

An Examination of the Effects of National Open Competitive Tender Practices on Operational Performance of Electricity Sector Parastatals in Nakuru County, Kenya

Samson Chira Murigi

Samson Chira Murigi is a Practicing Procurement Officer and Holds a Master Of Science in Procurement and Contract Management of Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya

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Abstract

The national open competitive tender practices offers the best guarantee of value for money for government agencies and the public at large, in terms of both price and quality of goods, services and works procured. The quality of goods, services and works procured is critical to the operational performance of electricity sector parastatals. This is due to the fact these parastatals deal with complex operational processes whose success. Therefore, the ability of these parastatals to achieve their operational performance at required standards and timeframes is dependent on the quality of procured goods, services and works. This study sought to examine the manner in which the national open competitive tender practices influences the operational performance of electricity sector parastatals in Nakuru County. The study was based on the theory of core competency. The study utilized the descriptive research design because the study wishes to evaluate the influence of public tendering practices on operational performance of electricity sector parastatal in Nakuru County, Kenya. This study utilized a sample size of 95 respondents that was derived through Yaro Yamane 1967 simplified formula achieving a response rate of 83.1%. The study results indicated that national open competitive tendering was positively and strongly correlated to the direct procurement methods at correlation coefficient of 0.795. The national open competitive tendering was also positively, significantly (at 0.01 significance level) with operations performance of electricity Sector Parastatals in Nakuru County, Kenya.

Keywords: National Open Competitive Tender Practices, Operational Performance

I. INTRODUCTION

According to Oppong (2013), the open competitive tender practices involves the contractors using the same proposal form provided with the bidding documents and the bids are open publicly. On the other hand, Chantal (2014) indicates that national open competitive tender practices includes a process by which a procuring entity based on previously defined criteria, effects public procurements by offering to every interested bidder, equal simultaneous information and opportunity to offer the goods and works needed. According to Chesang (2013), the national open competitive tender practices offers the best guarantee of value for money for government agencies and the public at large, in terms of both price and quality of goods, services and works procured. The quality of goods, services and works procured is critical to the operational performance of electricity sector parastatals. This is due to the fact these parastatals deal with complex operational processes whose success. Therefore, the ability of these parastatals to achieve their operational performance at required standards and timeframes is dependent on the quality of procured goods, services and works.

The national open competitive tendering practices impacts positively on the operational performance of corporations. According to Amdany & Kwasira (2016), enhances competition amongst binders and the procurement entity is likely to receive several bids per category of items. This is important for getting value for money, more quality goods and services as well as diversity of suppliers of given items. The open competitive tendering has also been associated with accountability of public funds through limiting channels for corruptions. However, despite the advantages associated with national open competitive tender practices Ohene (2014) notes that there are potential disadvantages associated with open tendering that

may impact on operational performance. For the purposes of fairness and competitiveness amongst suppliers as well as elimination of possible grounds for legal proceedings, procurement entities must evaluate all the bids that they have received (Kiprop, 2014). In scenarios where the entities have received many bidders for each category of goods, this process could be cumbersome, time consuming and costly in nature. This impact on the timelines for awarding of the tenders for the supply of goods. On the other hand, if the process of evaluation is not followed according to the procurement laws and regulations, then this creates grounds for losing bidders to sue the procurement entities. This further delays the awarding of tenders and procurement of goods and services.

The national open competitive tender practices offers the best guarantee of value for money for government agencies and the public at large, in terms of both price and quality of goods, services and works procured. The quality of goods, services and works procured is critical to the operational performance of electricity sector parastatals. This is due to the fact these parastatals deal with complex operational processes whose success. Therefore, the ability of these parastatals to achieve their operational performance at required standards and timeframes is dependent on the quality of procured goods, services and works. The national open competitive tendering practices impact positively the operational performance of corporations. This is because it enhances competition amongst bidders and the procurement entity is likely to receive several bids per category of items. This is important for getting value for money, more quality goods and services as well as diversity of suppliers of given items. The open competitive tendering has also been associated with accountability of public funds through limiting channels for corruptions. The operational performance of electricity sector is critical to the country development and achievement of vision 2030. The electricity sector is one of the ten pillars of the Vision 2030. In this context, the government seeks to reduce the cost of electricity in Kenya compared to its neighboring countries. This study seeks to examine the manner in which the national open competitive tender practices influences the operational performance of electricity sector parastatals in Nakuru County.

