

**THREE LEVELS OF LEADERSHIP MODEL, ORGANIZATION CLIMATE AND  
ETHICAL PROCUREMENT IN COUNTY REFERRAL HOSPITALS IN KENYA**

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A research thesis submitted to the Institute of Postgraduate Studies, Kabarak University, in  
Partial fulfillment of the Requirements for the Award of the Degree of Doctor of Philosophy  
in Business Administration (Purchasing and Supplies)

KABARAK UNIVERSITY

OCTOBER, 2018

## DECLARATION

The research thesis is my own original work and to the best of my knowledge it has not been presented for the award of a degree in any other university.

Student Signature

A handwritten signature in black ink, appearing to read 'G. Muthoni', is placed over a light blue rectangular background.

Date: 07/11/2018

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GDM/M/1371/09/15

## RECOMMENDATION

To the Institute of Postgraduate Studies

The research thesis entitled "Three levels of leadership model, organization climate and ethical procurement in county referral hospitals in Kenya" and written by Gloria Beth Muthoni is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research project and recommend it be accepted in partial fulfillment of the requirement for the Degree of Doctor of Philosophy in Business and Administration (Purchasing and supplies).

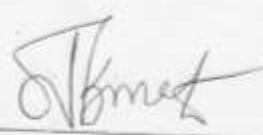
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## **DEDICATION**

I dedicate this thesis to my beloved husband Alfred. God grant you the desires of your heart and continually expand you. Our treasured son Wisdom. Son, May you be a lead your generation. May you delight Gods heart and let no good thing be withheld from you.

## ABSTRACT

Approximately, about 18.42% of the global gross domestic product is expended through procurement. Procurement malpractices have however been on the rise in Kenya with every passing decade. This trend has been associated with a loss of public funds equivalent to 12% of the GDP. Such hemorrhage of public coffers has given Kenya a dismal ranking on transparency rate being 136 out of 174 of the global economies. This study therefore, seeks to examine the empirically antecedents to resolve persistent ethical lapses in the procurement process. The purpose of this study is to establish the influence of the three levels leadership model and organizational climate on ethical procurement in Level 5 county referral hospitals in Kenya. The specific objectives were to determine the influence of public, private and personal levels of leadership model and organizational climate on ethical procurement. The research relies on empirical review as well as theoretical review based on several theories namely: stakeholder theory, agency theory, stewardship theory and the systems theory. The utilized mixed methods research paradigm. Further, cross sectional survey research design was adopted. This research sought to explore the influence of three levels of leadership model and organisation climate on ethical procurement in county referral hospitals in Kenya and suggest probable areas of the model that can enhance ethical procurement. The target population for this study was procurement officers that execute procurement in level 5 county referral hospitals in Kenya. The unit of analysis was the level 5 county referral hospitals in Kenya. A census was undertaken in all the 12 Level 5 hospitals in Kenya all the 172 procurement employees were targeted as respondents. A pilot study was conducted in Murang'a county hospital to pretest the data instrument preceding actual data collection. Reliability was tested using crobach alpha. Constructs and content validity was undertaken prior to the data collection. Primary data was obtained using a questionnaire. Pearson's correlation coefficient was used to determine the relationship between the independent and the dependent variables. Multiple regression analysis were used to test the hypotheses and the findings were presented in tables, pie charts and percentages. For qualitative data, content analysis was done and emergent themes were numerated and presented in pie charts. This research will benefit county referral hospitals and the industry by providing insightful thoughts on application of three levels of leadership model and organisation climate in enhancing ethical procurement. Results show positive relationship between the three levels of leadership model, organisation climate and ethical procurement. Study findings show that public and private level of leadership had a significant effect on ethical procurement. When hypothesis findings were supplemented with findings of the content analysis, personal level of leadership was established to be repressed by organisation climate and hence the relationship though positively correlated was not significant. Organisation climate had significant mediating influence between the three levels leadership model and ethical procurement. This study recommends that county referral hospitals augment public and private level of leadership through capacity building and setting of an example amongst those in positional leadership. As well, this study recommends value of personal leadership level be unlocked through empowerment of individuals, enhancement of work environment and weeding out of interferences to the procurement process both internally and externally.

**(Key Words:** Ethical procurement, Three levels of Leadership model, Public Leadership, Private Leadership, Personal Leadership)

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## **ABBREVIATIONS AND ACRONYMS**

<b>ADB –</b>	Asian Development Bank
<b>CCTV-</b>	Closed-Circuit Television
<b>CIPS –</b>	Chartered institute of purchasing and supplies
<b>EACC-</b>	Ethics and Anti- Corruption Commission
<b>GDP-</b>	Gross Domestic Product
<b>IEBC-</b>	Independent Election and Boundary Commission
<b>IFMIS-</b>	Integrated Financial Management Information System
<b>KISM-</b>	Kenya Institute of Supplies Management
<b>NHIF-</b>	National Health Insurance Fund
<b>NSSF-</b>	National Social Security Fund
<b>NYS-</b>	National Youth Service
<b>PPOA –</b>	Public Procurement Oversight Authority
<b>PPRA –</b>	Public Procurement Regulatory Authority
<b>PWC –</b>	Price Water Coopers
<b>SID-</b>	Sector for International Development

## OPERATIONAL DEFINITIONS OF TERMS

**Procurement** is the acquisition of goods, services and works at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place. Procurement is the process of obtaining goods and services from the preparation and processing of a requisition through to receipt and approval of the invoice for payment (Chopra, 2005)

**Ethical procurement** refers to the fair dealing in buyers- supplier relationships that reflect mutuality, trust and stakeholder connectivity. According to (Reham *et al.*, 2009 ; Wilson, 2000) ethical procurement refers to procurement operations being extended and scrutinized at their level for the purposes of building the trust that is the core of sound dealings with all participant groups.

**Leadership** is the across hierarchical influence in the context of relationships built on trust, motivation and fulfillment of organizational objectives. Scouller (2011) leadership is a process that ensures that there is leadership. Meaning a leader need not be at the front but can delegate and share the leadership responsibility.

**Organization climate** is strongly inclined to the actions and the influence of top management (Gatewood & Carroll, 1991; Schermerhorn *et al.*, 1994) and it refers to the consequences of organization culture that are more observable. It is thus dimensions of work environment.

**Three levels of leadership** model refers to (also referred to 3p leadership model) is intended as a practical tool for developing leaders' leadership presence, knowhow and skill. Scouller advocates for working on leadership simultaneously from the inner dimension- personal leadership which is the source of leadership effectiveness to the outer dimensions (private and public leadership). (Scouller, 2011).

**Private leadership** refers to the leaders' one to one handling of individuals (Scouller, 2011).

**Public leadership** refers to the actions or behavior that leaders take to influence two or more people simultaneously- perhaps in a meeting or while addressing a large group (Scouller, 2011).

**Personal leadership** refers to leaders' technical, psychological and moral development and its impact on leadership presence, skill and behavior (Scouller, 2011).

**County Referral Hospitals** in this study refer to secondary referral hospitals also known as level 5 hospitals. This category of hospitals are at the intermediate level between national referral hospitals and level 4 hospitals also known as primary referral hospitals.

# CHAPTER ONE

## INTRODUCTION

### **1.1 Background of the Study**

Ethics is a philosophical term with a Greek root word “ethos” that means custom or character. Generally, it is a description of moral requirements or acceptability of behavior (Minkes, Small & Chatterjee, 1999). In an organization, ethics implies honesty and valuing diverse stakeholders (Freeman & Stewart, 2006). Apart from understanding the philosophical schools such as utilitarian, deontic, relativism and contractarian Ciulla (1995) states that ethical understanding and analysis should delve into long-term views of a problem resolution and taking long-term corporate interest. According to Trevino and Brown (2005) it is only recently that ethics management has received consideration. Agency theory explains unethical actions due to divergent interest of organization stakeholders and proposes measures to resolve the agency problem which include corporate control and governance mechanism (Oghenejobo, 2009).

Procurement is defined by Bappaditya, (2011) as “the obtaining or acquiring goods and/or services at the best possible total cost of ownership, in the right quality and quantity, at the right time, in the right place and from the right source for the direct value or use of corporations, individuals, or even governments, generally via a contract”. When procurement is done on behalf of the benefit of government or any public authority it is referred to as public procurement. Procurement need be executed in a fair and reliable manner for it to offer a level playing field for competition to all stakeholders such as contractors, consultants and suppliers. Such a reliable procurement process ensures expansion of buyer’s options as well as opportunities and makes supplies willing to participate in the process.



According to World Bank, (2000) governance can be defined broadly as ‘the manner in which power is exercised in the management of a country’s economic and social resources’. Understanding the meaning of concepts underlying governance is therefore a good point to review literature in this study. Good governance philosophies encompass fair competition, transparency and proficiency in resource use. Transparency in practice reflects on ethical procurement practices such as retreating from procurement officials from giving short time frame for notices of procurement tender decisions that are non-existent (Ayhan & Yilmaz, 2015).

Ethical procurement flows from the larger concept of good governance. According to (Reham *et al.*, 2009 ; Wilson, 2000) ethical procurement refers to procurement operations being extended and scrutinized at their level for the purposes of building the trust that is the core of sound dealings with all participant groups. The stakeholder groups extend to society and not just primarily the shareholders who take part in wealth creation with the aim of profit maximization. Organisations have societal responsibilities to consider their objectives and values of the public indeed beyond economic considerations (Carroll, 1991; Murphy & Poist, 2002). Svensson and Baath, (2008) also uphold this view that relations association of the market place and society may reinforce opportunities for organization’s success and reduction of supply chain vulnerability. Such success may include stability of donor funding and steady supplies which is critical to health sector (Oloruntoba & Gray, 2006).

Models of public administration are supported by largely moral behaviour not only technical and professional competencies (Schlosser, 2003). According to Commonwealth Procurement Guidelines (2005) Value for money is yet another essential standard in the governance of public procurement. Numerous epitomes such as efficiency and effectiveness, accountability

and transparency, competition, ethics and industry development - arch the concept of value for money. Value for money as a concept goes hand in hand with transparency. Globalization has occasioned in prevalence of bribery and corruption thereby demanding increased attention as a worldwide phenomenon (Arminas, 2002). Indeed, since the 1990s, corruption has been an important topic for academic research but as of yet there is little evidence suggesting that corruption has decreased Bappaditya, (2011). Transparency ensures accountability and minimizes procurement fraud. Transparency is closely associated with governance, the concept has gained importance in Organizations for Economic Cooperation and Development (OECD) countries (Smith-Deighton, 2004).

However, a passive embrace of these ethical ideals is not enough – living them and helping others do likewise is the actual clarion call of this research. This call for consistent practice of principles is shared in empirical research (Kannair, 2007). The role of leaders is to guide employees and set an example of moral development. This calls for awakening of awareness of the present possibilities for achievement and aspiring for a better future (Freeman & Stewart, 2006). Loss or lack of a moral compass has a long-term implication where “self” overtakes every other interest. As such stewardship is jeopardized (Faite, 2013). To avert this breed of leaders, organisations should select and develop trustworthy leaders, who understand, appreciate stewardship theory (Davis, Schoolman & Donaldson, 1997). Leaders have and follow a moral compass.

As Benchmarking is regularly allied to manufacturing services and the business sector, it has a role to play within procurement practices in the public sector as the need for transparency and accountability intensifies. According to Jeanette (2008) benchmarks are arguably imperative for two reasons- one is to act as a safeguard against corruption while the other reason is to enhance accountability and transparency in the conduct of public procurement.

