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EFFECTS OF CONFLICT OF INTEREST ON PROCUREMENT PERFORMANCE IN REFERRAL HOSPITALS IN KENYA: A CASE OF KENYATTA NATIONAL HOSPITAL (KNH) NAIROBI, KENYA

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Abstract

Purpose: The study aimed at evaluating the effect of conflict of interest on procurement performance in Referral Hospitals in Kenya.

Materials and methods: Descriptive research design was used for the study and the questionnaire was the main data collection instrument, Slovin's formula was used to pick a sample of 131 respondents from a target population of 194 staff working in supply chain department at KNH. Both quantitative and qualitative methods of data analysis were used to analyse the gathered data. The quantitative data generated was analysed by use of descriptive statistics feature in SPSS to generate information which was presented using tables, charts, frequency distribution table and percentages and inferential statistics to make predictions or inferences about the population from observations and analyses of sample. The regression model was used to show the relationship between the dependent variable and the independent variables. A sample size of 131 respondents was targeted for this study, with 117 respondents returning fully filled questionnaires.

Results: The study established the influence of conflict of interest on procurement performance in Kenyatta National Hospital and it can be summarized to consider first, the interest of one's organization in all transactions and to carry out procurement process effectively and believe in its established policies.

Recommendations: The study recommends that legal intervention in protecting public institutions against inappropriate and unethical practices in the procurement operations

including fraudulent suppliers activities , organization should be emphasizing on performance measurement and laying down proper checks for all contracts, setting supplier selection structures that avoid political interference and augmenting of accountability management practices to ensure supplier and public institutions work towards the same goal and for the interest of the public .

Keywords: *Conflict of interest, procurement, performance, referral hospitals*

1.0 INTRODUCTION

1.1 Background to the Study

Worldwide, public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring, rules and regulations. World Bank, (2010) define public procurement as the acquisition of goods, services and works by a procuring entity using public funds. According to Thai, (2001) public bodies have always been big purchasers, dealing with huge budgets.

According to the Organization for Economic Co-Operation and Development, (2009), public procurement is regarded increasingly as a strategic profession that plays a central role in preventing mismanagement and minimizing the potential of corruption in the use of public funds (Organization for Economic Co-Operation and Development, 2009). Public procurement is progressively recognized as an instrument of government policy and a lever for wider economic, social and environmental change (Organization for Economic Co-Operation and Development, 2009). According to the Organization for Economic Co-Operation and Development (2009), many countries have not been able to tackle the integrity issues in public procurement. Organization for Economic Co-Operation and Development considers public procurement as the government activity most vulnerable to corruption. In this sense, lack of transparency and accountability are considered as the major threats to integrity in public procurement (Organization for Economic Co-Operation and Development, 2009).

1.1.1 Global perspectives of ethical issues on procurement performance

The World Bank, (2010) indicates that many countries are yet to develop procedural frameworks that ensure: public procurement procedures are transparent and promote fair and equal treatment; public resources linked to public procurement are used in accordance with intended purposes; procurement officials' Behavior and professionalism are in line with the public purposes of their organization and systems are in place to challenge public procurement decisions, ensure accountability and promote public scrutiny. Some countries, however, have initiated measures to enhance ethical standards and undertaken specific efforts to improve integrity in the area of defence procurement, which often requires the use of non-competitive procedures to keep national security interests confidential (World Bank, 2010).

Hunja, (2011) while analysing procurement issues in Malaysia established that procurement officers were blamed for malpractice and non-compliance to the procurement policies and procedures. Jeppesen, (2010) stipulate that compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only a minimal or

average effort. However, as an organizational outcome, compliance has traditionally been understood as conformity or obedience to regulations and legislation (Snell, 2004) cited in Lisa, (2010).

1.1.2 Regional perspectives of procurement performance

Many Africa countries have put forward ethical standards in the form of a code of conduct or ethics for the public service to ensure transparent implementation and administration of public procurement procedures (Organization for Economic Co-Operation and Development, 2009).

According to research done by Raymond & Jeanette, (2008) titled public procurement reform in developing countries: the Ugandan experience, procurement in Uganda consists 70% of the national budget and yet according to the inspector general of government 90% of complaints about corruption in the office are procurement related, and according to the (African pear report 2006) public sector losses 268.6 million dollars directly due to unethical practices. In 2005 procurement audit carried out by the public procurement and disposal authority in Uganda out of the 322 contracts audited only 7 of the contract were clean that is only 2% of the contract reviewed. A wave of procurement reforms that begun in 1997, culminated into the enactment of the Public Procurement and Disposal of Public Assets (PPDA) Act 2003, and regulations 2003. Unfortunately, many central government ministries and agencies have since then not followed prescribed practices (Lysons & Farrington, 2006). The procurement audits carried out by the PPDA have revealed that out of 322 contracts audited at the end of 2005, only 7 (2%) were assessed as compliant. Other successive audit checks reveal that compliance in public procurement in Uganda is still inadequate (PPDA compliance reports, 2009; PPDA Baseline survey report, 2010; PPDA Capacity Building Strategy Report, 2011- 2014; World Bank Country Procurement Assessment Report, 2001) cited in (Mahmood, 2010)

1.1.3 Local perspectives of ethical issues on procurement performance

According to the Kenya Public Procurement and Oversight Authority (PPOA), (2007) unethical practices in public procurement are non-enforcement of law, lack of transparency and accountability, breakdown or erosion of values and norms, weak management systems, procedures and practices, lack of professional integrity, greed and abuse of discretionary power. Edward, (2009) states that procurement corruption can take place at every stage in the contracting process: at the first instance, a corrupt agent can inflate demand or create artificial demand for goods and services. The agent may also distort the allocation of scarce budgetary resources for purchasing these goods or services.

