

INFLUENCE OF TENDERING PROCEDURES ON ORGANIZATIONAL PERFORMANCE AT MOI TEACHING AND REFERRAL HOSPITAL

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ABSTRACT

Procurement plays a key role in every organization. It provides an opportunity for all stakeholders to meet and discuss procurement requirements and objectives. The study focused on effects of tendering procedures on organizational performance at Moi Teaching and Referral Hospital, Eldoret. The study employed a case study research design in collecting relevant information. The total populations for this study were 3600 respondents with a sample size of 384. Stratified and simple random sampling techniques were employed. Questionnaires were used as the main data collection instruments. Data was analyzed through descriptive statistics and later presented in frequency tables and percentages. The study was carried out in at Moi Teaching and Referral Hospital, Eldoret in the month of May and September 2016. The study adopted institutional and socio-economic theory to provide a relevance to the study. The statement of the problem mainly focused on major issues facing the tendering procedures and analyzes their effects on organizational performance. Data was collected using a questionnaire and the findings were analyzed using both descriptive (frequencies and percentages) and inferential statistics (correlation analysis). The results established a positive correlation between e-tendering and performance of organizations ($P=0.000$, $r=1.000$). The strength of association was very strong. The study established that there is a correlation between tendering was not correlated with performance. The study recommends that there is need to enormously implement procurement policies which encourage tendering, in order to enhance performance

Keywords: Tendering procedures, organizational performance.

INTRODUCTION

According to Goyal (2006) hospitals are organizations which are used for human health management. Hospitals are well managed with enough staff and equipment to provide diagnostic and therapeutic services in most cases field of curative medical care with regard to the patients' needs (Halchin, 2012). Service delivery are that main focal points of hospital serving the general public , education sector and many others Hospitals are mainly the focal points of service delivery to the public, instruction for the health experts and medical studies are required for advancement of the field of medicine (Dolbeer, 2007). The administration of healthcare facility is very complex to manage it therefore requires a thorough knowledge of

hospital setup, peculiar conditions prevailing in hospital administration (Goyal, 2006). Medical care is complex and there has been an increase in the accommodation of hospital as a service. Therefore distinct services to enhance the usual medical and nursing care are being introduced. The complexity of these institutions makes them perform complex functions like employing qualified and skilled personnel and provide the best facilities and this makes their operations more costly. The same in Moi teaching and referral Hospital distinct services are required in every hospital; service delivery may be enhanced by well procured goods and services.

Statement of the Problem

Kenya public procurement process is paramount for organizational performance. According to Musamali (2010), Kenyan health care reforms have been in piecemeal, leading to the concentration of the reforms process to focus on funds rather than core service delivery. This has resulted in the neglect of the effectiveness of public tender committee performance, supply of goods and services and the confidence of the public on service delivery, which plays an important role in supporting medical and non -medical activities in service delivery.

There is still a myriad of challenges in procurement entities despite the enactment of the PPDA of 2015 and the Regulation of 2006 (Onsongo *et al*, 2012). There has been disclosure of information, unaffordable advertisement in the print media, lack of transparency, unequal opportunities for women and the minorities, contract requirement, disputes and breach of contract are under the same Act (PPDA of 2015) Public Procurement has important economic and political implications to the country (Raymond, 2008).

The biggest hindrance to quality service delivery have been found to lie in untrained health managers whose lack of knowledge on management has resulted in them mismanaging health facilities unconsciously, leading to huge financial loses as well as loss of the lives of people (Situma, 2013). There is need for proper procurement procedures in order to preserve investments to remain in habitable condition and sustain its lifespan and ensure safety in its usage and further enhance organizational performance. Draft National Maintenance Policy (2011).

The procedures provided for procurement that leads to render awards are too long and therefore are not suitable for an emergency. These bureaucracies make this procedure unsuitable for corrective maintenance. This can only be achieved by the hospital through getting value for money, transparent and accountable procurement process which is provided for in the procurement reforms via the PPDA of 2015 and the Regulation of 2006.

