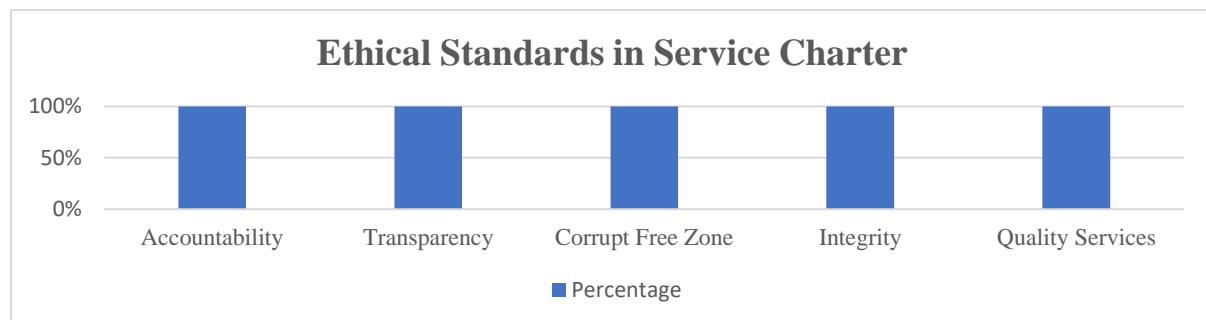


Figure 2: Ethical Standards Enshrined in the Service Charter of the Corporation

B) Ethical Practices in Procurement Specifications Development and Performance

Specifications development was cited to be mainly enhanced by engagement of experts to minimize staff /supplier collusion during requisition of goods, works and services. This strategy will not only allow for innovative opportunities and knowledge but strengthen confidentiality and controls of procurement specifications development. The establishment of partnerships and networks with ethical suppliers was also found to be a significant strategy that enhances procurement process, quality deliveries and performance of the state corporations. Though not significant was the establishment of a distinct department for specifications development among the state corporations.

C) Ethical Sourcing Practices and Performance

Ethics in sourcing along procurement was cited to be enhanced by the following factors respectively. Open sourcing was found to allow equity in sourcing, access to procurement bidding for all eligible suppliers irrespective of location within designated markets. Research and development of strategic suppliers, their qualities and prices were cited to promote competitiveness, access to new or alternative raw materials and higher negotiation ground for

prices. This would have related benefits of economies of scale and more superior goods, works and services.

Ethical sourcing would also be enhanced through strict rules and enforcement in regards to political influence coercion, undue influence and orders from above. Separating the public institutions with the executive and legislative persons would enable equitable access for suppliers, and minimize losses caused by corrupt-led deliveries that may be of low quality, or not even supplied at all. Cover-ups of undue influence should be unearthed and criminal charges made on political class where evidence is gathered and staff in collusion in order to prevent and deter future corrupt practices. Another critical practice for ethical sourcing was cited to be regular audits of the commercial state corporations which would dissuade corrupt practices, illuminate unethical practices and enable timely and legal enforcement.

D) Ethical Tendering Practices and Performance

Tendering is the main sourcing method for public entities in Kenya and the most affected by unethical practices which could be reduced by the following suggested strategies. The tendering process needs to be transparent to all eligible and qualified suppliers and should be publicly announced. Tender information should always remain confidential and any staff member revealing critical details should be punished by law as provided for in the PPADA and PPADR. Respondents further suggested that tender opening and evaluation should be done by independent professionals not in any way engaged in the business of the firms. This was cited to reduce conflict of interest, favors, political and senior staff influences.

E) Ethical Contracting Practices and Performance

Contracting was a critical phase on procurement and a stage where a lot of unethical practices take place. It was suggested that the person winning the contract should be publicly announced and the award published. This transparency minimizes loopholes for issuance of tender contracts to cronies and corrupt suppliers. In contracting practices, respondents found a significant effect of timely payment for supplies to reduce supplier/staff unethical motives. This was related to suppliers bribing staff to be cleared for payments where delays are perennial, an act that would lead to unethical relationship in award of tenders. Ensuring that specifications and tender details conform to the contracts is also critical to ensure supply of requisite qualities, quantities hence value for money.

F) Regression Analysis

In the establishment of the relationship between ethical procurement practices and performance of commercial state corporations, inferential statistics were applied. This involved the application of tests for statistical fitness of the model, analysis of variances (Anova) test and multiple regression technique.

Coefficient of Determinants Test

This is the measure of the statistical fitness of the study model on projected outcomes. It defines the degree to which the dependent variable can be described by relative change in independent variables. The square root of the sample coefficients predicts the outcome and values.

Table 1: Test for Coefficient of Determinants

Model	R	R ²	Adjusted R ²	Standard Error Estimates
1	0.523	0.676	0.420	0.31671

Predictors: (Constant), Specifications Development; Sourcing; Tendering; Contracting

Results in Table 1. show the coefficient of determinants (adjusted R²) to be 0.420, meaning that there was a 42% variation in performance upon change in ethical practices along specifications development, sourcing, tendering and contracting procurement processes. Other factors may contribute to 58% of change in performance of commercial state corporations.