Developing countries such as Sri-Lanka have identified benchmarks to deal with growing uneasiness about inefficient delivery systems such as improving value for money for government procurement, increased confidence in the integrity and transparent procurement process, development of professionalism and improvement of efficiency in terms of lower costs. United Nations convention on corruption held in September 2003 espoused that strict enforcement of ethical codes of conduct and criminal sanctions against bribe taking and offering bribes can control institution's corrupt public servants (Pidaparthi, 2006).

### **1.1.1 Review of global Procurement Ethics**

Globally, ethical lapses have been huge and visible in scandals such as Enron (USA), WorldCom (Europe), Parmalat (Italy) Royal Ahold (Netherlands) which have plagued corporation's ethical practices and the public sector (Farrel & Farrel, 2010; Harshbarger & Holden 2004). A report by Transparency International (2014) detected that weakness in public procurement including corruption is a global vulnerability problem with approximately \$400 billion loss (equivalent of Ksh 34.9 Trillion) reported as being lost to corruption and bribery globally.

In a post Enron age, corporations are ever more been censured for their extreme pursuit of profit power and their apparent obligation to maximize shareholder value and customer satisfaction at the expense of other stakeholder and society at large (Simon *et al.*, 2002). This is means that vast resources run into danger of unethical practices and misuse of funds (Jeppesen, 2010). For this rising society interest, corporations sense the need to adjust the ideals of democracy and sustainable development. A new leadership breed is thus demanded to make creative and ethical decision makers, so as to enhance organisations ability to run efficiently and in a socially responsible way (Oghenejobo, 2009). There is a need to value and nurture critical thinking among graduate labor force globally.

Despondently, such is the daily occurrence in Sub-Saharan Africa where rarely is there a conversation without aggressive or appalled references to corruption (Olivier de Sardan, 1999). Globally, occurrences of procurement fraud, lack of transparency and inefficiency are not a reserve for Africa, it is culturally reported elsewhere such as Armenia by (Coxson, 2009). Though the problem weighs heavily in developing countries Vis a Vis the developed countries. World Bank statistical figures established bribery amounts to above \$ 1million per annum. This estimate interpretations resource diversion of up to 12 percent of the GDP (Gross Domestic Product) of nations like Kenya (Nwabuzor, 2005) Venezuela, Nigeria, and Sri Lanka. The phenomenon of good laws in most of these nations but low level regulatory compliance indicates much general civilization and perceptions being a miniature of the wider values of each specific society (Ntayi *et al.*, 2011; Ntayi *et al.*, 2010).

On the bottom edge of the list is Bangladesh - the most corrupt nation in the world which is a sharp contrast to countries like Sweden, Switzerland, Austria, Netherlands, and Australia that are unlikely to be involved in corruption (Tandoor & Koehn, 2004). One worldwide antidote or an effective benchmark to the ethical dilemma that cuts across board is suggested to be an international code of ethics. According to Bappaditya (2011) the World Bank institute approximations of worldwide bribery is to the tune of \$1 trillion. Transparency International (TI) estimates that the amount lost due to bribery in government procurement alone is at least \$400 billion per year worldwide. Some scholars have argued in favor of corruption mentioning it is a lubricant for sluggish economies by facilitating trade and voluntary exchange (Linarelli, 1998). Conversely, this verdict hardly holds any truth for Kenya presently reason being that corruption is the utmost menace to economic progress and stability.

### **1.1.2 Review of Procurement Ethics in Kenya**

In the last three decades, ethics has attracted global public scrutiny because of its importance to the economic health of corporations and society as a whole. The Triton scandal, Anglo Leasing, Goldenberg, CMC Motors, NHIF civil servants medical scheme, Hyundai Police Cars, Patrol Ships, IEBC Biometric Voter Register kits, NSSF Tassia Estate and National Youth Service scandals are headlines in the past years that have dominated media and public disclosure, (Transparency International ,2014: KNHCR ,2010). This poor standing on procurement ethics is exhibited by Transparency International corruption Index Ranking at Position 136 out of 174 economies in the world (Amemba *et al.*, 2015).

Kenya has made milestones in revision of the legal framework on public procurement just like other countries (Mosoti, 2005). It is however shocking that despite the framework enhancement that criminalizes corruption, procurement fraud continues to thrive causing financial loss (Ntayi *et al.*, 2003). This may be a result of low corruption detection coupled with little or no negative consequences while as private returns from the vice are high. As aforementioned, despite the stringent legal framework public servants are motivated to act corruptly in procurement.

According to Ayhan and Yilmaz (2015) public procurement found the application of governance ideals and practices such as transparency, anti-corruption, equal treatment, reliability, confidentiality, fulfillment of needs promptly, competition and efficient use of resources. Regulations ensure compliance with international standards. However, existence of such governance ideals does not guarantee these systems never undermined. Such non-compliant behavior of public procurement officers undermines legislative enactments. Nwabuzor (2005) establishes that weak enforcement of rules is common in developing countries such as Bangladesh, India, Srilanka, Nigeria and Venezuela. Such undermining of

governing ideals reflects on low public concern of procurement regulations (Weber, 1994). Whenever governance ideals are upheld Murphy & Tyler (2008) note that compliance with rules becomes more enhanced.

Bappaditya (2011) demonstrates the great importance of public procurement as it accounts for a substantial part of worldwide economy. It is estimated to be up to 20 percent in developing countries. Indeed, public procurement has various objectives that are often tradeoffs. Public procurement determines amount of spend and standards of quality adopted by the entire economy. As such regulations in public procurement are designed to have processes and systems to deter fraud and wastage. Accountability is ingrained to enhance rules and regulations that press for fairness. As such systems must encourage efficiency, fairness, attainment of stated objectives and transparency which is a common concern for all countries (World Bank, 2003).

Despite public procurement developments from lack of regulations prior to 1960s, to use treasury circulars in 1970s,1980s and 1990s to the full-fledged Public Procurement and Disposal Act (2005) (Ayoyi & Odunga, 2015) , effective application of procurement ethics has remained a major challenge for organizations across the globe (Ndolo & Njagi, 2014). Even after much regulation, public procurement is still marred by inefficiency and lacks transparency that amount to loss of billions of shillings (Transparency International, 2014).

Unethical procurement is manifested by opportunism, gift giving and bribery (Ayoyi & Odunga, 2015), violation of ethical codes whereby tendering is not executed in a transparent manner wherein bribes are solicited (Ndolo & Njagi,2014), disclosure of privy information to give advantage to undue parties (Amemba *et al.*, 2015) worse, there is informal cartels that are difficult to dislodge, much as they dominate suppliers and those outside – they are not

interested in exposing the manipulation but rather try to find ways to get into them so that they too can financially benefit (World Bank,2006). Procurement fraud occurs at vendor selection, vendor contracting; bid process, payment process and quality review stages of procurement cycle.

Benefits of ethical procurement include long-term efficiency and effectiveness, stakeholder's satisfaction and long term competitive advantage (Ayoyi & Odunga, 2015). Further, it is a measure of corporate social responsibility that derives the organization brand that affect performance and delivery. This is core as staff are organization representatives and ethical dealings lead to long term relationships and establishment of suppliers' goodwill and claim of professional status of buyers (Ndolo & Njagi, 2014). This clear merits of ethical procurement have not dissuaded procurement practioners from malpractices, neither has professionalism nor has regulations such as ethical codes proved to be sufficient deterrents (Ayoyi & Odunga, 2015). Therefore the question is if Kenyan leaders have lost will to act ethically (Ndolo & Njagi, 2014). If this is the case it is suggested that students should be indoctrinated in ethics from the youngest age through college as leaders play the role of defining ethical standard and to shape organizations.

A study by Badaracco and Webb (1995) revealed that unethical leadership is driven by a performance-only perspective that demands to cut cost and unattainable goals. This perpetuates an attempt to play team regardless of the ethical nature of the task. To affirm this view, lack of investment in ethical behavior - a recent study by East African Institute mirrors a revelation that Kenyan youth pursue wealth and riches with a perception of its desirability as an end regardless of the means of acquisition. Unethical procurement in Kenya has been sustained by rationalizations that must be challenged as exposed in another study by Gentile (2010); where staff state that malpractice is standard practice.

### **1.1.3 Review of leadership Concept**

This research study glared on leadership purposely as opposed to management. Leadership refers to an engagement with followers ensuring commitment, inspiration, motivation and competence. In contrast, management is a function that concentrates on processes to assure productivity and efficiency in order to achieve performance and results intended (Faite, 2013). Leadership is distinct from but complementary to management.

While as there is no dearth on leadership studies Northouse (2004) stated that resources on leadership are generic. A study by Ciulla (2005) further indicated that leadership literature is fragmented- citing that existence of philosophic ethic writing is not the challenge- but rather that scholars dedicate little effort to specific disciplinary prominence such as leadership. Leadership literature is ostensibly derived from social sciences of psychology, business and political science. It was further suggested that leadership understanding requires multidisciplinary approach. This study filled this gap by articulating role of leadership on procurement ethics.

Challenges of leadership as a concept have also span through the academia world with (Garcia, 2009) asserting that master's in business administration lecturers focus is barely on short term perspectives of career prospects and personal satisfaction rather than providing partakers with a comprehension that serves people and society. A reflective process was recommended to influence leadership practice with aims of developing capacity to think and act critically in domains of reason (knowledge), self and the world.

Some of the misconceptions of leadership include that middle and first level leaders have significantly less role to play in leadership. However, all hierarchical levels across leaders should contribute substantially to leadership role in contrast to previously held view (Lowe *et al.*, 1996). Another fallacy is that positional power or headship is equivalent to exercising



leadership. Many fall into the trap of basing leadership on formal positions and authority (Kakabdse & Kakabdse, 1999; Ciulla, 1995). A study by Manz and Sims (1991) endorse that a super leader creates an environment where each individual employee is encouraged to take initiative and take responsibility. Leadership is bestowed by followers' on the basis of trust. The researcher sought to deduce if such misconceptions still hold ground in Kenya and perhaps if leaders in procurement (formal or informal) are employing leadership in execution of their tasks.

From several definitions of leadership spanning from the 1920s to 1990s – leadership is depicted as a process, an act of influence that in some way gets people to do something. These previous studies are replicated in meaning by Mihelic *et al.*, (2010) defines leadership as the art of persuading the follower to want to do things that a leader sets as goals. To add to the above Ansari & Naeem, (2010) interprets leadership as a process of influencing behaviour of individuals and inspiring them towards excellence and achievement of individual and organizational goals.

According to Winston and Petterson (2006) leadership is relationship entailing human interactions directed towards achieving collective purpose and getting results. From the myriad of stated definitions some salient features that cut across in leadership definitions are- Leadership is influence, commitment to goals set by leader, Inspiration to excellence, motivation towards a course and it happens in context of trust relationship. To conclude this Radin (2001) summarizes leadership is an inside out phenomena. It flows from character to conduct.

This research sought to then construe if leadership in Kenya plays a role in procurement ethics? According to Ntayi *et al.*, (2010), public Purchasing profession remains too agonized by great magnitude of prevalence of decadent behavior (Ntayi *et al.*, 2010). If indeed

character precedes conduct then is it the key problem on procurement ethics in Kenya - public leadership, private leadership or personal leadership? A study by Blanchard (2007) proposed that transforming a leader is a four stage journey starting with the leader (stage 1), Team /family leadership (stage 2), organizational leadership (stage 3) and community leadership (stage 4).