Dumber (2011) points out that the problem with Procurement Reforms that are in PPDA of (2015) and the Regulation of (2006) is that there is lack of consensus, between the length in which reforms processes should be carried out, and stages of checking success. The study investigated the effects of tendering procedures on organizational performance with reference to Moi Teaching and Referral Hospital.

LITERATURE REVIEW

Tendering Procedures and organizational performance

According to regulation II, public procurement entities are under obligation to give all potential candidates an opportunity to tender (government user's guide 2001). The requirement for full and free competition requires that the procurement action reach as many potential candidates as possible. The regulation lays emphasis on the use of open tendering

but allows other procurement methods in special circumstances. Depending on the technique used, orders and contracts are given to the candidates who have the potential to successfully achieve under the terms and conditions of the contract.

It is stressed that although it were important that procurement be based on the basis of tenders that are publicly the most vital, affordable and other factors should be carefully considered; this does not require absolutely that an award be made to the candidate that submits the lowest tender (Byatt,2002). A potential contender should be financially stable with the required resources during the time of performance of the contract. A candidate should be able to adhere to the required delivery considerations with a satisfactory record performance (Hiles, 2005).

The candidate should also have an acceptable record of business ethics and integrity to qualify. The negotiated procedure may be used without prior publication of negotiated in certain circumstances outline as; when an open or restricted competition has failed due to irregularities and all of the previous participants in the tender exercise are to be invited in response to a tender. Notice under the open or restricted procedures and the requirements are substantiality unchanged, when the contract is unforeseen and unforeseeable or urgent by the contracting authority and the time limits prescribed under the open restricted procedure cannot be met (Trepte, 1993).

Croom& Johnston (2003) argue that compliance by internal users is critical to the achievement of cost and efficiency gains from electronic procurement, and therefore internal customer satisfaction should be a key concern in the development, adoption and deployment of such systems. In other words, the level of compliance with e-procurement is strongly influenced by the general disposition of the organization as a whole to either electronic process redesign or the desire to gain perceived benefits from electronic procurement (Soeters, et al., 2014).

To build their core competencies, organizations are adopting e-procurement as a key strategy due to its capacity to reduce quality cost in which case, e-procurement ensures that selected suppliers deliver a product of service that does not exceed extensive quality control. E-Procurement can also reduce quality costs by making sure that the components bought do not load to complaints on the user department or final product to the customer. E-procurement contributes to product design and innovation where innovation in industry comes from suppliers or is results from intensive interactions between suppliers and user department in any organization (Darin, 2007).

The need to adopt e-procurement cannot be underscored given the fact that public sector procurement is large and complex, accounting for between twenty and thirty percent of gross domestic product (Thai & Grimm, 2000) and traditionally attempts to meet many social and political objectives (Tether, 1977). Governments procure goods and, in order to preserve accountability and transparency services, use a complex contractual system designed to protect the public interest (Rasheed, 2004).

Through the public web, buyers have the opportunity to identify potential suppliers via standard search engines or specialist trading search engines. On line search and comparison of list prices are typically used for one of, specialist or low value purchases. Depending on the nature of the supplier's web site facility, orders may be placed online, via email or through the more traditional route of telephone, fax or mail. A marketplace is in essence a

multi-supplier/multi- products catalogue often hosted and maintained by a third party and access provided to users via Internet or LAN connection (Soeters, et al., 2014).

Many organizations have been seeking new ways to reduce procurement costs which typically represent the largest cost item in business operations (Vaidya et al., 2006). According to industry sources, the indirect procurement expenditure in Australia are about AU\$150 billion per annum and each procurement process incurs about A\$125 per transaction (Neef, 2001).

Most of the costs incurred are due to non-value added activities such as manual data entry, fixing errors, premium buys due to the inability to find competitive suppliers, inefficient search and evaluation of suppliers and their product offerings and the long process in reaching an agreement and obtaining approval before orders can be placed. E-procurement system,

therefore, has attracted organizations' attention particularly in the last few years and has the potential to improve national productivity growth of any countries (Hawking & Stein, 2004).