The Government of Kenya in recent years has been implementing numerous health sector reforms with health systems strengthening at the core of the reform agenda through the support of Kenya Medical Supplies Agency (Patrick, 2010). This work includes supporting the national government to formulate key policies and guidelines while assisting counties to better plan, manage and finance quality health services to meet local needs (Kinyanjui, 2012). KEMSA has offered improved stock management through computer software, and infrastructure for temperature and humidity controls, and hiring of skilled personnel on the area of Supply Chain. According to Kenya Public Procurement and Oversight Authority, (2007) defense is one sector that is prone to such manipulations. The second stage where corruption can take place is the

tendering stage. Potential forms of corruption include tailoring specifications to restrict competition, restricted publicity, and abuse of confidentiality, bid rigging, and rejection of bids on frivolous grounds. The lack of legal precedence gives contracting agencies enormous discretion for determining and thus manipulating the rules of the game. The post-tendering stage also offers opportunities for abuse of authority (Obanda, 2010). The post-tender alteration of contract conditions, acceptance of inferior goods or services, and the waiver of penalties are some of the unethical practices usually committed at this stage.

1.1.4 Kenyatta National Hospital (KNH)

Kenyatta National Hospital (KNH) is the largest referral hospital in East and Central Africa. Founded in 1901 with a bed capacity of 40 as the Native Civil hospital, it was renamed the King George VI in 1952. Kenyatta National Hospital has a capacity of 1800 beds and has over 6000 staff members. According to 2013-2014 budgets, Kenyatta national hospital was allocated a budget of 1.2 billion Kenya Shillings of which more than 700 million was towards the purchase of medical Equipment, Pharmaceutical, and Surgical materials. Due to the nature and costs of inventory that the hospital holds concerns have been how effective inventories are acquired and managed.

1.2 Statement of the problem

Effective application of procurement ethics is a major challenge facing many organizations around the globe (Edgar, 2006). The national perception survey (Kenya Anti-Corruption Committee, 2009) found that most Kenyans experienced some form of ethical issues in the Ministry of Health. At least 41.3% of the respondents rated the Ministry of Health as the second most corrupt to the Ministry of Provincial Administration and Internal Affairs. The government hospitals were fourth most corrupt public institutions, with 27.5%. Correspondingly, 27.5% of the respondents perceived government hospitals as the fourth most corrupt public institutions in the same survey. The Kenya Anti-Corruption Committee, (2011) survey results were no different, 27.5% of the respondents who were surveyed perceive the Ministry of Health as the second most corrupt ministry with the government hospitals being rated as the third most corrupt government department, with 26.5%. In addition,

According to Patrick (2010), examination of systems, policies, and procedures at Kenyatta national hospital (KNH) unearthed loopholes for unethical practices and recommended to seal the loopholes and weaknesses in operational areas within KNH. Subsequent assessments and reviews conducted within the health sector also confirmed discrepancies in the procurement of pharmaceuticals and non-pharmaceuticals and general malpractices in the operations of key institutions. Further, the Global Corruption Report (2011) cites Kenya's health care system as having issues with Conflict of Interest, lacking accountability mechanisms, transparency, and professionalism resulting in abuse and misappropriation of the funds meant to alleviate disease. Addressing such ethical issues would lead to savings that can be directed to health care improvement and other poverty-reducing programs in Kenya.

The aforementioned findings generated concern and provoked the need to undertake a more critical and in-depth study of the health care system in Kenya so as to understand the extent to which conflict of interest affect procurement performance in the health sector.

1.3 Study objective

To evaluate the effect of Conflict of Interest on procurement performance in Referral Hospitals in Kenya.

1.3.1 Specific Objective

- i. To determine the influence of Personal gain/advantage on Conflict of Interest in Referral Hospitals in Kenya.
- ii. To examine the effect of Nepotism on Conflict of Interest in Referral Hospitals in Kenya.
- iii. To establish the influence of Political or outside influence on Conflict of Interest in Referral Hospitals in Kenya.

2.1 Theoretical foundation and Literature

The theoretical framework of a research relates to the philosophical basis on which the research takes place, and forms the link between the theoretical aspects and practical components of the investigation undertaken. As cited by Raymond & Jeanette (2008) This study is guided by Game Theory, The theoretical framework has implication on every decision made in the research process.

The current study looks to build upon previous literature reviews focused on the intersection of Conflict of Interest and procurement performance in order to provide suggestions for future research

2.1.1 Game Theory

The Game Theory guides the study in determining influence of Conflict of Interest on procurement performance in Referral Hospitals in Kenya. The game theory argues that many economic decisions involving more than one actor (e.g. a buyer and a supplier) take the form of a sequential, strategic game involving anticipation by one player of the other player's actions (Mahmood, 2010). Games such as the Prisoner's Dilemma have been used to show how co-operative behavior becomes more likely if two actors interact with one another on a repeated basis. This is because repeated interactions enable them to get to know each other, to build trust and to overcome the lack of information available in a one-off interaction about the other party's likely Behavior (Agaba & Shipman, 2009).