The backdrop of this leadership challenge is at a most unparalleled time Trevino & Brown (2005) suggests that in these times of company scandals and ethical hiatuses, broader public and interest groups are asking critical questions such as who are the corporate leaders and are they ethical? As undeniably acknowledged by Court & Hyden (2001), numerous sub-Saharan African countries remain lacking on answerability, transparency and fairness in the running of civic amenities notwithstanding the being of regulations, instructions and techniques. The public servants disregard the laws, policies and procedures and opt to do things in line with their interest despite the clearly stated prohibitions. This phenomenon is further convoluted by the view that leaders are few and not many are ready to face the challenges expected in this role (Mostovicz *et al.*, 2009).

A study by Oghenejobo (2009) stated that it is this harsh reality that we need to have a new rear of ethical and creative decision makers who value and exercise societal responsible leadership as a context seeking to reduce discrepancy between corporate, individual and public interest. Further to this, Ciulla (1995) emphasized that “ethics is located in the heart of leadership studies and not in an appendage”. This elucidates that ethic is a central matter to leadership and one that cannot be relegated to the back burner. With the aforementioned strong assertions Ciulla (1995) retorts that good leadership then extends to moral good and technical good’ effectiveness’. It is easier to measure effectiveness Vis a Vis ethical morality because of confusion on ethical factors assessment. Leaders have a role to exploit stiffness

and clash within people values system and play the part of raising people's consciousness. Transforming leaders raise their followers through stages of morality turning their followers into leaders and hence leaders become a moral agent.

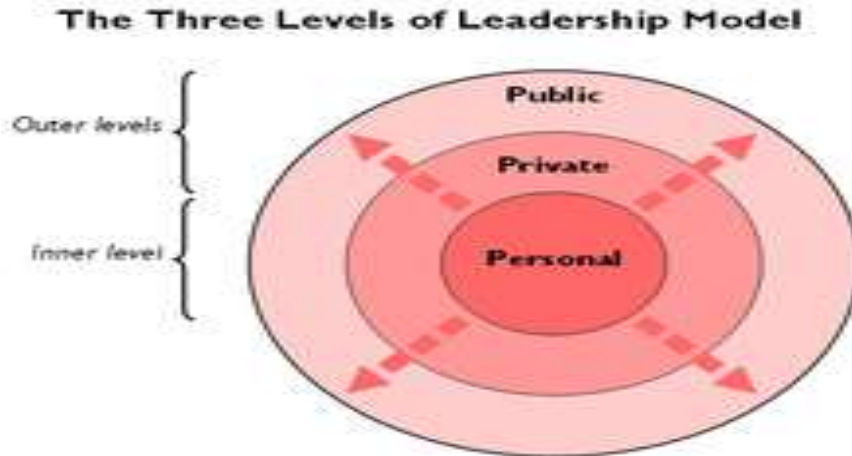
Other countries in the region of East Africa are grappling with an equivalent challenge (Ntayi *et al.*, (2003) in a study investigated correlation between moral schemas and fraud in public procurement. This framework named as moral schema adopted the involvements, outlooks, ethics of research respondents to survey and construct future behavior of public procurement staff framework on procurement-induced corruption in Uganda. In the study of Ntayi *et al.*, (2003), the framework acknowledged that procurement-related fraud as part of the social framework and human nature complex, producing reliable explanation for the acts of procurement related fraud. Within sub-Saharan Africa such an intensive research determining moral schemas and clarifying their effects on procurement-related corruption in public enterprises is exceptional. Moral schema framework has only generally been mentioned in few available studies on healthcare ethics not a combination of health care sector with procurement-related transactions.

There are several schools of thought that are connected to a change in organizational ethical climate – In servant leadership theory Robert Greenleaf opined that servant leaders leads with the intention to serve. Followers hence follow because they trust the leader akin to Transformational leadership, servant leadership elevates people. Normative theories of leadership are areas of leadership for scrutiny to ethical analysis and they provide rich ideas for developing future normative theories of leadership. One such current theory of leadership to interrogate leadership development is three levels of leadership model that was directly applied to explore the leadership constructs that are antecedent's to procurement ethics in Kenya.

Leading in such challenging times lay emphasis on the leaders developing qualities of courage, determination and emotional resilience. There is need to overcome fear, denial and lethargy for individuals, teams and the entire organization (Dean, 2010). Some of the measures to tackle procurement malpractices include instituting ethical committees, having people in charge of ethics docket, undertaking ethical training, disclosure mechanisms and writing codes of ethics. Further to this is leadership setting example, leaders should encourage followers to speak up on procurement malpractices because if employees are not assured that their values need to be voiced, then they are likely to conceal their views and perceptions.

Ethics is about playing fair, considering others' welfare and action consequence, drawbacks and benefits (Mihelic *et al.*, 2010). Bad leadership therefore causes moral lapses (Kellerman, 2004). Leadership development is based on trustworthiness which arise from competence; capacity, skills, results, track record and character; integrity, motive and intent (Covey & Merrill, 2006).

The three levels leadership model (also referred to 3p leadership model) is intended as a practical tool for developing leaders' leadership presence, knowhow and skill. It aims to summarize what leaders have to do, not only to bring leadership to their group or organization, but also to develop themselves technically and psychologically as leaders. The three levels referred to in the model's name are Public, Private and Personal leadership. The model is usually presented in diagram form as three concentric circles and four outwardly-directed arrows, with personal leadership in the center. The idea is that if leaders want to be effective they must work on all three levels in parallel (Scouller, 2011).



**Figure 1.1 Three Levels of Leadership model**

Source: Scouller (2011)

Approximately, 18.42% of the Global Gross Domestic Product (GDP) is expended through procurement (Mahmood, 2010). It is also estimated that 9%–13% of the GDP of the economies of developing countries is expended through procurement. In Angola, procurement accounts for 58%, 40% in Malawi, 70% in Uganda’s public spending (Basheka & Tumutegereize, 2010), and 60% in Kenya (Akech, 2005). Notwithstanding this statistic that unquestionably make the procurement prominent –an economic crime survey by PWC (2014) displays a shift of economic crime from “big three”- asset misappropriation, accounting fraud and bribery to the now “big five” with cybercrime and procurement fraud gaining evidence on rising trend of procurement malpractices. Unethical procurement practices deprive citizens, as well as private entities of the economic benefits of their taxes and natural resources (Transparency International, 2010). Public procurement in health sector has been crippled with scandals more recently.

## 1.2 Statement of the Problem

Auditor General's financial statement report established that Ministry of Health was ranked as the 4<sup>th</sup> worst ministry in accountability with over Ksh 402 Million unsupported expenditure. Unethical procurement practices are marked by inflation of prices by 30- 300% of pharmaceutical and non-pharmaceutical goods over the market price, non-compliance with policy and diversion of funds (SID, 2016). Empirically, there is a pressing plea to resolve the ethical lapses in procurement process. According to the World Bank (2010), unethical practices gnaw away Africa's resources, undermine its development and undercut the long term interests of the poor. According to a report of EACC (2016), devolved government has an upsurge of corruption that are ongoing with investigation. Procurement sector accounts for 46% of all the corruption cases. With devolution of health docket, county referral hospitals ethical procurement practices are therefore crucial unit of study.

Conceptually, we have budding studies on ethical procurement conducted in the public health sector. Several researchers have presented conflicting factors that influence ethical procurement. Contextually, different findings could be noticed on ethical procurement when research is done in a different context (Level 5 county referral hospitals in Kenya). Moreover, none of these studies examined a model to enhance ethical procurement. There still remain unresolved conceptual issues and limited literature on models that can be utilized to enhance ethical procurement.

This study sought to bridge knowledge gaps that exist along conceptual and contextual lines to establish whether leadership can be employed to influence ethical procurement. This study sought to address gaps stated above by establishing empirically vitality of the construct- leadership and organisation climate on ethical procurement. The three levels of leadership

model is potent and diagnostic in nature as it portrays leadership as an action availed to all at variant levels. Leadership is not reserved to the few with positions.

### **1.3 Purpose of Study**

To determine the influence of three levels of leadership model and organisation climate on ethical procurement in Kenya's County Referral Hospitals.

### **1.4 Objectives of the study**

1. To establish the influence of public leadership on ethical procurement in Kenya's County Referral Hospitals
2. To evaluate the influence of private leadership on ethical procurement in Kenya's County Referral Hospitals
3. To determine the influence of personal leadership on ethical procurement in Kenya's County Referral Hospitals
4. To assess the mediating influence of organisation climate between the three levels of leadership model and ethical procurement in Kenya's County Referral Hospitals

### **1.5 Hypothesis**

**Ho<sub>1</sub>**:- Public leadership has no statistically significant influence on ethical procurement in Kenya's County Referral Hospitals

**Ho<sub>2</sub>**:- Private leadership has no statistically significant influence on ethical procurement in Kenya's County Referral Hospitals

**Ho<sub>3</sub>**:- Personal leadership has no statistically significant influence on ethical procurement in Kenya's County Referral Hospitals

**Ho<sub>4</sub>**: Organisation Climate has no statistically significant mediating influence between the three levels of leadership model and ethical procurement in Kenya's County Referral Hospitals

## **1.6 Significance of the Study**

The insights from this research study are of great benefit to a wide array of stakeholders. First to benefit are county referral hospitals –The outcome of research sheds light on a better framework to inculcate ethical procurement whereby every personnel sees the influential role they play as leaders at a public level of leadership, private level of leadership and personal level of leadership. Second are policy makers -the study assists policy makers at national and county governments. More investment of funding is necessary for health sector not only in provision of necessary tools for work but also in cultivating an environment for productive work through capacity building.

Third to benefit will be professional associations -the research also assists professional associations such as Kenya Institute of Supplies Management and Chartered Institute of Procurement and Supplies in the approach of capacity building of procurement professional members- how members can make a difference in ethical procurement practices. Fourth, the research study assists regulators like Public Procurement Oversight Authority and Ethics and Anti-Corruption Commission to understand better why perceptions of procurement professionals on matters of compliance to the law and what ought to be done in the event of deviations to the set standards.

Fifth to benefit will be researchers – researchers benefit from the conclusions of this research and recommendations for further research. And lastly this study assists academia to equip a graduate labor force that is attentive to ethical procurement by developing leadership and thus affecting ethical climate where they will employ their skills.



## **1.7 Scope of the Study**

On 27<sup>th</sup> January 2017, a circular was issued by health cabinet to guide an exercise for hospital categorization in terms of the equipment available, infrastructure of facility and space it occupies. The aim of the classification was adherence to standards and National Hospital Insurance Fund payment clustering. The state reclassified hospitals across the country into six levels. Level 1 being community health clinics, Level 2 are medical clinics, Level 3 are health clinics, Level 4 are full hospitals(primary referral hospitals) , Level 5 are full hospitals(secondary referral hospitals) and Level 6 are the National Referral Hospitals (Tertiary Referral Hospitals).

County referral hospitals through the respective county governments' initiatives are planned for a major upgrade to referral and teaching hospital status. They have a prestigious position compared to other county hospital (previously referred to level 4) hospitals as they all recently received extra ( theatre, sterilization, radiology, Intensive Care Unit and dialysis) equipment from the national government to aid in specialist health care service delivery alongside the National Referral Hospitals such as Kenyatta National Hospital and the Moi Teaching and Referral Hospital. Ethics is key within the health sector whereby the county government as well as donors want value for money and execution of procurement transactions in an ethical manner (Zhou, 2011).