II. RESEARCH OBJECTIVE

To establish the effects of the national open competitive tender practices and operational performance of electricity sector parastatals in Nakuru County.

III. RESEARCH QUESTION

To establish the effects of the national open competitive tender practices and operational performance of electricity sector parastatals in Nakuru County.

IV. LITERATURE REVIEW

This study is based on the theory of core competency. The theory of core competency is attributed to Prahalad and Gary Hamel in 1980. The core competencies refers to the main strengths or strategic advantages that an organization including its combination of pooled knowledge and technical capacities that enable the organization to execute its mandates or objectives. The core competencies results from a specific set of skills or production techniques that deliver additional value to the customer. The theory indicates that all the items that are non-core activities of the organization must be outsourced to the best suppliers unless such activities give the institution a competitive advantage (Kiprop, 2014). Therefore, the firms should only retain in house those set of activities that are core to their organization (Driscoll, Halliday, & Stock, 2010). This implies that firms must be able to leverage on their strengths.

The mandates of the electricity sector parastatals are varied. The Kenya Power is mandated to plan for sufficient electricity generation and transmission capacity to meet demand; building and maintaining the power distribution and transmission network and retailing electricity to its customers. On the other hand, Geothermal Development Company (GDC) is mandated to promote rapid development of geothermal resources in Kenya through surface exploration and drilling for steam. Kengen is involved in power generation in which it sells all the generated electricity to Kenya Power for distribution. In the context of the theory of core competency, the electricity sector parastatals must limit their activities to their core mandates and core strengths. The electricity sector parastatals must then outsource other activities that they don't have core strengths in.

There are several scholars that have examined the concept of operational performance as well as public tendering aspects. Khakata (2014) examined Procurement Methods and Operational Performance of State Corporation in Kenya. The study's objectives included the determination of the procurement methods used in state corporations in Kenya. The second objective was the establishing of the relationship between procurement methods and operational performance of state corporations in Kenya. The study using order lead time as the measure of operational performance found that choice of methods affected the order time for services to a large extent, works to an average extent and goods to a small extent. Given that order lead time is the most important measure of operational efficiency, the study concluded that the choice of the tendering method affects the operational performance of state corporations

Igosangwa (2014) undertook a study on Factors Affecting Procurement Lead-Time and Operational Performance in State Owned Financial Institutions in Kenya. The study's objectives include the determination of the factors that affect procurement lead-time in state owned Financial Institutions in Kenya and to determine the factors that affect Operational Performance. The study found that procurement lead time greatly affected the operational performance of corporations.

V. RESEARCH METHODOLOGY

This study utilized the descriptive research design because the study wishes to evaluate the influence of public tendering practices on operational performance of electricity sector parastatal in Nakuru County, Kenya. The target population of this study consisted of procurement officials and senior operations officers of all selected electricity sector parastatals within Nakuru County. This was because these were the people with the knowledge on public tendering practices and operational perspective in their organizations. There were 124 such officers within the three electricity sector organizations in Nakuru.