In a one-off interaction, where the other party's intentions are unknown, the model suggests that both actors will behave competitively to try to maximize their individual utility (Armstrong, 2005). Based on this theoretical derivation, the underlying assumptions of the integrated SCM approach are that actors are rational, but may face information problems; and that actors are self-interested utility maximizers, but will co-operate through repeated interactions where greater net gains can be had from doing so.

The integrated SCM literature has applied this reasoning to develop an understanding of how buyers and suppliers can be encouraged to co-operate on a long-term basis and innovate to create a larger pool of value rather than competing over a static pool of value (Bailey *et al.*, 2008). A crucial aspect of this approach is the idea that buyers and suppliers should be trusting and

transparent with one another, sharing information through mechanisms such as open book costing to signal their commitment and future intentions (Basheka, 2008). The theory can be related to the Conflict of Interest variable. This theory link research question: How does Conflict of Interest influence procurement performance in Referral Hospitals in Kenya?

2.2.2 Procurement performance

Procurement performance refers to efficiency and effectiveness in acquiring of goods and services in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity (Baily *et al.*, 2005). Procurement performance has several benefits to an organization like cost saving, reduced lead time, policy adherence and compliance to procurement regulations (Bolton, 2006). Procurement activities have a relation to the organization's economic performance which is evident by cost reduction (Kinyanjui, 2012). This can be divided to effects on turnover, gross profit, efficiency, total costs and organization's equity. All of these categories correlate directly with how the supplier ratings are controlled and utilized for the benefit of the organization (Juma, 2012)

Ensuring efficiency, accountability and transparency in public procurement is critical to sustainable development (Obanda, 2010). Public procurement is a key tool to the overall achievements of development goals such as reducing poverty and providing health, infrastructure, education and other services hence immensely contribute to best utilization of public resources. According to Odhiamo & Kamua, (2013) the limited public resources in developing countries especially in the Sub-Saharan Africa should be properly managed to get the most out of these resources. Studies have shown that out of the total public resources, procurement of goods, services and works account for about 70% of public expenditure.

Efficient public procurement practices contribute towards the sound management of public expenditure (Evenett *et al.*, 2005) which in turn can contribute towards the effectiveness of public sector management, and promoting the private sector. Besides, the objective of public procurement is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified and has to be delivered at the time and place where needed (Basheka, 2008,). The quality of goods, services, infrastructures, and the effectiveness of public services much depend on well-managed public procurement.

Three key principles, among others, are required for effective and well-managed public procurement: Efficiency, Accountability, and Transparency (EAT). It is evident that these principles are based on international best practices (Palmer and Butt, (2005). However, ensuring the level of compliance with best practices is a critical issue from the standpoint of practicality, therefore, in order to achieve the above-mentioned objective, the three key principles should critically be investigated against the accepted standards. Efficiency in public procurement is of importance in ensuring that the best value for money is obtained by public entities. Lack of accountability can negatively affect the condition of efficiency (Patrick, 2010).

According to Cohen *et al.*, (2003) good practices reduce costs and produce timely results, and poor practices lead to waste and delays. Lack of efficient procurement highly affects development issues such as service delivery, economic growth, private sector development, and decentralization. In addition, inefficient procurement adversely affects professionalism and

international trade and investment. Public procurement is challenged to make savings by improving efficiency. Standards can enable procuring entities and suppliers to work together so that they share the advantages of innovation and collaboration (Brammer & Walker, 2011).

2.2.3 Conflict of Interest

According to World Bank, (2010) Conflict of Interest may arise at various stages of the procurement process whenever public officials' decisions can be influenced by their private interests. The evaluation and award of bids are often assessed as one of the most vulnerable phases, due to the high level of technical expertise required and the specific features of evaluation committees. Therefore, in order to prevent and avoid Conflict of Interest in public procurement, countries should enact guidelines with a clear definition of Conflict of Interest, as well as put forth requirements for officials involved in the procurement process to disclose information on their private interests and assets, in addition to excusing themselves from certain decision-making processes and prohibiting them from performing certain functions if the opportunities for Conflict of Interest exist (Thai, 2001).

In addition, access to information, stakeholder participation in key stages of the procurement cycle and clear review mechanisms are essential to transparency and accountability in public procurement, and therefore, are essential in preventing Conflict of Interest and other forms of corruption. Moreover, effective implementation and enforcement of the law are key to create a deterrent effect and ensure integrity during the process (Shu *et al.*, 2011). Conflict of Interest existed in public service is as old as public administration. Whereas in many societies in the past it had been assumed that elected or non-elected public officials would take advantage of public office to promote their own personal interests in modern societies they should be expected to act exclusively in the interests of the state (Schapper *et al.*, (2006).