This study was conducted in level 5 hospitals which actually were at the intermediate level between national referral hospitals (level 6) and level 4 hospitals also known as sub-County referral hospitals. The 12 level 5 county referral hospitals include Coast Province General Hospital, Embu Provincial General Hospital, Kakamega Provincial General Hospital, Kisii Level 5 General Hospital, New Nyanza Provincial Gen. Hospital, Machakos Level 5

Hospital, Meru Level 5 Hospital, Nakuru Provincial General Hospital, Chepterwai Sub-District Hospital, Nyeri Provincial General Hospital, Thika Level 5 Hospital and Moi (Voi) District Hospital.. These level 5 county referral hospitals do not work autonomously but they have guidance, support and collaborations with county governments on procurement process execution.

### **1.8 Limitations of Study**

This study was subject to a number of limitations since ethical procurement is a sensitive area of study. Some institutions and respondents had inhibitions and unwillingness to give information regarding their procurement processes and ethical status in procurement docket. Secondly, this study targeted all the procurement staff in county referral hospitals and their counterparts in county government. Ordinarily, it was not possible to find all of them as some were on trainings, leaves, others like heads of procurement were in meetings and not easily accessible. Thirdly, some institutions required payment for other official research fees for data collection from their institution. This requirement was in addition to obtaining all authority letters. The institutions indicated that the obligatory institutional research fees were customary and had to be paid before embarking on actual data collection.

The challenges were addressed by ensuring that questionnaires were well constructed to capture ethical and leadership measures objectively. More importantly, the researcher assured respondents of utmost confidentiality and especially more that study findings were strictly for academic purposes. On the second challenge- researcher remained consistent and diligent until sufficient data was collected even if it meant going back to meet those who were willing to respond but unavailable for one reason or the other. On the third challenge- researcher had to pay the official fees so as to comply with the conditions given. The official fees in the two institutions were about seven times more than what NACOSTI had requested for.

## **1.9 Assumptions of Study**

This study relied on respondents views to draw findings of this research. The study assumes that respondents' views are truthful and a reflection of the current setting of ethical procurement practises in level 5 county referral hospitals in Kenya.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter contains theories relevant to this research study such as the systems theory, agency theory, stewardship theory and the stakeholder's theory and empirical literature review based on study objectives. Lastly, the conceptual framework and its operationalization have been tackled.

#### **2.2 Theoretical Framework**

Theories are established to describe, predict and apprehend phenomena as well as to challenge and broaden the existing knowledge within the limits of specified assumptions (Sekaran, 2005). Theory application enables the researcher to elucidate apparent facts and to provide a conceptual basis to envisage future events (Salkind, 2006). To build upon prior research and establish a conceptual framework, the researcher uses four theories - systems theory, agency theory, stakeholder theory and the stewardship theory. A convergence of these four theories assists in the modeling of patterns of behavior of leadership in context of ethical procurement.

##### **2.2.1 Systems Theory**

Ludwig von Bertalanffy founded and advanced this theory (Laszlo & Krippner, 1998). A system is described as a set of two or more interrelated elements, where each element has an influence on the functioning of the whole. Each component or part is impacted by at least one other part in the system and all probable subgroups of components have a bearing on outcomes of whole system. A system therefore cannot survive in isolation nor can on its own perform functions if not supported by each other (Laszlo & Krippner, 1998; Fredman &

Neuman, 1999). This alludes to a continuous interaction with the environment. According to Woodside (2010) system is either open or closed depending on whether or not it does interact with surrounding environment. According to Morris (1996), open systems are subject to change, have overwhelming interaction of information exchange and the concept of synergy is also foundational where whole system is more than the sum of its parts hence its core in developing strategies of systems.

Systems theory that states that organizations are open systems whereby they interact with environment for their obtaining input and marketing of output. This theory involves knowing and managing self and the environment. Therefore social responsibility and practices that enhance relationships become paramount. Related to the systems theory is the social learning theory by Bandura (1986) that indicates that detecting and emulating behavior of important social contracts happens at workplace as it's a system with information flow and feedback loops. For instance from the leader, followers learn how to interact and respond external scenarios (Liu *et al.*, 2012). Organizational leaders steer organization growth and interact closely with followers on task execution and accomplishment. Leaders also make important decisions on employee career development making employees tend to carefully observe leaders behavior and decide to behave accordingly (Mayer *et al.*, 2009).

Any county referral hospital is automatically concerned about its outcomes in health service delivery as well as its sustainability. To do this, it does interact with the environment being an open system since it deals with external or surrounding environment. All county referral hospitals deal with patients, employees, financiers (being private donors or the county or national governments, suppliers, community and other stakeholders. In this perspective consequently, the systems theory is pertinent to the research because the county referral productivity is intended to definitely affect the environment in a positive manner. Such

progressive effect can only be sensed if the county referral hospitals are sustainable- a factor dependent on how the hospitals handle components/ parts that are critical to the system. Changes of the system may be either dramatically noticeable or more subtle and can only be picked out over a long duration of time as they creep into the industry slowly, an organization must adapt or control the environment for it to survive and thrive (Morris, 1996). In the current study this theory is crucial as it explains the nature of the operations within county referral hospitals. It denotes that organisations operate in a manner that influences the whole. Practices of the procurement department (ethical or unethical) are quite crucial as it affects how the hospital relates with the environment.

### **2.2.2 Agency Theory**

This theory having its roots in economic theory and is expounded by Alchian & Demsetz (1972) and further developed by Michael Jensen and William Meckling (1976). Agency Theory is the main theoretical framework in corporate governance research (Eisenhardt, 1989; Jensen & Meckling, 1976; Hermalin & Waisbach, 2002). Consequently agency theory has an authoritative established argument in the organizational economics discipline. It has been very productive in examination of nature of relationships that exist between principles and agents in a firm (Denise 2001). Assumptions of this theory are primarily on goal incongruence and differing risk attitudes between the principal (who has main motive of wealth maximization) and the agent (who may have desires such as career goals, attractive compensation packages, plush offices and corporate tips. Agents above all else, pursue his own interests to the detriment such as secure their job security predominantly whence condition of uncertainty and informational asymmetry prevail.

At the core of agency theory is a conflict of interest that lies with goals and attitude differences between principal and agent (Berle & Means, 1932; Jensen & Meckling, 1976) that results in agency costs. In this agency theory, shareholders are the owners or principals and they employ and appoint the agents to perform work. Principals delegate the running of an institution to the directors or managers, who are the shareholder's agents (Clarke, 2004). According to (Jensen, 1993; Denise, 2001; Berglof & Claesens, 2004) there is an emphasis on the need of principals instituting monitoring mechanisms to deter them from deviating from their interests. Incentives can also be applied to align agent's interest with that of the principals in addition to monitoring costs such as composing a more independent board. The predicament of agency relationship lies therein in how chiefly to enhance job performance of the agent so that he is inclined to take actions that are in the best interest of the principal (Eisenhardt, 2009; Jensen & Meckling, 2006).

The difficulties of agency theory are eminent in both the private and public institutions whereby the ownership of these institutions is different from the management. Management will in most cases put their welfares first at the cost of the other stakeholders and lay more emphasis more on the short term goals while long term goals are not been factored. The agency theory is relevant in explaining principal –agent relationship between owners and managers/employees of the county referral hospitals. This implies that this study relied on agency theory to examine the institution structures set up to detect ethical practices in the procurement of commodities for county referral hospitals. The procurement public officers are predisposed to moral hazards of acting opportunistically and abusing power at the expense of the principal essentially.

In the present study the agency theory is fundamental in addressing issues of conflict of interest as well as streamlining governance issues that arise within the procurement department. Monitoring mechanisms to address conflicting goals between the agents and principals is pertinent. Alignments of goals through reward schemes can also be contextualized using this theory. Agency theory is however critiqued as having lenses of the owners seen as main stakeholder (Lan & Heracleous, 2010) therefore decisions are bent to maximize shareholders wealth only. Thereby this theory is criticized for ignoring interests other stakeholders the expense of employees, customers, the environment and community at large. To counter this view that agency theory geared that managers are working and serving the shareholders interest, stakeholder theorists suggest that managers in organizations have a network of relationships to serve. The latter theory, contends that while engagements of managers may attend the interests of shareholders, other stakeholders whose interests must be taken care of as well (Freeman, 1999). As such, the both theories can be looked at side by side.

### **2.2.3 Stakeholders Theory**

The stakeholder theory was developed by Freeman (1984) whose premise is to integrate corporate accountability by broadening the range of stakeholders. Contributors to this stakeholder theory include (Friedman & Miles, 2002; Phillips, 2003). Stakeholder theory has its roots in sociology and organizational behavior disciplines (Wheeler *et al.*, 2002) and thus the theory, is less of a prescribed fused theory and more of an all-encompassing research, integrating philosophy, ethics, political theory, economics, law and organizational science. This theory highlights the importance of the link between the top management staff with the stakeholders.



According to Oakley (2011) the stakeholder approach offers a multi-dimensional approach for enterprise strategic management anchored in strategic management and it does extend the management view of their roles and responsibilities beyond profit maximization. As such the institutions management ought to conceptualize and understand expectations of various stakeholders towards attainment of goals of that institution. Stakeholder approach consolidates a comprehensive understanding of the firm and its environment. Stakeholders can be either be external or internal; primary or secondary depending on the stakeholder relationship with the firm and depending on how they are treated they can turn out to be cooperative or competitive to the institution agenda.

The stakeholder model recognizes all persons and groups with legitimate interest from an institution either directly or indirectly. Stakeholders need to be strategically monitored and managed (Patton, 2008; Post, 2002). According to McManus (2004) stakeholder management has an impact on the survival and the thriving of an institution. The process of stakeholder engagement does commence with proper identification of stakeholders and determining the best approach to aggregate all interested parties (Newcombe, 2003) and more importantly is categorizing of stakeholder groups in relation to their power, expectations, purpose, needs, power, control, legitimacy and urgency regarding the firm (Mitchell, Agle & Wood, 1997 ; Jones & Politt 2002).

The stakeholders are expansive and may include shareholders, associated establishments, employees, creditors, financiers, customers, governmental bodies, political groups, trade associations, trade unions, prospective employees, competitors and prospective clients, communities, suppliers, contractual professionals, lobby groups and the public at large. With

the various groups onboard (Hillman & Keim 2001) acknowledges that, stakeholder theory in context with corporate social responsibility.

Stakeholder theory posits that organizations have relationships internally and externally to safeguard. It is of importance to maintain harmony and meet various stakeholder expectations. Ethical procurement practices are embedded heavily to the broader concept of good governance and building of trust is core to sound relationships with various interest groups that extend beyond just the shareholders to the society at large (Reham *et al.*, 2009 ; Wilson, 2000). Organizations have collective duties to entire society public indeed beyond economic considerations (Carroll, 1991; Murphy & Poist, 2002).

This theory therefore assists in the better understanding of the influence of stakeholders on how county referral hospitals execute the procurement processes and the impact on economic, social growth especially health delivery. County referral hospitals have employees who are procurement officers as some of the key stakeholders who can be lead appropriately, trained and motivated towards ethical procurement practices. Such strategies for stakeholder management can develop ethical climate within county referral hospitals. The theoretical grounding expounds on potential interest groups such as regulators, professional associations and government on the matter of ethical procurement. Employees are also pertinent stakeholders and inclusion of the three levels of leadership in this study anchors the value of internal stakeholders in inculcating ethical procurement. The stakeholder theory helps to uncover the hierarchical applicability of the tiers of leadership model (public leadership, private leadership or personal leadership).