The world has continued to experience massive information, communication and technology growth, increased knowledge by consumers about foreign goods and services, improved international relations, co-operations and agreements amongst countries, convergence of socio-cultural orientation leading to tremendous growth of international business. The procurement process has traditionally involved slow manual procedures and even slower systematic processes for handling procurement transactions (Hawking et al., 2011).

The advent of the Internet as a business systems platform has been a catalyst for major changes in the operation and status of organizational procurement. Information Technologies have changed the way organizations and governments operate. As noted by Nelson et.al. (2001), the majority of organizational spending consists of purchasing.

In order to decrease the total costs spent on purchasing process, internet technologies are used and e-Procurement has become popular to implement in the latest era by both governments and enterprises. Although the opportunities for improvement seem abound, both private and public sector are still cautious as far as the adoption of electronic technologies is concerned (Zheng et al, 2004). Ward and Peppard (2003) indicate that 60% of Information Technology application in procurement initiatives and projects do not deliver the expected benefits.

E-procurement is a technical implementation that enables the transformation of organizational structures and workplace practices. Flexibility in the development and enablement of the associated systems and processes allows the diverse requirements of stakeholders and participants to be recognized and supported. This may include tailored training for buyers and procurement support staff as well as the ongoing reviews of the associated processes and tools (Berry & Berry, 1999).

By staying aware of participants' needs, support organizations can build, evolve and manage systems and processes that allow buyers to purchase goods and services from preferred suppliers (Afza & Nazir, 2007). E-procurement result into an improvement of the

labour productivity of an organization and, as a consequence, contribute to a number of intermediate outcomes (better services, cost savings, time savings, transparency), to economic rationality (organizational efficiency, simplification) and to GDP growth (Corsi, 2006).

Electronic tendering can shorten a typical manual tendering process by half thus reducing procurement cycle time and transaction cost. E-procurement is most advantageous because of its speed and coverage, and when implemented properly, it has increased transparency in the tendering process and will allow most, if not all, tenders above the required threshold to be openly advertised. The encouragement of regional procurement through PICTA makes the implementation of e-procurement unavoidable (Filbeck & Krueger, 2005).

E-procurement has a strategic importance entity since its implementation necessarily crosses many institutional barriers and paradigms of many public managers. E-procurement brings a set of new rules and dynamics that create ways of doing business with the State in a totally different fashion, with a whole new and bigger set of participants, new incentives and a radically different cost structure; conditions that have the potential to create a competitive marketplace of unparalleled transparency, efficiency and access.

The following are tendering procedures requirements. Accountability and Auditability, the organization will preserve systems, which may be manual or computerized. This will be used in making all the purchases, contracts and other things justifiable for identification purposes (Raymond, 2008).

Economic effectiveness is achieved when an organization spends a realistic amount of its money on goods and services, this may approach or exceed 80% depending on organizations. Goods and services are then procured in an economical and effective way subject to the legal requirements of procurement (Raymond, 2008).

Risk management, Organizations are exposed to variety of risks due to its dependence on supply chains which needs expenditure of resources outside the organization. Purchasing structure of such an organization is dully required to identify, minimize and manage the potential risks posed to the organization. For any important expenditure, a lasting obligation for formal risk assessment is required (Raymond, 2008).

In continuous improvement, the individuals who participate in the purchases processes are required to improve their knowledge and skills in their specific areas to support the organization. An organization seeks hire, maintain and improve a number of qualified purchasers. Purchasing and suppliers management professionals who encounter suboptimal consequences in their purchasing activities are fortified to adhere to this with appropriate training. The role of the organization is to inspire self-assessment and make proper training provision (Raymond, 2008).

In the process of meeting performance targets in organizations, conflicts may occur time to time as these targets, incentives and bonus schemes occur in the purchasing process. At all times the guidelines should be adhered to and where conflicts occur, it should be reported with the appropriate procedures (Raymond, 2008).