As societies democratized and their governments became accountable to their public citizens ask public officials to discharge their duties in the public interest and with fairness and impartiality (Raymond & Jeanette 2008). Clean politics in democratic countries is subject to the effective and productive operation of democratic institutions as well as sustainable trust and guiding principles in government, namely openness, transparency and accountability (Schapper *et al.*, 2006). Contrary to the countries where democratic control is high "transparency" in public service and clear separation between "public" and "private" objectives are major problems in several democratizing countries due to corruption and abuse of power in their past (Patrick, 2010).

Conflicts of interest generally fall into two categories: pecuniary and non-pecuniary interests. (Organization for Economic Co-Operation and Development, 2009) Pecuniary interests involve an actual or potential financial gain. They may result from a staff member, or a member of his or her family, owning property, holding shares or a position in a company bidding for government work, accepting gifts or hospitality, or receiving an income from a second job. Money does not have to change hands - the benefit could be an increase in the value of a property because of a favorable rezoning decision, or the selection of a particular renderer for a contract.

Non-pecuniary interests do not have a financial component. They may arise from personal or family relationships, or involvement in sporting, social or cultural activities. Similarly, if a

government organization that gives grants to sporting organizations has a senior staff member whose daughter is a star player in a group, which is applying for funds, the staff member has, or could be perceived to have, a personal interest in the outcome of the grant application (Palmer & Butt, 2005). Moreover, there are also other interests which are not directly personal yet may be subject to Conflict of Interest. With the idea of reflection in mind, elected officials generally pursue the interests of their constituents and/ of their party, and attempt to influence the relevant administrative process which is usually against the public interest.

2.2.4 Conflict of Interest

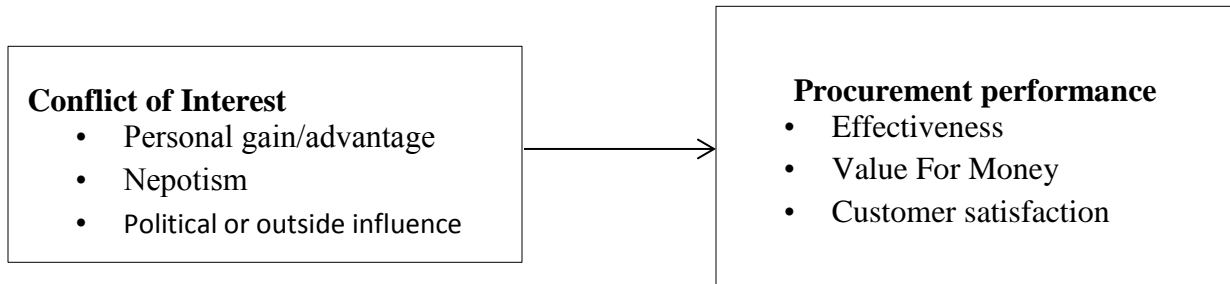
According to the United Nations report by the office of Internal Oversight Services (IOS- 2008) which was to be debated in New York, the united nations in Nairobi, may have lost 10 billion in procurement and administrative scandals over the past three years (Palmer and Butt, 2005). This was revealed by the internal audit report which stated that the money was suspected to have been stolen by UN employees who colluded with suppliers between 2004 and 2006. Some of the employees reportedly had links to the companies which were given contracts to do business with the Nairobi office which included the United Nations Environment Program (UNEP) and UN-Settlement (UN-Habitat).

Thai, (2001) conducted a research in Uganda to explain the causal factors for the unethical practices among public procurement officers in Uganda using the Bandura's moral disengagement variables and Durkheim's notion of anomie. The data was collected from both Central and Local Government. The study established that the interactive effect of moral disengagement and procurement planning behaviours diminishes the social construction of procurement officers' deviant behaviours.

Wanyama, (2013) conducted a research on public procurement ethics in the Less Developed Countries (LDCs) through the Norwegian Agency for Development Co-operation (NORAD) platform. The research established that the public procurement unethical behaviors manifest in terms of direct Conflict of Interests. In this sense, the research established that the causes of unethical issues in public procurement. Hunja, (2011) carried out seven studies using experimental and naturalistic studies in the United States of America (USA) on the factors that affect ethical standards in the public sector. The studies revealed that upper-class individuals behave more unethically than lower-class individuals (Jeppesen, (010). In this sense, the unethical attitudes of the upper class breeds unethical behaviour in the public sector procurement.

2.2 Conceptual Framework

A conceptual framework is used to outline possible courses of action or to present a preferred approach to an idea or thought. Conceptual framework is a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study (Mugenda, 2008). According to Lisa, (2010) conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. In the study, the conceptual framework will look at the effects of conflict of interest on procurement performance in the Referral Hospitals in Kenya.



Independent Variables

Dependent Variable

Figure 1 Conceptual Framework

3.0 METHODOLOGY

Descriptive research design was used for the study and the questionnaire was the main data collection instrument, Slovin's formula was used to pick a sample of 131 respondents from a target population of 194 staff working in supply chain department at KNH. Both quantitative and qualitative methods of data analysis were used to analyse the gathered data. The quantitative data generated was analysed by use of descriptive statistics feature in SPSS to generate information which was presented using tables, charts, frequency distribution table and percentages and inferential statistics to make predictions or inferences about the population from observations and analyses of sample. The regression model was used to show the relationship between the dependent variable and the independent variables. A sample size of 131 respondents was targeted for this study, with 117 respondents returning fully filled questionnaires.