#### 2.2.4 Stewardship Theory

Stewardship theory was developed by Donaldson & Davies (1991 & 1993) and has its roots in psychology and sociology and the protagonists opines that agents are stewards who manage an institution conscientiously to advance its performance (Donaldson & Davis, 1991; Muth & Donaldson, 1998). A steward is defined as a person who safeguards and get the most out of shareholders wealth through firm performance (Davis *et al.*, 1997). Hence managers should be given independence based on trust and this theory advocates that are naturally trustworthy stewards ensure that they are no major agency costs (Donaldson & Preston, 1995) because left on their own, executive managers are responsible stewards of the assets that they control and perform a good job. This theory is suitable for elucidating corporate governance wherein within company law is the requirement that directors show a fiduciary duty towards the owners of the company (Tricker, 1994); the theory is grounded on the belief that managers are just honest and good stewards of the corporations who industriously labor to achieve organizational goals (Clarke, 1993; Donaldson & Davis, 1994).

Champions of stewardship theory and agency theory see each theory as contradicting the other Donaldson & Davis (1995) raising the probability that there is some insufficiency in the methodologies for the various studies they mention which offer support for both theories. Davis *et al.*, (1991) cites that in spite of agency theory being the overriding theory in corporate governance studies, it has been reviewed as being insufficient due to its limited ability to explain sociological and psychological mechanisms inherent of the principal-agent. Arguably stewardship questions the distrustful suppositions advanced by agency theory about human nature. Like Douglas McGregor's theory X and theory Y managers' contrasts, the stewardship theory suggests that the dilemma of governance may lie not in the individualism of the managers but rather in the assumptions that detach other stakeholders which as a

practice may unintentionally distort or weaken the leadership of a company or an institution. Stewardship theory is projected as contrast to the agency theory. Unlike agency theory, stewardship theory debunks not on the perception of individualism and extrinsic motivation (Donaldson & Davis, 1991) but reasonably on the stewards (top management) loyal responsibility of assimilating objectives as part of the organization.

Stewardship theory defines situations where managers are stewards whose motives are aligned to organizational objectives of the principal. Leaders must overcome poor financial stewardship and develop followers to do likewise. The stewardship theory is in sharp contrast presently to the global dynamics where bribery and corruption are very prevalent thereby demanding scrutiny on the way to be stewards of the organizations as a global phenomenon (Arminas, 2002). Creeping since the 1990s, there is little indication proposing that fraud is yet to decrease Bappaditya, (2011). However, a passive embrace of ethical ideals is not enough - living them and helping others do likewise is the actual clarion call of this research. Leadership demands that there is guidance for employees and exemplary conduct for moral development. Organizations should hire, train and develop leaders, who work on the premises of stewardship theory. (Davis, Schoolman & Donaldson, 1997). Leaders whose morality is above par.

However, the challenge of appreciating theories and their application lies in amalgamation of the best of both models and advancing conceptual development (Hambrick, 2005) rather than seeking to portray one as being relatively superior or relatively inferior to either theory. This theory is applicable in this research where managers of county referral hospitals are presumed as having ability to be benign in their actions and having the ability to align themselves to owner objectives of institution as their aims and objectives are not opposed to those of the owners (Donaldson, 2008). Goal convergence rather than manager's individualism is

highlighted in the stewardship theory. Convergence of values rather than conflict of interest is the premise of the stewardship theory (Dicke, 2000). Collective goals in contrast to individual goals are the focus of a steward and success of the county referral hospitals motivates procurement employees. It's important to note that leaders are expected to be mentors who can be dependent on by the people that one is leading. In this current study, stewardship theory is relevant in elaborating the essence of leadership as stewards serve a role in safeguarding interest of those who have entrusted them with resources.

## **2.3 Empirical Literature**

### **2.3.1 Ethical procurement**

According to Hannah *et al.*, (2005) ethics is a part of one's remembrances as programmed and deposited from one's moral involvements, contributions and thoughts. This research study questioned the extent to which procurement leaders in Kenya are moral agents and the role they are playing in raising people's consciousness towards ethics in their organizations. A report by Transparency International (2010) recommends that ethical standards should be enhanced to reduce unethical practices which is caused by a lack of procedural framework to tackle integrity issues in public procurement (World Bank, 2010). Public officials have often enriched themselves and those closest to them by misappropriation of what is conferred on them (Basheka & Tumutegerize, 2010). Such procurement malpractices are manifested by conflict of interest and abuse of office which often drain public resources (Aliza, Stephen & Bambang, 2010). The current study wishes to extend this literature by examining the current procurement practices among county referral hospitals in Kenya.

According to Mosoti, (2005) procurement malpractices take variant such as overpricing, tender specifications discrepancies, bias in tender evaluation processes, timelines of opening adjustments, conflict of interest by bidding of employees, undertaking restricted tendering

rather than open tender, non-advertisement of tenders, conflict of interest by strong links between supplier and the buying organization, specifications being drawn in the favour of a certain supplier, not taking into account capability of the supplier while selecting, procurement items being acquired without factoring time value of money, capital equipment acquisition whose evaluation criteria doesn't factor life cycle costing and undue disclosure to a rival firm among others malpractices. Of importance to this study is that procurement process in Kenya's county referral hospitals has areas of apparent or potential conflict of interest and it is important to ascertain if ethical procurement is taking a positive trajectory.

Within the region, these malpractices are not unique to Kenya (Tandoor & Koehn, 2004; Nwabuzor, 2005) - Uganda National Integrity Survey Report (2002, 2006), reveals a presence of bid rigging in public procurement. Malpractices being provision of confidential information to a favored bidder, divulging information to enable lower pricing of contract, material changes being done forthwith resulting to increased contract price and inflation of profit margin of the bidding firm. Court & Hyden (2001) similarly lists non-compliant issues to include contract award, tendering and bidding procedures, bid evaluation process, reporting, performance of contracts and record keeping. According to Ayhan and Yilmaz (2015) direct procurement may be operated to undermine competition. It is crucial to have leveled treatment of bidders as an aspect of governance. It is also important to ascertain threshold values for each tender type. In the recent literature on ethical standing of procurement department within East Africa region, researchers have documented a myriad of ethical slights that this study aims at addressing.

The instances noted in World Bank (1998) captures predominance of procurement fraud during preparation of tender documents, advertising of tenders, tender documents opening, bid evaluation processes, approval of bids, contract award and in contract execution. Officers responsible for procurement may find ways to dodge the procedures and rules that govern

thresholds for competitive bidding; such that tenders may be designed to suit particular suppliers, bidders may attempt to exert improper influence or have some may collude during project implementation to unjustifiably escalate project costs. Ware and Noone (2003) have exposed that inducements or bribery is a common feature in public procurement in developing countries. The repercussions of poor procurement practices are the impediments of sustainable development and adverse bearing on economic growth (Jeanette, 2008). The above named indicators of procurement fraud will be examined to assess the level of ethical procurement among county referral hospitals in Kenya.

World Bank (2003) cautions on the potential ill of over specification that may hinder bidders from competing and reduce competition while still attempting to have objective bidding (Lloyd, 2009). Procurement fraud can take place at every stage in the contracting process either by inflating demand or creating artificial demand especially for businesses with fluctuating cycles (Naylor, 1999). Pidaparthi (2006) notes that it is all too easy to set the rules of the process to be in favor of a few. At the post tender stage there is risk in regards to rejection of bids on flimsy grounds, alteration of contract conditions and acceptance of inferior goods or services. It is always an acute repercussion where kickbacks sought by buyers come in exchange of weaker delivery for the suppliers. To curtail procurement fraud measures must address tender designing and institutional measures. Corruption is very strongly associated to the award of public contracts although international best procurement practices recommend transparency in tendering and consistent following of regulations. (Rothery, 2003). This study takes an interest in evaluating how international best practices have been indorsed among county referral hospitals in Kenya.

Mugazi (2005) illuminates that approximately \$107Million is lost annually to through procurement fraud transactions in Uganda. Public procurement officers predominantly attribute this to feelings of scarcity, uncertainty about survival and the economic environment aggravated more by poor economy where access and distribution of resources is uneven resulting in systemic corruption. Further, poor pay and society social roles (Ntayi *et al.*, 2010) of procurement staff result into increasing toxic experiences which direct them to fight for survival, through corruption (Young & Brown 2001). Procurement-related fraud is defined as the deviant behavior demonstrated in the procurement process as favoritism of a certain supplier with the intent of gaining an advantage for oneself or a third party (Chopra, 2005).

Managers of procuring and disposing bodies need to develop ethical scripts in reducing fraudulent procurement. Ntayi *et al.*, (2003) in a study that provided an alternative framework where explicit elaboration of insights on handling corruption are lacking particularly in, Sub Saharan Africa encourages managers to promote ethics and value-for-money transactions. In a Turkish study, Ayhan and Yilmaz (2015) acknowledges public procurement official's role cannot be understated as they are not just responsible merely for smooth simple and technical aspects of a procurement transaction. Public procurement does serve national agenda economically, socially, politically and purposes in reserve distribution and transfer of investment. Therefore, executing and supporting governance practices in the procurement system are a vital yet demanding task. In this study, the researcher assesses Turkey's public procurement system as one whose governance principles that were visualized to have been weather-beaten to a great extent just like the situation in many sub Saharan African countries.

Unethical procurement is manifested by opportunism, gift giving and bribery (Ayoyi & Odunga,2015), violation of ethical codes whereby tendering is not executed in a transparent manner wherein bribes are solicited (Ndolo & Njagi, 2014), disclosure of privy information to give advantage to undue parties (Amemba *et al.*, 2015) worse, there is informal cartels



that are difficult to dislodge, much as they dominate suppliers and those outside – they are not interested in exposing the manipulation but rather try to find ways to get into them so that they too can financially benefit (World Bank,2006). Procurement fraud occurs at vendor selection, vendor contracting; bid process, payment process and quality review stages of procurement cycle.

According to Ayhan and Yilmaz (2015) public procurement found the application of governance ideals and practices such as transparency, anti-corruption, equal treatment, reliability, confidentiality, fulfillment of needs promptly, competition and efficient use of resources. Regulations ensure compliance with international standards. However, existence of such governance ideals does not guarantee these systems never undermined. Such non-compliant behavior of public procurement officers undermines legislative enactments. Nwabuzor (2005) establishes that weak enforcement of rules is common in developing countries such as Bangladesh, India, Srilanka, Nigeria and Venezuela. Such undermining of governing ideals reflects on low public concern of procurement regulations (Weber, 1994). Whenever governance ideals are upheld Murphy & Tyler (2008) note that compliance with rules becomes more enhanced. The governance ideals upheld by county referral hospitals are pertinent in this recent study to understand how they influence how procurement department undertakes its role.

Bappaditya (2011) demonstrates the great importance of public procurement as it accounts for a substantial part of worldwide economy. It is estimated to be up to 20 percent in developing countries. Indeed, public procurement has various objectives that are often tradeoffs. Public procurement determines amount of spend and standards of quality adopted by the entire economy. As such regulations in public procurement are designed to have processes and systems to deter fraud and wastage. Accountability is ingrained to enhance

rules and regulations that press for fairness. As such systems must encourage efficiency, fairness, attainment of stated objectives and transparency which is a common concern for all countries (World Bank, 2003). Statistically, public procurement accounts for a vast amount of resources and it is critical that procurement department within county referral hospitals be able to execute the process in an accountable manner.

Despite public procurement developments from lack of regulations prior to 1960s, to use treasury circulars in 1970s,1980s and 1990s to the full-fledged Public Procurement and Disposal Act (2005) (Ayoyi & Odunga, 2015) , effective application of procurement ethics has remained a major challenge for organizations across the globe (Ndolo & Njagi, 2014). Even after much regulation, public procurement is still marred by inefficiency and lacks transparency that amount to loss of billions of shillings (Transparency International, 2014). This study therefore related ethical procurement to the factor of leadership because in Kenya what is amiss is not inadequacy of regulation but perhaps inadequacy of will to undertake ethical procurement.