ANOVA Test

Anova test is applied to establish survey results' significance at 95% confidence level. It helps in the determination of whether to accept or reject a study hypothesis (Fucci, D., Bouraffa, A., Scholz, L., & Maalej, W., 2022).

Table 2: ANOVA Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.798	1	2.221	22.212	0.001
	Residual	4.615	80	0.1		
	Total	13.413	81			

- Dependent variable: performance
- Predictors(constant), Specifications Development; Sourcing; tendering; contracting

The results of ANOVA test in Table 2. show the significance value (0.001) indicating that the regression model was statistically significant in predicting the effect of ethical procurement practices in specifications development, sourcing, tendering and contracting on performance of commercial state corporations.

Multiple Regression Analysis

Multiple regression analysis was conducted to determine the nature of the relationship between the independent variables (specifications development, sourcing, tendering, contracting) and dependent variable (performance) in the commercial state corporations.

Table 3: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
1		B	Std. Error	Beta		
	Constant		1.511			
	Specifications Development	0.237	0.324	0.213	3.667	0.051
	Sourcing	0.357	0.337	0.223	2.732	0.022
	Tendering	0.415	0.214	0.379	2.113	0.020
	Contracting	0.406	0.158	0.321	2.572	0.032

- Dependent variable: performance

The regression results in Table 3. indicate a significant relationship between ethical practices in tendering (sig, 0.20) sourcing (sig,0.022) and contracting (sig, 0.032) on performance of commercial state corporations. The relationship was not significant in regards to specifications development (sig,0.051). The beta coefficients showed respective positive effect of predictor variables with tendering ethical practice with the strongest at 0.415, indicating a 41.5% effect on performance upon its unit change. Contracting ethical practices (0.406), would have a 40.6% effect on performance of commercial state corporations upon its unit change. Ethical sourcing practice predictor coefficient was 0.357, meaning a 35.7% effect on performance upon its unit change. Relatively lower and insignificant effect was on specifications development (0.237) with its unit change leading to 23.7% effect on performance.

The study results indicate that ethical practices had a positive effect on performance of commercial state corporations. Tendering ethical practices had the strongest effect on performance of commercial state corporations followed by contracting and sourcing practices. The resultant regression model is thus: $Y=1.511+0.415X_3+0.406X_4+0.357X_2+0.317$. The results support the descriptive statistics of significant effect of sourcing, contracting and tendering ethical practice on performance of commercial state corporations in Kenya.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Ethics in procurement is important for enhancing operations and performance of any organization. When well-integrated in organizational systems like procurement, it promotes efficiency, value for money, effective resource sourcing, utilization and performance. While reports of poor performance of commercial state corporations are evident, the effect of ethical practices in procurement becomes a critical discourse. Results showed that ethical practices in procurement process affected the performance of commercial state corporations. In relation to results, the study concludes that ethical practices of procurement tendering, sourcing and contracting processes significantly affected commercial state corporations' performance. However, ethical practices in specifications development did not have a significant effect on performance of the entities.

Recommendations

The study recommends that commercial state corporations should invest in capacity building of staff on specifications development, inherent ethical standards and practices, significance to quality supplies. Further, management must ensure that anti-corruption regulations are strictly adhered to, and staff should be made aware of punitive actions for infringing on regulations. During Specifications development, Entities should engage suppliers not related to any staff, and in cases where there is conflict of interest, the supplier should be addressed and disqualified in accordance to PPAD Act and Regulations in Kenya. As suggested by respondents, commercial state corporations should consider engaging third party experts in specifications development to minimize the challenge of staff/supplier collusion to flout ethical practices and possible supply of low-quality goods, works and services or losses.

The study recommends that appraisal of suppliers should be done with association of professional experts that uphold ethical practices. This will minimize instances of collusion and undue influence to procurement staff, allow competitive bidding and allow for quality supplies. The management of the entities should encourage whistle-blowing on observed cases of corruption or undue influence in the sourcing process. Monitoring and evaluation of the

sourcing process would also significantly enhance transparency and accountability and dissuade staff from unethical collusion with suppliers.

The study further recommends that open tendering method should be clear to allow accessibility to all eligible and qualified suppliers. The terms and conditions of the tender documents should be clear too. Another critical recommendation is the transparent opening of tender activity in the presence of the tenderers. Suppliers who are related to the staff or are firms owned by staff should be disqualified and discouraged from bidding, and therefore due diligence and post qualification exercises must be exercised by the procurement teams at all times. The management should make it clear the consequences for conflict of interest. These strategies would minimize losses experienced over the years in the corporations through unethical procurement practices.

The study also recommends that contracting suppliers should be carefully scrutinized by the procurement teams to ensure that the winner fulfills all ethical standards as prescribed in the PPADA including supply of quality goods, works and services, no ill relations with staff, and reasonable pricing. It is also recommended that the national government should avail funds on time to allow for payment of the suppliers and contractors. This would in effect reduce corruption in winning contracts. Team of experts, especially professionals should evaluate the shortlisted bidders to provide an objective analysis. This way, the person winning the tender is awarded for qualification rather than from being favoured by corrupt staff or influential politicians. Transparency of the contracting process should entail public announcement of the details of the winning firm. This would enhance social audit of the firm and possibly illuminate any corrupt practice in the process.

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