4.0 RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The study sought to find out the influence of Conflict of Interest on procurement performance in Kenyatta National Hospital. This chapter presents the empirical findings and results of the application of the variable. Data was analysed, results interpreted on the basis of the overall objective of the study.

4.1.2 Response Rate

Table 1 indicated that a sample size of 131 respondents was targeted for this study, with 117 respondents returning fully filled questionnaires. Orodho (2005) defines response rate as the extent to which the final data sets includes all. This response rate was considered adequate as recommended by Babbie (2009), who states that knowledge of the population, its elements, and the nature of research aims has to be used to get an accurate response rate.

Table 1: Response Rate

Response	Frequency	Percentage
Returned questionnaires	117	89.31
Unreturned questionnaires	14	10.69
Total	131	100

4.2 Demographic information

To obtain a better understanding of the population structure from which the sample was taken, a preliminary analysis of demographic data was carried. In this case, the researcher sought the respondents': gender, age, level of education and the duration of work at Kenyatta National Hospital.

4.2.1 Gender

To get a better understanding of the research demographics of the population in general and the sampled population in specific, the study enquired about the gender of the participants. As presented in the figure 2 below provides that, 66.35% of the participants were male, while the remaining 33.65 were female. This gender composition in the sampled population was relative to the number of male and female employees working in the company.

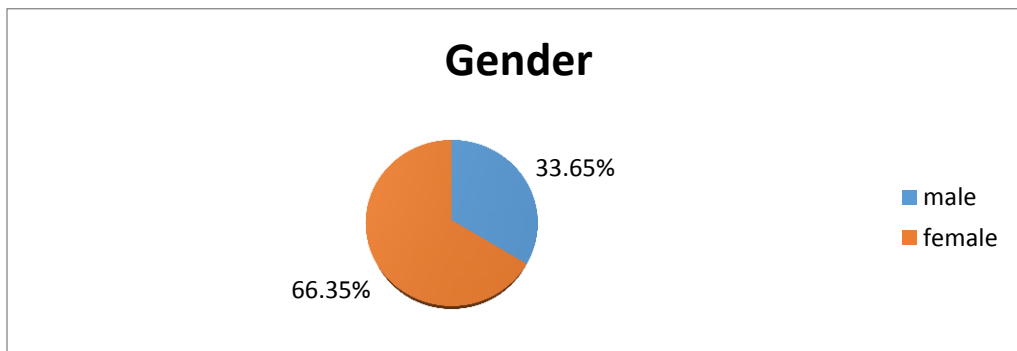


Figure 2: Gender

4.2.2 Level of education

As observable from Table 2, majority of the participants had a bachelor's degree or university diploma. These two categories had a cumulative percentage of 82.89%. Participants with a master's degree only accounted for 17.11% of the population. This implied that with half of the population of all procurement specialists with college diploma and master's degree. Along with the educational background, they had the abilities within their career to focus on ethical practices in procurement management competently.

Table 2: Education Level of the respondents

Education level	Frequency	Percent
College	46	39.31
Bachelor's degree	51	43.58
Master's degree	20	17.11
Total	117	100.0

4.2.3 Age

From the results presented in Table 3 show that, the majority of the respondents were in 30 to 49 years' age bracket with 68.2%. With only 22.76% aged 20-29 years and 8.9 % aged over 50 years. From the findings it can be interpreted that majority of the respondents were of age and could articulate objectively and benefit from the research in ethical practices in supply chain

Table 3: Age

Years	Frequency	Percent
20-29	28	22.76
30-39	32	26.0
40-49	46	42.2
Over 50	11	8.9
Total	117	100.0

4.2.4 Job designation of the respondents

The findings from table 4 below provide that 18.8 % of the respondents were from Contract Management Section, 42.73% were from Stores & Logistics and 38.46% were from Purchasing. Kurt (2014) states that professional services involve providing specialist business support to businesses of all sizes and in all sectors supporting a company with accounting, IT services or providing management advice.

Table 4: Job designation of the respondents

Designation	Frequency	Percent
Contract management	22	18.8
Stores & logistics	50	42.73
Purchasing	45	38.46
Total	117	100.0

4.2.5 Respondents Period of Working

From the findings, the respondents had worked at Kenyatta National Hospital as indicated in Table 5 below, 41.0% had worked for a period of 6 to 10 years, followed by those who had worked for duration of 1 to 5 years, with a 16.2%. 17.9. % who had worked for over 16 years?

This is a clear indication that most of the respondents had worked long enough in Kenyatta National Hospital and were well experience in the supply chain operations. Hence delivering procurement within an operating model that connects commercial and technical capability to drive optimal operational excellence.

Table 5: Respondents Period of Working in Kenyatta National Hospital

Years	Frequency	Percent	Cumulative Percent
1-5 years	19	16.2	16.2
6-10 years	48	41.0	57.2
11-15 years	29	24.8	81.2
over 16 years	21	17.9	100.0
Total	117	100.0	

Descriptive Statistics for conflict of interest

Descriptive statistics are a set of brief descriptive coefficients that summarizes a given data set, which can either be a representation of the entire population or a sample. The measures used to describe the data set are measures of central tendency and measures of variability or dispersion

4.3 Conflict of Interest

4.3.1 Personal gain/advantage

The study sought to establish the effect of Conflict of Interest in procurement performance in Kenyatta National Hospital. The finding in the study provides that, personal gains in procurement practices contribute to poor procurement performance.