Benefits of ethical procurement include long-term efficiency and effectiveness, stakeholder's satisfaction and long term competitive advantage (Ayoyi & Odunga, 2015). Further, it is a measure of corporate social responsibility that derives the organization brand that affect performance and delivery. This is core as staff are organization representatives and ethical dealings lead to long term relationships and establishment of suppliers' goodwill and claim of professional status of buyers (Ndolo & Njagi, 2014). This clear merits of ethical procurement have not dissuaded procurement practioners from malpractices, neither has professionalism nor has regulations such as ethical codes proved to be sufficient deterrents (Ayoyi & Odunga, 2015). Therefore the question is if Kenyan leaders have lost will to act ethically (Ndolo & Njagi, 2014). If this is the case it is suggested that Kenyans should be indoctrinated in ethics

from the youngest age through college expounding on the role that leaders play in defining ethical standards so as to shape organizations for posterity.

### **2.3.2 Three Levels of Leadership Model**

Leadership models are built to propose appropriate leadership actions to utilize in a particular environment. They are usually represented in a pictorial form. A model depicts an approach through which a leader enhances positive results by meeting targets and fulfilling business goals. Leadership models ought to be simple to comprehend and well systematized.

Some common leadership models include one, managerial grid which applies leaders attention to task which is referred to as concern for tasks and their attentiveness to people which is denoted as concern for people. The two paradigms represent employee orientation and production orientation. The two dimensions once ranked as either being high or low depicts a leader's envisaged outcome of leadership. The leadership grid quadrants creates either country club, team leader, impoverished, authoritarian or middle of the road. The model is however criticized that the simplicity of using two ranks (task/ people) is far too simplified to explain human behaviour however it is a good place to start with on the leadership model (Northouse, 2004). The managerial grid can be contextualized within behavioral theory of leadership.

Bolman and Deal (1991) suggested four framework approach which relies on leaders demonstrating competencies either politically, human resource, structural and symbolic. The four of this categories create a framework in which a leader can execute their influence on. The consequences of each of the quadrants illustrates how a leader can be effective or ineffective in application of the model. There are times a certain quadrant is more effective for application than others. Each leader must identify their natural inclination towards a

certain approach. Understating each of the four frameworks is crucial to avoid limiting oneself by having a preference for just one approach.

Another leadership model is the situational leadership model which directs a leader on how to advance and cultivate skills of a worker as determined by a specific work situation. The situational leadership theory was developed by Paul Hersey and Ken Blanchard. Depending on the situation - the leader can either direct, coach, support and delegating. The model stipulates a four step presentation contingent to employee performance and motivation (Northouse, 2007).

The three levels of leadership model is a leadership development model that helps leaders become better. It was selected for this study because it pools strengths of earlier theories while addressing their probable weakness. Scouller agrees with trait theory, strengths of distinctive traits is exemplified in the leadership presence which is portrayed in three levels of leadership model. Rather than relying on a set of character traits, Scouller advances that leaders should let their distinctive flow ebb from their individual personality and express their character strengths in the best way possible. The leadership presence need be developed through self-mastery (Scouller, 2011).

The behavioral school of thought falls short in articulation of how leaders ought to work on their psychology to adopt appropriate work behaviour. The three level of leadership advances that leaders values are the fulcrum upon which leaders can flex their approach according to circumstances. The situational theory attempts to match behaviour to circumstance, it is presumes leaders can change their behaviour at will. By incorporating leadership presence, the three levels of leadership gains ground on how leaders can impact change from the core. Incorporation of leadership presence makes the three level of leadership model a complete guide to becoming a better leader (Scouller, 2011).

According to Scouller (2011) leadership is a process that ensures that there is leadership. Meaning a leader need not be at the front but can delegate and share the leadership responsibility. The three level leadership is four dimensional- calling for vision sharing, task achievement, Team collectiveness and individual attention. For effectiveness across the dimensions- Scouller advocates for working on leadership simultaneously from the inner dimension- personal leadership which is the source of leadership effectiveness to the outer dimensions (private and public leadership).

### **2.3.2.1 Personal Leadership and Ethical Procurement**

In study conducted by Goeffe and Jones (2000) reported that while many have positions we have few leaders because many decline to practice leadership. Leadership is a huge challenge. This is the basis of the researcher using the three levels of leadership model which is viewed as a developmental school of thought of leadership as the leader needs to take conscious steps to become a leader. According to Mostovicz *et al.*, (2009) this view is rooted in existentialist phenomenology holding that leadership is grounded in experience and experienced by personal interpretation of specific meaning.

Personal leadership the core of the model augments leadership presence, technical knowhow, skill, attitude to other people and psychological mastery. Studies by (Faite, 2013; Trevino, Brown & Hartman, 2003) have argued that whom a person is precedes what they do. It takes self-awareness, real courage, honesty and leading by example to be conscious admit and manage of one's growth areas as well as strengths. Personal development upon honest assessment distinguishes one leader from the others. This aspect is very crucial in this study to establish if the procurement officers that execute procurement process exhibit personal leadership. Further, this study will establish if the organisation climate promotes or hinders the execution of ethical procurement.

In a report by Asian Development Bank, (2004) it is acknowledged that whereas corruption happens in all areas of public undertakings, the area of procurement activity is the most extensive in corruption. Procurement fraud is attributed to public sector officials not being able to get sufficient pay and lack of high degree of professionalism of the workforce is also an amplifying challenge. They acknowledged vice and moral decadence where the new group public staff promote their self-seeking welfare (Manyak & Katono 2010). The organisation climate such as adequacy of reward, trust of the work environment, warmth and consideration are contextualized in this study to assess if the procurement officers get an environment within which they can practice their personal leadership.

According to Atkinson (2003), ethics is regarded as a very prominent code to be observed while undertaking public procurement. Professionals in public procurement are thereby held to higher standards of ethical conduct than staff in other professions, nevertheless countless procurement staff are unaware of the high expectations that the profession demands on them ethically. Statistic indicate that out of the approximately 500,000 purchasing professionals, only 10 per cent of these are members of a professional Membership Institute in Supply Chain Management Association in the United States. The professional association referred to trains members in purchasing ethics. The 90 % remainder are not even acquainted with the ethical and legal standards involved in procurement. The current study wishes to extend this literature by examining whether procurement professionals officers have enrolled in professional associations to help them with ethical trainings to enhance ethical procurement.

According to Commonwealth Procurement Guidelines (2005) staff involved in public procurement must not abuse their positions. Therefore ensuring ethical standards are adhered to the finest attainable procurement standard. In this way, the concept of professionalism must work hand in hand with principle of ethics. Professionalism tackles the levels of

education, the qualifications of procurement staff and more importantly is the professional attitude in the manner that they execute the business activities. In such a scenario, that is not an exception to procurement professionals in other countries in Sub Saharan Africa- where the workforce is ignorant of their expectations and the role they play ethically serious problems may occur. Benchmarking in public procurement has therefore been suggested to improve ethical inclination (Atkinson, 2003). This aspect is very crucial in this study to evaluate if the procurement officers in county referral hospitals have the requisite professional grounding to help them undertake technical tasks in a responsible manner. Without professionalism -personal leadership may be inhibited.

According to Lefton (2000) individuals develop an outlook on social practices from cultured experiences whether to assess situations as good or bad, right or wrong. Staff handling public procurement pick understanding from structures within which they operate to determine their actions and judge consequences of their actions. Haidt (2001) argues that individuals frequently make ethical verdicts devoid of evaluations and apprehensions such as impartiality, regulation, human rights, or abstract ethical values. The same argument is backed by Ntayi *et al.*, (2010) who argues that aspirations to apply the procurement regulations, guidelines and procedures is done only to uphold or advance ones social roles. This then suggests that public procurement officers reasonably evaluate their characteristics, responsibilities and gauge the outcomes of being caught in a procurement irregularity before even pondering about regulatory compliance decision. This aspect is pertinent to the study because person leadership is exercised in a certain social setting. For this reason, organisation climate will be evaluated to assess if it mediates the relationship between personal leadership and ethical procurement.

A personal pursuit of selfish interest, competitive behavior and deviation from social norms is prevalent as acknowledged by (Ntayi *et al.*, 2012). Social value configuration disregards this fact. Manyak and Katono (2010) lay emphasis on the social political context of decentralization in Uganda as a factor that is highly attributed to corruption in their country's local government. The specifics that fuel the social value context include abject poverty, illiteracy, ethnic differences, fraudulent and unproductive government that undermine value-for-money as a major objective to achieve for public procurement. This literature mirrors objective of the study as it will determine how the organization and societal values mirror how the procurement professionals execute their role in procurement department.

The objective of personal leadership draws light from Goleman (1999) who views emotional intelligence taxonomy as a cornerstone of great leadership. To amalgamate this view Garcia (2009) states that emotional intelligence entails four fundamental capabilities self-awareness, self-management, social skills and social awareness that is a helpful too in managing emotions and building relationships. Leadership adopts self-leadership by relying on one's moral compass to guide in ethical direction (Brown, 2007). This can be achieved through self-reflection that comprises interrogation of ones thoughts on leadership thereby reconstructing self as an organizational decision maker. In conclusion, personal leadership is consistent with emotional intelligence as ethics is related to technical, psychological and personal development.

### **2.3.2.2 Private Leadership and Ethical Procurement**

Another way of improving a leader's ethical position is private leadership that calls for interaction with others to help reveal any hidden agenda over time (Mostovics *et al.*, 2009). The exertion of Robin (2010) suggests that networks for development can be done when



inducting new leaders through coaching. A salient feature of leadership is relationship and trust building (Faite, 2013; Winston, 2002; Shin & Zhou 2003) all shared the view that supportive relationships between a leader and a follower enhance intrinsic motivation while obstructive relationships reduce intrinsic motivation. Studies by Mihelic *et al.*, (2010) notes that “it is walking the talk”- that translate the values into action and enhances growth of trust and respect for the leader. When followers see leaders going an extra mile they follow suit. This literature is pertinent to this research as it is synchrony with the objective of ascertaining if private leadership has an influence on ethical conduct of procurement officers in county referral hospitals.

Organization ethical climate is strongly inclined to the actions and the influence of top management (Gatewood & Carroll, 1991; Schermerhorn *et al.*, 1994) this is critical because it is the top management that institutes the performance evaluation system meaning staff are inclined to take actions that favor their concurrent evaluation. As such if procurement staff sense management do reward ethic action they would act ethically. If they sense that errant ethical behavior is not disciplined, they may also act unethically. Leadership have a role in shaping the ethical climate as their own behaviour is replicated by those undertaking procurement tasks in county referral hospitals.

Several fears such as getting caught, fear of getting punished and fear of losing face thereby do affect the level of public procurement regulatory compliance. When a non-compliant procurement staff colleague gets away with it, the peers change their estimation of the likelihood of being caught. This view is constant with empirical studies of (Allingham & Sandmo, 1972; Becker, 1968) who publicized that the benefits resulting from a corruption, the predictable penalty and the probability of being caught are dominant elements of compliant behavior. The current study wishes to extend this literature by examining how private leadership advances ethical procurement.

Ntayi *et al.*, (2010) emphasized the process of familiarization process with an organization is increasingly important as procurement staff get grounded in the procurement profession. Their colleagues and top management are vital in the development and modifications of their plans from the moral schema framework. Procurement staff goes through a process of inclining their actions to what would be approved by significant others in the profession. There is an inherent selective internalization of peers and superiors' thoughts, ideas, advice, feelings, experiences and behaviors.