Table 1; Population Frame

	Population Size
Kengen	41
Geothermal Development Company	37
Kenya Power	46
Totals	124

The sampling involves the deriving of a small and finite subset of the population that is representative of the characteristics within the population (Saunder, Lewis, & Thornhill,

2009). The simple random sampling method was used to derive the sample members from the population. The sampling was undertaken by first determining the sample size of the study. The sample size was calculated using the Yaro Yamane created a simplified formula for determining the sample size in 1967. This study adopted the simplified Yaro Yamane's formula as illustrated by below.

$$n = \frac{N}{1 + N(e^2)} = \frac{124}{(1) + 124(0.05^2)} = \frac{124}{1 + 0.31} = 95 \text{ respondents}$$

Therefore a sample size of 95 respondents was used for the study. The sampling procedure involves constructing a sample frame with all the names of the potential respondents and then allocating them numbers. The tiny pieces of papers with the numbers were put in a basket, mixed together and 95 different numbers picked randomly from the basket to form the sample size.

Table 2; Sampling Frame

		Operations Officers	Marketing Officer	Procurement Officers	Sample Size
Kengen		15	4	13	32
Geothermal Company	Development	12	6	10	28
Kenya Power		14	5	16	35
Totals		41	15	39	95

This study utilized a sample size of 95 respondents that was derived through Yaro Yamane 1967 simplified formula. A total of 95 questionnaires was issued to respondents. 79 (83.1%) questionnaires were returned. This response rate was deemed sufficient for the generalization of the study as indicated by Kombo & Tromp (2009). A questionnaire was used as the data collection instrument. The self-administered questionnaire consists of a series of questions that the respondents answer in order to address the specific research objectives. Questionnaires have diverse distinct advantages that make them ideal for the study. The questionnaires were cost effective in their distribution, were easy to analyze using SPSS program, and presented higher response rate as the respondents were familiar with its concept. The structured questionnaire was used for this study where the respondent was presented with close ended questions. The questionnaire consisted of six parts. The first part addresses the background characteristics of the respondents while the other parts will each address a variable.

VI. RESEARCH FINDINGS AND DISCUSSIONS

Background Information

The respondent's characteristics were examined using gender distribution, age distribution, and education level distribution. Up to 57% of the respondents were male while 43% of the respondents were female.

Table 3; Gender Distribution

Gender	Frequency	Percentage
Male	45	57%
Female	34	43%
Total	79	100%

The high number of the male respondents could be attributed to the fact that the procurement and tendering aspects within parastatals are often controversial in nature due to heightened scrutiny of the same under new constitution. This may act to discourage many women from pursuing a career in that area.

The study sought to examine the age distribution of the respondents in which 12%, 18%, 52%, 12% and 6% of the respondents were found to be below 30 years, 31-35 years, 36-45 years, 46-50 years, and over 50 years of age respectively. The data therefore shows that a majority of the respondents are in 36-40 years and 41-45 years age group. This could be attributed to the fact that Procurement requires people who are mature enough to make good decisions. Also organizations are willing to employ people who are old enough and with prior experience in the field. Age is of relevance to the study as it demonstrates the level of experience of the respondents.

Table 4; Distribution by Age

Age	Frequency	Percentage
Below 30 Years	9	12%
31-35 Years	14	18%
36-45 Years	17	52%
46-50 Years	9	12%
Over 50 Years	7	6%
Total	79	100%

In the context of the education level, a cumulative percentage of 69.6% of the respondents had degree level education compared to only 30.4% of the respondents with diploma level education. This can be attributed to the fact that the profession requires people who are well educated.

Table 5; Frequency Distribution by Level of Education

Education Level	Frequency	Percentage
Post Graduate	17	21.5%
Graduate	38	48.1%
Diploma	24	30.4%
Total	79	100%

National Open Tender Practices

Using a five point likert scale, the respondents were asked on how diverse aspects impacted on the operational performance of electricity. These aspects included charges for tender documents, advertising platforms used, availed timelines for filling tender documents, availed timelines for seeking clarifications, standardized forms for tender submission, standardized technical evaluation of tender submitted, standardized financial evaluation of tender submitted, and standardized evaluation committee.