From Table 6, majority of the respondents agreed that Preferences regarding the means to desired ends in procurement process show that procurement personal have unwarranted personal gains. The study shows that at a level 3.56 mean and 0.82 standard deviation respondents strongly agreed. Lacking moral principles by unwilling to adhere to proper rules of conduct to procurement process affected the organizations with a mean of 3.98 and standard deviation of 0.84 strongly agreeing. This is in line with Lisa (2010) stating that, Purchasing and supply management professionals should encourage colleagues to declare any material personal interest which may affect, or be seen to affect, their impartiality or judgment in respect of their duties. Organizations should have a clear policy on accepting business gifts and declaring conflict of interest, Purchasing and supply management professionals should encourage colleagues to comply with any such policy.

Table 6: Personal gain/advantage

Statements	Min	Max	Mean	Std.Deviation
Lacking moral principles by unwilling to adhere to proper rules of conduct	1.00	4.00	3.98	0.84
Misguided loyalty when Some people make unethical choices because they are not sure about what really is the right thing to do	1.00	4.00	3.91	0.86
Preferences regarding the means to desired ends	2.00	5.00	3.56	0.82

Scale of 1 to 5 where 1. Strongly disagree. 2. Disagree, 3. neutral, 4. Agree, and 5. Strongly agree

4.3.1 Political or outside influence

The respondents were asked to indicate the extent in which political or outside forces affect procurement performance in Kenyatta National Hospital. From Table 7 majorities of the respondents agreed that Procurement decisions must be free from political or outside influence but from the value perceived by the transaction. This was supported by a mean of 4.44 and standard deviation of 0.88. Majority of the respondents agreed that Procurement professionals are required to manage issues of Conflict of Interest, corruption and business gifts and hospitality from the political class and big wing suppliers at ratings of 3.79 mean and 1.19 standard deviation.

The findings agree with Wanyama, (2013) stating that Supply chain is a vulnerable entity that is at the whim of external forces, be they financial, political, technological, socio-cultural or environmental. These factors all have ramifications for procurement, from price negotiation to trade and supplier management. Procurement departments need to keep abreast of political events globally and act swiftly in order to minimise risk and make the most of opportunities.

4.3.2 Political or outside influence

Statements	Min	Max	Mean	Std.Deviation
Procurement professionals are required to manage issues of Conflict of Interest, corruption and business gifts and hospitality.	2.00	4.00	3.79	1.13
Favouritism is more rampant in cases where there is an overlap of duties in the procurement process.	2.00	4.00	4.18	0.87
Procurement decisions must be free from political or outside influence but from the value perceived by the transaction.	1.00	5.00	4.44	0.88

Scale of 1 to 5 where 1. Strongly disagree. 2. Disagree, 3. neutral, 4. Agree, and 5. Strongly agree

4.4 Procurement Performance

4.4.1 Effectiveness

The study sought on the extent to which respondents agreed on the given statements that relate to ethical practices leading to effectiveness on procurement performance in Kenyatta National

Hospital results presented on Table 8. provided that ethical practices in procurement leads to Professional buyers, business experts, and suppliers exchange information online for a more agile and successful sourcing process with 3.93 mean and standard deviation of 1.07 as well majority accepted that the ethical practices in procurement enables Processes in a scientific approach to creating a real S2P process effectiveness such as cutting costs and a more intelligent enterprise, turning common processes into optimizing working capital. With respondents rating of 4.26 mean and 0.96 standard deviation.

This is in line with Hunja. (2011). who stated that purchasing organizations save time through automated bid distribution, bid and vendor management, award management and reporting? Automating the day-to-day tasks of the purchasing team elevates the efficiency of the entire organization.

Table 8: Effectiveness

statement	Min	Max	Mean	Std.Deviation
Professional buyers, business experts, and suppliers exchange information online for a more agile and successful sourcing process.	2.00	4.00	3.93	1.07
Processes is a scientific approach to creating real S2P process effectiveness such as cutting costs and a more intelligent enterprise, turning common processes into optimizing working capital	2.00	3.00	4.26	0.96
To manage, measure, control and remove waste and on the principles of Lean Six Sigma	1.00	4.00	3.93	1.28

Scale of 1 to 5 where 1. Strongly disagree. 2. Disagree, 3. neutral, 4. Agree, and 5. Strongly agree

4.4.1 Value for Money

Table 9 shows the respondents response on the level to which they were in agreement with the given statements that relate to the effects of ethical practices creating value for money on procurement performance in Kenyatta National Hospital. They accepted that evaluation process when used ensure that the buyer receives goods, services or works at the best possible price when aspects such as quality are used ,with 45.30 % strongly agreeing ,23.93 % agreeing awhile 21.37 % been neutral those who disagreed at 4.27 and 5.13 % which was insignificant rating .with high rating they accepted that Negotiations can be undertaken to include price, availability, customization, and delivery schedules which reduces the cost of operations with 23.08 % strongly agreeing ,55.56% agreeing with those neutral at 9.40 % where only 4.27 % disagreed while 7.69% strongly disagreeing . This is in line with Feigin, Katircioglu & Yao (2013), who stated that Value for money (VfM) is not about achieving the lowest price. It is about achieving the optimum combination of whole life costs and quality. Traditionally VfM

was thought of as getting the right quality, in the right quantity, at the right time, from the right supplier at the right price. Wadsley (2012) adds that this concept has been updated to - obtaining better quality of goods or services in more suitable quantities, just in time when needed, from better suppliers at prices that continue to improve.