The following are tendering procedures on employee's organization performance:

Tendering Procedures on organizational performance

According to regulation II, public procurement entities are under obligation to give all potential candidates an opportunity to tender (government user's guide 2001). The requirement for full and free competition requires that the procurement action reach as many potential candidates as possible. The regulation lays emphasis on the use of open tendering but allows other procurement methods in special circumstances. Depending on the technique used, orders and contracts are given to the candidates who have the potential to successfully achieve under the terms and conditions of the contract.

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Methodology

The study used a descriptive case study design method, where according to Cauvey et al (2005), a descriptive survey design is a study selected in a phenomenon in which one is interested. Descriptive survey focuses on individuals, groups and communities in which it involves gathering information through interviews or administering questionnaires to a group of selected target population.

The target population included 3600 respondents, 10 Supply chain Managers, 50 Supply chain officer, 150 Supervisors, 500 Departmental assistant, 1000 Hospital wide staff, 390 Cashiers/Clerks, 1500 patient attendants , the proportionate sampling procedure used was adopted by Yamane Yari (2000)

The sample size was 384 respondents, the sample size was determined using the Sample Size Formula by Israel (1992). The formula for calculating the sample size for a random sample without replacement is:

$$n = \left[\frac{z}{m} \right]^2 P(1-p)$$

Where, **z** is the z value of 1.96 for 95% confidence level.
m is the margin of error of 0.05 = + or – 5%.
p is the estimated value for the proportion of a sample that will respond a given way to a survey question 0.50 for 50%.

$$\begin{aligned} n &= n = \left[\frac{1.96}{0.05} \right]^2 \times 0.5(1-0.5) \\ &= (39.2)^2 \times 0.25 \\ &= 1536 \times 0.25 \\ &= 384 \end{aligned}$$

Questionnaires were used to collect primary data.

Data Analysis Methods

The analysis used descriptive statistics that is quantitative analysis in order to achieve the objectives of the study. The data analysis tool that was used was Statistical package for Social Sciences (SPSS). Numerical values were assigned to responses coding in the questionnaires to represent measurement of variables, the data were then analyzed and presented in form of tables, frequencies and percentages.

Pearson moment of correlation was used to find the correlation between the variables. Multiple regression analysis with ANOVA technique was used to determine the effect of independent variables on the dependent variable, it was used to measure the relative influence of each independent variable based on its covariance dependent variable and will be useful in forecasting. Usually, it is most appropriate when both the independent and dependent variables are interval, though some social scientists also use regression on ordinal data.

RESULTS AND DISCUSSION

Effect of procurement tendering on organizational performance

Using a rating scale of 1-5, the study sought to investigate the effect of tendering on organizational performance. The findings are presented in table 1 below;

Key SA- Strongly Agree (5), A- Agree, U (4) – Undecided (3), D – Disagree (2), SD – Strongly Disagree (1)

Table 1 Procurement Tendering

Statements	Descriptive	SA	A	UD	D	SD	Total
Ensures customer satisfaction	Frequency	262	77	0	11	0	350
	Percent	74.87	22.05	0	3.0	0	100
Improves quality of services procured	Frequency	206	122	0	22	0	350
	Percent	58.97	34.87	0	6.2	0	100
Acquiring of right products at the reasonable prices	Frequency	244	16	0	18	72	350
	Percent	69.74	4.62	0	5	20.5	100
Ensure sufficient and availability of materials	Frequency	105	209	4	32	0	350
	Percent	29.7	60	1	9.2	0	100

Most of the respondents 262 (74.87%) strongly agreed that tendering ensures customer satisfaction, 77 (22.05) agreed on this view while 11 (3.0%) disagreed (Table 4.6). Also a significant majority 206 (58.97%) of the respondents strongly agreed that procurement improves the quality of services procured, 122 (34.87%) agreed on this statement and 22 (6.2%) disagreeing on this.