Schwert (1993) however opposes this view that individuals are “capable of rising above their own narrow self-interest’ more so if their individual responsibility is greater than the welfare of others.” A view shared by Sivacek & Crano (1982) who empirically depicts that self-interest predicts human behaviour. These collaborating views argue that prevalent negative work behaviour also comes from a human attitude of people to analytically exaggerate their value and importance in rankings with their peers (Baker *et al.*, 1988). Green and Cowden (1992) defend this argument stating that the self-seeking view of individuals is prevalent as they seek to undertake cost-benefit analysis. The benefit element being “ a self-interest reflection”- by asking oneself “the likely utility derive personally from a certain action” before showing yielding behavior which is the cost.

Ntayi *et al.*, (2010, 2011a, b) counters the argument that self-interest override social setting. Similar to our own Kenyan setting, Uganda empirically has shown that social structure explains non-compliant behaviour in public procurement officers. Public establishments are seen to have a patterned institutional provisions that homogenize the actions of the public procurement officers and reduce their autonomy and fairness such that they work in a team oriented corrupt environment (Ntayi *et al.*, 2010). The link between collusive teamwork, dominant self-interest, rivalry and regulatory compliance in Uganda has not appealed much

in empirical research (Ntayi *et al.*, 2011). This study therein ties in the leadership levels and ethical procurement.

In line with the institutional theory (North, 1990) remarks that organizations provide established structure, standard operating procedure and control mechanisms which reduce ambiguity in work relationships as such work boundaries are specified. Employees become certain on what actions are permissible as well as what is prohibited. Clarity is also shed on the provisions under which work should be undertaken. Public procurement staff operate in an environment of societal interdependence and competitive positions requiring serious consideration before making procurement-related decisions. Procurement staff must therefore make a verdict to either comply or non to conform to the procurement regulatory agency (Burger *et al.*, 2004; Cialdini, 2001). This study has operationalized those instances where in private leadership is applied in an organisation setting. Certainty on how top management handle the procurement process becomes a key hint on how employees will uphold ethical conduct. It is also important to shed understanding on how top management relate with employees as they are the role models of the organisation on ethics.

### **2.3.2.3 Public Leadership and Ethical Procurement**

Public leadership is intrigued with multi stakeholders and conflicting values (Taylor *et al.*, 2011). However Kellerman (2001) notes public leadership has predominantly dealt with political leadership. Nevertheless, their visibility in comparison to other leaders, public leaders only represent a of leadership levels. It is argued that most pressing problems often require individuals lead with or without hierarchical or formal positions. This has been much the situation in Kenya when ethical lapses occur and many look to political leadership to resolve the longstanding catastrophe. Transformational leadership is bent on delivering this social change as leaders raise morality and motivation of individuals.

According to Claeson and Dirnbach (2009) public procurement can be a driver of progression socially on matters such as local economic development, fair compensation of labor, environmental responsibility and the like. Companies can be persuaded to deal ethically with both suppliers and workers. Procurement power can be amassed to further human rights and matters of fair trade, elimination of child labor and sustainable development, transparency and fairness are key issues in public procurement agenda. This is however challenging when enforcement bodies lack capacity and there is difficulty to implement laws as exemplified in South East Asia (Jones, 2009). Such letdowns are not only unique to south East Asia but are a common to many developing and emerging markets. World Bank has referred this to 'bad' governance practices as occasioned by corruption, nepotism and self-serving officials (Kjaer, 2004). These ills have been the origin of weak economic performance in public institutions. This research study will establish how public leadership is engaged in utilizing enforcement or regulatory bodies to enhance good governance in procurement department.

Bad governance therefore is the lack of independent notions such as transparency, accountability and participation (C. ulha-Zabcı, 2002) that are instrumental reforms of public leadership. To embrace good governance, governments institute and endorse forcible mechanisms in order to control self-interest and promote compliance. Supporters of the institutional framework argue that laws, rules and regulations standardize actions of employees, promote collaboration and limit employee free discretion hence curbing the practice of non compliance alongside costs associated with such behavior. (Norris, 2003). However, the institutional framework unpredictably flops in recognizing that human behavior is more intricate and that compliance is not necessarily obtained through creating complex laws and regulations primarily, Buchanan and Keohane (2006). For this reason, public leadership is explored in this study as a construct that engulfs the convoluted framework within which employees structure their decision making.

In a study by Ntayi *et al.*, (2011) reported that individuals sustain a far-flung system of associates with folks in government be they kin or friend - who can provide ways of negotiating around or ways of getting relieve from to complying with procurement laws so as to achieve their egoistic and utilitarian motives strive. Slemrod (2007) has referred this behavior to as a self-fulfilling prophesy that behavior breeds behavior. When individuals get cooperation for noncompliance from regulatory authorities, this perpetuates chain of further nonconformity. The work place also serves as a mirror on acceptable behavior where social networks can provide social incentive not to abide to laws and regulations where there is an absence of punitive measures for non-compliant colleagues. This is worsened where even probability of detection and punishment is low, remuneration is poor and rewards for performance is almost nonexistent and in most public institutions, job security act as an incentive to ignore the procurement laws and regulations. The foregoing description is consistent with insight that helps this recent study in establishing factors that hinder ethical procurement among county referral hospitals in Kenya.

Public procurement official have a relative advantage in how to frame procurement rules as they award contracts providing them ample opportunities for corruption. The corruption may be in form of outright bribe soliciting, illegal enrichment and embezzlement among others. Whichever the form, corruption harms the poor directly as it distorts the allocation of scarce resources (Ackerman, 1998). Fraud in procurement also raises procurement costs, a burden borne by taxpayers unfortunately. Moreover, a fraud induced procurement transaction often results in the supply of inferior goods or services, which results in poor-quality infrastructure that further hinders economic growth. Tanzi (1997) empirically demonstrated from a study conducted that, *ceteris paribus*, high procurement fraud is indeed associated with poor infrastructure.

As such, the official role of preventing corruption in procurement is not only for the procurement irregularity deterrent institutions (like courts, independent, auditors), but also requires role to be played by media, civil society structures and consumer forums among others. However, for any of the stakeholders to play an efficient role in streamlining ethical compliance, procurement process must have a well system thereby reducing the chances of corruption Pidaparthi (2006). Public leadership involves therefor involvement of multi stakeholders. For there to be sustained positive results, the system that is utilized also has implications.

Public procurement is corruption prone in both developing and developed countries. The beneficiaries of secret payments are not only procurement staff and officials but also government ministers and political parties. As such governments have not been successful to ensure observance to advanced ideals of conduct by ensuring honest scrutiny to procurement transactions (Smith-Deighton, 2004) interfering is common place. Further institutions to for countering corruption in the form of the Commission to probe allegations of ethical lapses have not been successful either. With dominance of corruption, some ills that come into play include endangering confidence in governance, adverse outcomes in service delivery, obstructing project implementation and intensified costs of program/project delivery (Jeanette, 2008). When procurement is done in a manner that is not transparent in county referral hospitals; the adverse outcomes are not barely financial but as fatalities can result where health care is not delivered in a timely manner and cost effective way to citizenry.

#### **2.3.2.4 Organizational Climate and Ethical Procurement**

Having explicated on the horrendous climate shrouding Kenyan procurement ethics- Bazerman (2008) cites the need for companies to recruit employees prudently to ensure their

alignment with existing organizational values. Such strategy is favorable to stakeholders such as employees, consumers and business partners for the sole reason that currency of leadership and organizations need to foster trust based relationships. According to Ciulla (1995) ethics is positioned at the core of leadership. Leadership is ethical when there is mutual purpose in relationships.

Communication of ethical principles and constant evaluation becomes key as merely writing codes of ethics has been proved insufficient in streamlining ethical behavior in organizations. Ethical leadership is an uphill task and for it to happen leadership must have cultivated an ethical environment where open and sincere communication channels thrive (Mihelic *et al.*, 2010). It is also worthwhile to note that it is established that individuals are more responsive to negative rather than positive aspects of a workplace context (Liu *et al.*, 2012). The organisation climate therefore is utilized as a mediator in this study to explore the influence of three levels leadership model on ethical procurement.

In a study Mayer *et al.*, (2009) opined that top management ethical leadership has been found to enhance group citizenship. Therefore, leadership should be in the frontline to inspire change and motivate others through capacity building at organization and individual level (Robin, 2010). To add to this Mihelic *et al.*, (2010) opined that even if one develops with moral strength but gets into a workplace with unethical climate- the bad behavior of others undermine his ethical sense. Leaders must therefore set example for the followers who learn by watching leaders in action and show the set boundaries through culture and socialization process especially when conducting induction of new employees. The environment within which procurement staff work is therefore implicative on the extent to which they will be able to carry out ethical procurement. This study has examined the aspects of organization climate that affects the motivation of the employees as well as their behaviour. Ethical inclinations at the place of work are dependent on the ethical climate. This study therefore

utilizes this empirical concepts to establish the mediating influence between the three levels of leadership model on ethical procurement in county referral hospitals in Kenya.

**Table 2.1 Relationship of Study Variables**

<b>Variables</b>	<b>Relationships</b>
Ethical Procurement and Personal Leadership	Leadership adopts self-leadership by relying on one’s moral compass to guide in ethical direction (Brown, 2007). This can be achieved through self-reflection that comprises interrogation of ones thoughts on leadership thereby reconstructing self as an organizational decision maker. Such a perspective of personal leadership becomes very important on the dynamics of ethical procurement as an individual is the agent or first determinant of how ethics is to be upheld in an organisation. As such the professionalism, self-mastery of the procurement staff has a direct bearing on the outcome of ethical procurement.
Ethical Procurement and private Leadership	Mihelic <i>et al.</i> , (2010) opined that even if one develops with moral strength but gets into a workplace with unethical climate- the bad behaviour of others undermine his ethical sense. Leaders must therefore set example for the followers who learn by watching leaders in action and show the set boundaries through culture and socialization process especially when conducting induction of new employees. How the top management recruits, appraises inducts and trains employees have direct results on ethical procurement. How organization builds trust among stakeholders alludes much to how well they expect ethical practices to be upheld in their organization.
Ethical Procurement and Public Leadership	In a study Mayer <i>et al.</i> , (2009) opined that top management ethical leadership has been found to enhance group citizenship. Therefore, leadership should be in the frontline of change to inspire and motivate this and can be done through capacity building at organization and individual level. (Robin, 2010). Stakeholder engagement within group setting either in forums of training, compliance has a direct outcome on how ethical practices of the organization are.



### 2.3.3 Research Gaps

This study becomes indispensable in regard to establishing research gaps identified in the literature review for the study variables enumerated. A rising trend of procurement fraud in Kenya has been ascertained leading to a loss of public funds equivalent to 12% of GDP. Such hemorrhage of public coffers has given Kenya a dismal ranking on transparency rank being 136 out of 174 of the global economies. In fact, it is now in the limelight that procurement fraud is enumerated among the big 5 economic crimes (Amaemba *et al.*, 2015; Nwabuzor, 2005; PWC 2014) and Transparency International (2014). While as the rising trend has been ascertained, factors responsible for the adverse surge of procurement malpractices is yet to be established. This study sought to establish the link of three levels of leadership model as an antecedent to resolve on ethical procurement.