Most respondents were uncertain as to whether charges for tender documents impacted operational performance with a percentage of 31.6%, while those who strongly disagreed were 8.9% the lowest opinion in terms of the percentage. Those who agreed formed a 26.6% close to those who disagreed at 27.6%. The extreme of strongly agreed formed 5.1% of the total opinions sampled. Just below the half mark were a 49.4% of the sample responses who agreed that advertising platforms impacts operational performance. 11.4% disagreed, 17.7%

were uncertain while 21.5% of the respondents Strongly Agreed that advertisement platform impacted operational performance.

Table 6; Frequency Distribution of National Open Tender Practices

	SA Freq. (%)	A Freq. (%)	U Freq. (%)	D Freq. (%)	SD Freq. (%)
Charges for tender documents	4 (5.1%)	21 (26.6%)	25 (31.6%)	22 (27.6%)	7 (8.9%)
Advertising platforms used e.g newspaper, internet etc.	17 (21.5%)	39 (49.4%)	14 (17.7%)	9 (11.4%)	0 (0.0%)
Availed timelines for filling tender documents	18 (22.8%)	35 (44.3%)	15 (19.0%)	11 (13.9%)	0 (0.0%)
Availed timelines for seeking clarifications	42 (53.2%)	24 (30.4%)	11 (13.9%)	2 (2.5%)	0 (0.0%)
Standardized forms for tender submission	22 (27.8%)	33 (41.6%)	14 (17.7%)	10 (12.7%)	0 (0.0%)
Standardized technical evaluation of tender submitted	16 (20.3%)	35 (44.3%)	19 (24.1%)	9 (11.4%)	0 (0.0%)
Standardized financial evaluation of tender submitted	43 (54.4%)	25 (31.6%)	11 (13.9%)	0 (0.0%)	0 (0.0%)
Standardized evaluation committee	31 (39.2%)	24 (30.4%)	19 (24.1%)	5 (6.3%)	0 (0.0%)

Most respondents (44.3%) agreed that availed timelines for filling tender documents were important in tender operational performance, while those who disagreed were 13.9% and those who were uncertain were 19.0% and those who Strongly Agreed were 22.8%. Up to 53.2% of the respondents strongly agreed that availed time for seeking clarification on tender documents impacted operational performance, while only 2.5% of the respondents strongly disagreed. Those who agreed and were undecided were 30.4% and 13.9%. This is in line with the reviewed literature. For the purposes of fairness and competitiveness amongst suppliers as well as elimination of possible grounds for legal proceedings, procurement entities must evaluate all the bids that they have received (Kiprop, 2014). In scenarios where the entities have received many bidders for each category of goods, this process could be cumbersome, time consuming and costly in nature. This impact on the timelines for awarding of the tenders for the supply of goods. On the other hand, if the process of evaluation is not followed according to the procurement laws and regulations, then this creates grounds for losing bidders to sue the procurement entities. This further delays the awarding of tenders and procurement of goods and services.

When asked whether standardized forms for tender submission impacted operational performance, 27.8% of the respondents strongly agreed, 41.6% of them only agreed and 12.7% of the respondents did not agree. However, 17.7% of the respondents were undecided. According to the respondents, standardized technical evaluation of tender submission was strongly agreed upon to impact operational performance by 20.3% of the respondents, and 44.3% of the respondents only agreed and 11.4% of the respondents disagreed. 24.1% of the respondents were uncertain and none of them strongly disagreed. Most respondents strongly agreed that standardized financial evaluation of the tenders submitted impacted operational

performance at 54.4%, 31.6% only agreed and 13.9% were undecided. None of the respondents disagreed or strongly disagreed to the prompt.