Further table 4.1 shows majority of the respondents 244 (69.74%) strongly agreed that tendering helps in acquiring the right products at reasonable with 16 (4.62%) agreeing on this statement. Further another 18 (5%) of the respondents disagreed and 72 (20.5%) of the respondents strongly disagreed on this.

On the opinion that tendering ensures sufficient and availability of materials majority 105 (29.7%) of the respondents strongly agreed, another 209 (60%) agreed on this view, 4 (1%) were undecided while 32 (9.2%) disagreed on this (table 4.6).

Relationship between tendering and performance

Correlation analysis

The study further sought to establish the relationship between tendering and the performance of the organization. This was done using Pearson correlation statistical analysis. The correlation was measured at 0.05 significant level (2-tailed). The findings are shown in table 2

Table 2 Correlation analysis tendering and performance

Performance	Pearson Correlation	Tendering
	Sig. (2-tailed)	1.000**
	N	.000
		350

** . Correlation is significant at the 0.05 level (2-tailed).

Pearson's correlation was run to determine the relationship between the tendering and performance of the organization. The results established a positive correlation between tendering and performance of organizations (P= 0.000, r=1.000). The strength of association was very strong.

From the Analysis report $p = 0.000$, which is less than 0.05, as such, there is a significant relationship between tendering and the performance of the organization at the Moi teaching and referral hospital. Therefore, good use of Tendering is associated with high performance of the organization.

These findings tally with other several studies on e-procurement, for example Frankwick, (2004) in his study argues that the electronic nature of an e-Tender marketplace means that a business never needs to miss an opportunity as they receive an email or SMS alert every time a relevant, new tender is published. Suppliers get the benefit of customers, who have usually already made a decision to purchase, coming directly to them. They don't have to spend time and money tracking down potential customers. They have a brand new sales channel with very little effort or cost.

Customers can let the suppliers do their research for them. Businesses that respond to the e-Tender will provide information about their products and services, their pricing, and any other information the customer might need to help them make the purchase. They will normally provide a link to their website and any customer testimonials that might be relevant.

Rather than having to search the internet for this type of information, the customer completes one simple web-form and the suppliers do the rest (Palmer, 2003)

Regression Model

The study sought to determine the relationship between the independent and dependent variables. The findings are represented in Table 3

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.126 ^a	.016	.013	2.60544		
a. Predictors: (Constant), tendering						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.960	1	37.960	5.592	.019 ^b
	Residual	2362.328	348	6.788		
	Total	2400.288	349			
a. Dependent Variable: performance						
b. Predictors: (Constant), tendering						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.395	1.009		14.264	.000
	tendering	.166	.070	.126	2.365	.019
a. Dependent Variable: performance						

The ANOVA Table 3 for the regression indicated that the results computed using the regression model were significant meaning that the regression model had been computed well and not by chance.

Organizational performance = 14.395 + 0.126(tendering) + 1.009 (Error Margin)

Therefore the performance of organizations can be summarized as the sum total of constant plus tendering procedures plus Error Margin.

The regression results in Table 3 indicate that tendering procedures does not have a direct effect on the performance of the organization with a beta coefficient of 0.107 and significance of (p=0.019). The study rejected the hypothesis. These findings imply that adopting tendering procedures do give organizations some bases of performance. This could be attributed to the fact that tendering procedures are encouraged due to the fact that it saves transaction cost, increasing competitive sourcing opportunities and enhancing inter-organizational coordination.

CONCLUSION

The objective of the study was geared to provide the effects of procurement procedures on organizational performance. The study established that there is a correlation between tendering and supplier assessment, and otherwise material planning was not correlated with performance. This meant that through tendering and supplier assessment, the organization can achieve its objectives which will lead to organizational performance.

RECOMMENDATIONS

Based on the findings, it is inevitable to highlight recommendations which can be used to enhance performance not only at MTRH but also in other similar organizations.

- i) The study recommends that there is need to enormously implement procurement policies which encourage tendering in organizations in order to enhance performance
- ii) Further the study recommends that tendering procedures should be well practiced in any procurement process to ease the procurement processes and associated costs hence achieve organizational objectives.

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