Table 9: Value for Money

statement	F	1	F	2	F	3	F	4	F	5
Evaluation process is used to ensure the buyer receives goods, services or works at the best possible price ,quality, quantity and time,	6	5%	9	8%	19	16%	35	30%	48	41%
. The approach of cost analysis is important to help an organization make a make-buy decision.	5	4%	6	5%	18	15%	64	55%	24	21%
Negotiations are undertaken that often include price, availability, and delivery schedules.	5	4%	7	6%	17	15%	45	38%	43	37%

Scale of 1 to 5 where 1. Strongly disagree. 2. Disagree, 3. neutral, 4. Agree, and 5. Strongly agree

Value for Money

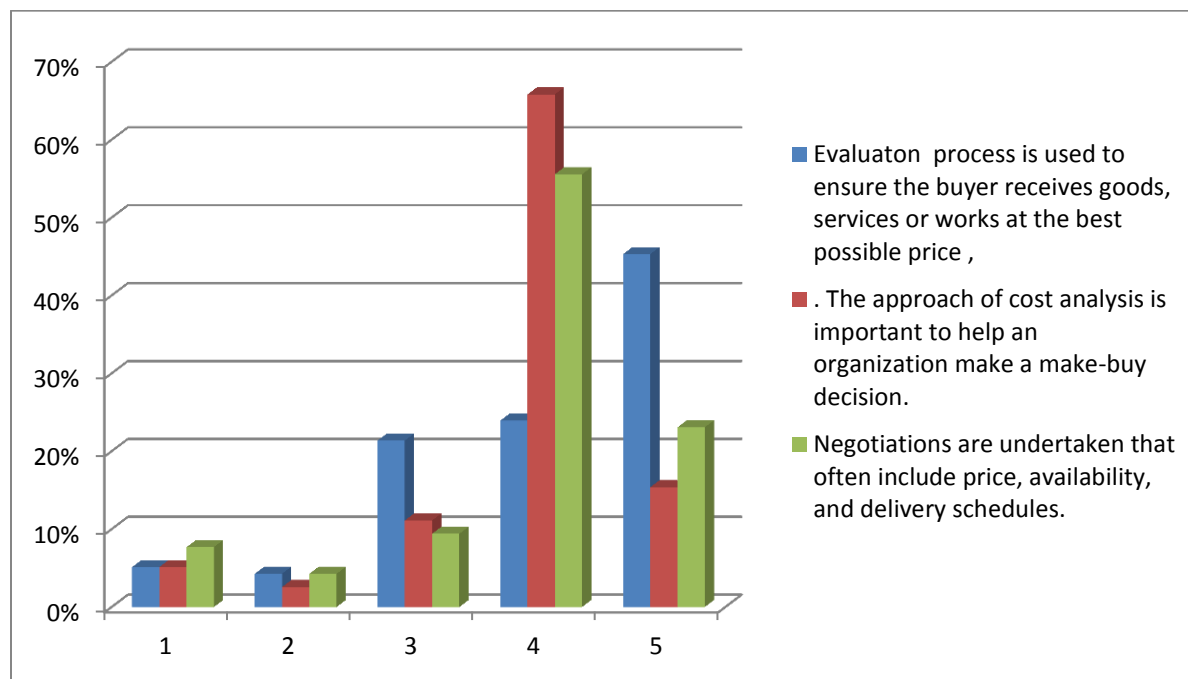


Figure 3 Value for Money

Scale of 1 to 5 where 1. Strongly disagree. 2. Disagree, 3. neutral, 4. Agree, and 5. Strongly agree

4.4.1 Customer Satisfaction

The study sought on the extent to which respondents agreed on the given statements that relate to the influence of ethical practices on customer satisfaction on procurement performance in Kenyatta National Hospital. Table 4.18 respondents agreed that customer satisfaction involved measuring compliance to contract service level agreements (SLA's), contract terms and conditions, and pricing agreements as per the department requirements with rating of 3.76 strongly agreeing and standard deviation of 0.81. majority to great extent agreed that reducing Procurement Cycle Time by minimizing The average time it takes between requisition submission and purchase order placement ,by the user departments improves on department performance with rating of 3.62 mean ,and standard deviation of 0.93 respondents rates.

The findings agree with Odhiambo & Kamua (2013), that Supplier segregation and develop programs to manage each supplier category Supply Chain Professionals will get cost reduction, cash flows and working capital . Will capture and quantify unique customer requirements of all Service Lines. Lysons K & Farrington B. (2006). Add that Supply chains will aid in innovations, strategic planning and alternate sourcing. This will have more leverage to manage end to end activities including logistics and operation.