Table 7; Means and Standard Deviations of National Open Tender Practices

	Min	Max	Mean	Std. Dev.
Charges for tender documents	1	5	2.91	1.05
Advertising platforms used e.g. newspaper, internet etc.	2	5	3.81	.91
Availed timelines for filling tender documents	2	5	3.76	.96
Availed timelines for seeking clarifications	2	5	4.34	.81
Standardized forms for tender submission	2	5	3.85	.98
Standardized technical evaluation of tender submitted	2	5	3.73	.92
Standardized financial evaluation of tender submitted	3	5	4.41	.73
Standardized evaluation committee	2	5	4.01	.95

The standardization of the forms is critical in the national open competitive tendering. This is in agreement with Oppong (2013), the open competitive tender practices involves the contractors using the same proposal form provided with the bidding documents and the bids are open publicly. On the other hand, Chantal (2014) indicates that national open competitive tender practices includes a process by which a procuring entity based on previously defined criteria, effects public procurements by offering to every interested bidder, equal simultaneous information and opportunity to offer the goods and works needed.

Additionally, 39.2% of the respondents tended to strongly agree that standardized evaluation committees impacted operational as opposed to 6.3% who did not agree. 24.1% of the respondents though were uncertain and 30.4% of the respondents agreed. All the responses documented in for the question of whether charges for tender documents impacted operational performance, all of the provided responses were used by the respondents. On average, respondents were uncertain that charges for tender document impacted operational performance signified by the 2.91 average on the likert scale and the 1.05 standard deviation. However, respondents selected all the other available answer options except for the strongly disagree prompt (min= 2, max=5) when asked whether advertising platforms used impacted operational performance. On average, the respondents seemed to agree (mean likert of 3.81 and standard error of 0.91).

Responses ranging from disagree to strongly agree (min=2, max=5) were reported with an average likert score of 3.76 and a standard deviation of 0.96 when asked whether availed timelines for filling tender documents impacted operational performance. The same ranges of responses were observed when respondents were asked whether availed timelines for seeking clarifications impacted operations with a general consensus of agree (4.34, std. dev. 0.81). Respondents were also inclined to agree that standardized forms of tender submission impacted operational performance (average Likert of 3.84, std. dev. 0.98); as they were also inclined to agree standardized technical evaluation of tender submission impacted operational performance (mean=3.73, std. dev. =0.98). While ignoring the options of strongly disagree and plainly disagree (min=3, max=5), respondents on average tended to agree (average likert of 4.40 and 4.03 respectively) that standardized financial evaluation of tenders and presence of standard evaluation committee impacts operational performance.

Table 8; Correlational Analysis

	Operations Performance
National Open Tendering Processes	.796 ^{**}

^{**}. Correlation is significant at the 0.01 level (2-tailed).

The correlational analysis was undertaken between the variables in the study. The study results indicated that national open competitive tendering was positively and strongly correlated to the direct procurement methods at correlation coefficient of 0.795. The national open competitive tendering was also positively, significantly (at 0.01 significance level) with operations performance of electricity Sector Parastatals in Nakuru County, Kenya.

VII. CONCLUSION OF THE STUDY

The influence of national open competitive tender practices on operational performance were examined using eight metrics; charges for tender documents, advertising platforms used, availed time for filling tender documents, availed timelines for seeking clarifications, standardized forms for tender submission, standardized technical evaluation of tender submitted, standardized financial evaluation of tender submitted, and standardized evaluation committee. All the responses documented in for the question of whether charges for tender documents impacted operational performance, all of the provided responses were used by the respondents. On average, respondents were uncertain that charges for tender document impacted operational performance. However, respondents selected all the other available answer options except for the strongly disagree prompt when asked whether advertising platforms used impacted operational performance. On average, the respondents seemed to agree. Respondents were also inclined to agree that standardized forms of tender submission impacted operational performance; as they were also inclined to agree standardized technical evaluation of tender submission impacted operational performance. While ignoring the options of strongly disagree and plainly disagree, respondents on average tended to agree that standardized financial evaluation of tenders and presence of standard evaluation committee impacts operational performance.

VIII. RECOMMENDATIONS OF THE STUDY

The study concluded that the availed timelines for seeking clarifications and standardized financial evaluation of tender submitted were the national tender competitiveness practices that had the greatest influence on the operations performance of the electricity sector parastatals in Nakuru, Kenya. The study thus recommends that the electricity energy sector must thus focus on these components.

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