Table 10: Customer Satisfaction

statement	Min	Max	Mean	Std.Deviation
Procurement department gets what the organization needs when it needs it. – Delivery to promise date – Delivery to (original) schedule date – Delivery to rescheduled dates Measured as % of on time total shipments when volume is large enough.	1.00	5.00	3.62	0.93
Measures compliance to contract service level agreements (SLA's), contract terms and conditions, and pricing agreements as per the department requirements	1.00	4.00	3.76	0.81
Procurement Cycle Time by minimizing The average time it takes between requisition submission and purchase order placement ,by the user departments	2.00	4.00	3.62	0.93

Scale of 1 to 5 where 1. Strongly disagree. 2. Disagree, 3. neutral, 4. Agree, and 5. Strongly agree

4.5 1 Regression Analysis model

The R² is the coefficient of determination. This value explains how conflict of interest varied, personal gains, nepotism and external influence The model summary table shows that three predictors can explain 85.6 % of change in conflict of interest namely: personal gains ,nepotism

and external influence an implication that the remaining 14.4 % of the variation in procurement performance could be accounted for by other factors

Table 11: Regression Analysis model

Model	R	R Square	Adjusted R Square	Std. Error
1	.925 ^a	.856	.852	.336

4.5.2 Beta coefficients

The constant 1.820 represented the constant which predicted value of procurement performance in Kenyatta National Hospital when all effects of conflict of interest practices remain constant at zero (0). This implied that procurement performance in Kenyatta National Hospital would be at 1.681 holding personal gains, Nepotism and Political or outside influence at zero (0).

Regression results revealed that personal gains has negative influence in procurement performance in Kenyatta National Hospital as indicated by $\beta_1 = -0.284$, $p=0.000 < 0.05$, $t = -378$. The implication is that an increase in personal gains lead to decrease procurement performance

Regression results revealed that Nepotism has negative influence in procurement performance in Kenyatta National Hospital as indicated by $\beta_2 = -0.355$, $p=0.000 < 0.05$, $t = -0.489$. The implication is that an increase in Nepotism lead to decrease procurement performance

Regression results revealed that Political or outside influence has negative influence in procurement performance in Kenyatta National Hospital as indicated by $\beta_3 = -0.034$, $p=0.022 < 0.05$, $t = -0.241$ The implication is that an increase in Political or outside influence lead to decrease procurement performance.

Table 12 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.820	.171			.000
	Personalgains	-.284	.100	-.378	10.665	.000
	Nepotism	-.355	.139	-.489	2.841	.000
	Politicaloroutsideinfluence	-.034	.141	-.241	2.555	.022

a **Dependent** Variable: ProcurementPerformance

b **Predictors: (Constant)**, Political or outside influence, personal gains, Nepotism

$$Y = 1.681 - 0.284 X_1 - 0.355 X_2 - 0.34 X_3 + e$$

Where:

Y=Procurement performance

β_0 =Constant of Regression

X1= Personal Gains

X2= Nepotism

X3 = Political/OutSide influence

ε = Error of Regression

5.0 SUMMARY OF RESULTS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of the study findings, conclusions made based on the study objectives and recommendations of the study as well as suggestions for further research.

5.2 Conflict of Interest

The study established the effects of Conflict of Interest on procurement performance in Kenyatta National Hospital and it can be summarized that to consider first, the interest of one's organization in all transactions and to carry out procurement process effectively and believe in its established policies. Procurement officers be receptive to competent counsel from one's colleagues and be guided by such counsel without impairing the responsibility of one's office. To buy without prejudice, seeking to obtain the maximum value for each shilling of expenditure. The supply chain professional should strive for increased knowledge of the materials and processes of manufacture, and establish practical procedures for the performance of one's responsibilities. They should participate in professional development programs so that one's purchasing knowledge and performance are enhanced.

5.3 Conclusions

The study concluded that purchasing and supply management professionals should encourage colleagues to declare any material personal interest which may affect, or be seen to affect, their impartiality or judgment in respect of their duties. Examples include owning a significant shareholding in a supplier or close family members being employed by a key supplier. Organizations should have a clear policy on accepting business gifts. Purchasing and supply management professionals should encourage colleagues to comply with any such policy

From the finding the study concludes that, procurement professionals should abide by and encourage others to practice the Professional Code of Ethics of the Purchasing Management provided by procurement bodies such as KISM and CIPS. They should also counsel and assist fellow purchasers in the performance of their duties. Procurement professionals should cooperate with all organizations and individuals engaged in activities which enhance the development and standing of purchasing and materials acquisition.

5.4 Recommendations

The study recommends that legal intervention in protecting public institutions against inappropriate unethical practices in the procurement operations including fraudulent suppliers activities, organization should be emphasizing on performance measurement and laying down proper checks for all contracts, setting suppliers selection structures that avoid political

interference and augmenting of accountability management practices to ensure supplier and public institutions work towards the same goal and for the interest of the public.

The study recommends that Transparency is an effective way of improving value for money by reducing opportunities for corrupt practices. Transparency means that the rules governing the public procurement procedures, clearly drafted and well defined, so that their implementation by procurement agents can be easily verified. The study recommends that Ethics training and seminars should be provided, along with training in more specific areas, such as procurement procedures, record keeping, records management, accountability and administrative law. Regular reviews or audits of procurement processes and performance measurements can be done to ensure probity is being considered and achieved.

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