Another gap highlighted after literature review regards determining why in spite of the changes in governance framework (Ayhan & Yılmaz, 2015; Ntayi *et al.*, 2003; Ntayi *et al.*, 2010; Ntayi *et al.*, 2011) that have been enacted within Kenya there is still an adverse trend on procurement ethics. Albeit the gross non-compliance, Kenya has a well-crafted law and regulatory policy for procurement with even oversight bodies to man the industry. This study sought to examine an alternate variable, apart from change in governance framework that can help improve ethical practices in procurement. It is also worthwhile to establish the role that leadership plays in raising alertness (Ciulla, 2005) on ethical issues as well as mechanisms that have been put in place to resolve a long-term problem that is well acknowledged regarding to procurement practices in Kenya. This study utilized leadership as an alternate variable that espouses on role of leadership development become key in curtailing procurement fraud.

Faite (2013) acknowledged a situation whereby self has overtaken all other interest and lack of moral compass. Another gap established is whether procurement staff exhibit leadership in execution of their duty and if they are in any way associated to the prevailing ethical climate- Are those manning procurement departments in Kenya moral agents? To scrutinize this, the study utilized a leadership model that is assembled to understand the role employees play in ethical procurement. The three levels leadership model (Scouller, 2011) points to some of the research gaps to establish factors that could be leading to the deteriorating trend of procurement practices. More specifically the leadership model set out the place of personal, private, public leadership in Kenya and sought to assess if leadership has trickled down hierarchically in a way that the three levels of leadership can impact ethical procurement in Kenya.

Conceptually, we have budding studies on ethical procurement conducted in the public health sector. Several researchers have presented conflicting factors that influence ethical procurement. Variant factors identified include lack of procedural framework (Transparency International, 2010) and lack of ethical codes of conduct (Ndolo & Njagi, 2014) - which are critiqued as being insufficient pious statements of intent and may actually not be a true reflection of organization standards. Another dissimilar factor identified is individual factors (Kangogo & Kiptoo 2013) as remarked unethical practices are caused by people with specific, unmet goals.

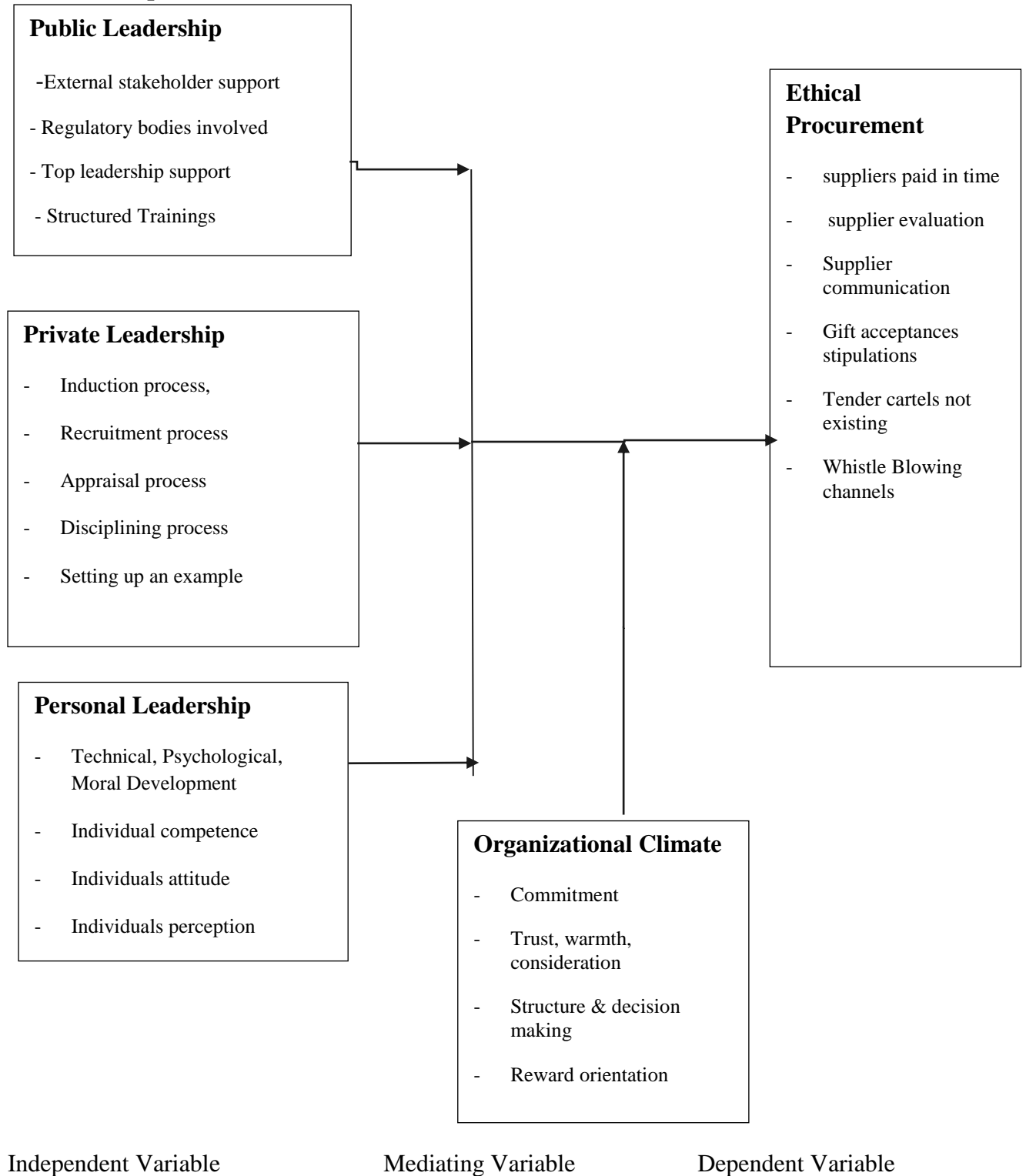
Contextually, different findings could be noticed on ethical procurement when research is done in a different context (Level 5 county referral hospitals in Kenya). Ogol & Moronge (2017) conducted research on effects of ethical issues on procurement performance in public hospitals in Kenya: a case of Kenyatta national referral hospital focusing conflict of interest and professionalism as the independent variables. Another study is by Wasikea & Mugambi (2015) who conducted research on Effects of Pharmaceutical Procurement Processes on

Performance of Public Health Facilities in Mombasa County. Specific independent variables of the latter study were tendering, skills, technology and funding. This study sought to bridge knowledge gaps that exist along conceptual and contextual lines to establish whether leadership can be employed to influence ethical procurement.

#### **2.4 Operationalization of Study**

The dependent and independent variables were operationalized in Table 3.2. The dependent variable for this study was ethical procurement while as the independent variables in this study was the tree levels of leadership model

## 2.5 Conceptual Framework



**Fig. 2.1 Conceptual Framework of this study**

(Source: Author, 2017)

**Table 2 .2 Operationalization of Study**

<b>Construct</b>	<b>Nature of Variable</b>	<b>Operational variable</b>	<b>Supporting Literature</b>	<b>Measurement</b>	<b>Scale</b>	<b>Questionnaire Item</b>
Ethical Procurement	Dependent Variable	staff tendency, suppliers paid in time, supplier communication, supplier evaluation, Ethical committee , Gift acceptances stipulations, Curb of malpractice, Tender cartels, Report of malpractices, Communication channels	Amaemba <i>et al.</i> , (2015), Ayoyi& Odunga (2015), Ndolo& Njagi (2014), Manyak & Katono (2010)	5 point likert scale	Ordinal	Section V: Question 11
Public level of leadership	Independent Variable	External stakeholder support, Regulatory bodies, Top leadership support, Structured Trainings, Ethical champions	Bappaditya(2011), Mayer (2009)Norris (2003),Robin (2010) Scouller (2011)	5 point likert scale	Ordinal	Section 11: Question 5
Private level of leadership	Independent Variable	Induction process, Recruitment process, Appraisal process, Disciplining process, Setting up an example, Lack of interference	Mihelic (2010), Ntayi <i>et al.</i> , (2010), Winston (2002),Scouller (2011), Shin & Zhou (2003)	5 point likert scale	Ordinal	Section II1: Question 8
Personal level of leadership	Independent Variable	Individual competence, Individuals attitude, Individuals recognition, Individuals psychology, Individuals perception	ADB (2004), Brown (2007), Ciulla (1995),Dean (2010),Faite (2013),Goleman (1999) Scouller (2011)	5 point likert scale	Ordinal	Section IV: Question 10
Organisation Climate	Mediating Variable	Commitment, Trust, Compensation Warmth and support, Communication flow Goal setting and decision making	Gatewood & Caroll (1999) Schermerhorn <i>et al.</i> , (1994)	5 point likert scale	Ordinal	Section V1: Question 13

Ethical procurement refers to the fair dealing in buyers- supplier relationships that reflect mutuality, trust and stakeholder connectivity Ethical procurement can be measured by existence of ethical policy , adherence to code of conduct, Gift soliciting from suppliers, whistle blowing channels, cartels invasion of practice, forthrightness in supplier communication, timely payment to suppliers and external interferences to the tendering process

Organization climate refers to the consequences of organization culture that are more observable. It is thus dimensions of work environment that can be measured by commitment, trust, connectedness, structure appropriateness, reward orientation consideration, warmth and support, communication flow, leadership goal setting and decision making

Public leadership refers to the actions or behaviour that leaders take to influence two or more people simultaneously- perhaps in a meeting or while addressing a large group. Public leadership can be measured by i. Managements campaign on ethical Issues ii. Stakeholders' engagement iii. Soliciting support from regulatory bodies iv. Structured trainings.

Private leadership refers to the leaders one to one handling of individuals. This can be measured by i. induction process of employees ii. Appraisal on ethical actions iii. Disciplining process of employees, iv. Recognizing rising talent

Personal leadership refers to leaders technical, psychological and moral development and its impact on leadership presence, skill and behaviour. Personal leadership can be measured by competence of the leader, right attitude towards others and self-mastery.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

This chapter contains the research philosophy adopted, research design utilized, the target population, sampling methods and technique, data instrumentation, data collection procedures, data analysis methods and ethical considerations.

#### **3.2 Research Philosophy and Research Design**

A research design is the broad framework for obtaining answers to the research questions. The research design espoused underpins an appropriate data collection and analysis approach (Orodho (2003). A similar viewpoint is advanced by Kombo & Tromp (2006) who define a research design as the plan and structure of investigation so conceived to attain answers to research questions. According to Cooper and Schindler (2008) the research design that is adopted serves as the blue-print for the data collection, data measurement and data analysis. It is a consistent, coherent and methodical plan prepared for guiding a research study. There are numerous research designs used in social studies.

This study employed cross sectional survey design. Cross-sectional survey involves gathering data regarding phenomena, situations, organization setting or views at one point in time across members of a population (Creswell, 2003). A survey is suitable when a study requires to collect data on phenomena that cannot be directly observed, for instance the views of the respondents. Cross-sectional survey was chosen to enable collection of data across a large number of county referral hospitals at one point in time. Cross-sectional surveys help a researcher to establish whether significant associations among variables exist at some point in time (Cooper & Schindler, 2008; Nachmias & Nachmias, 2008). Essential advantage of a survey is that it allows the collection of a large amount of data from a considerable

population in a very economical way. Sekaran and Bougie (2011) suggested that a researcher should use more than one design to enhance the study. According to Cooper and Schindler (2008), an explanatory study design utilizes theories or at least hypothesis to account for the forces that caused a certain phenomenon to occur. Data was collected at one point in time to test the research hypotheses regarding the impact of the three levels of leadership model on ethical procurement. While as the cross sectional survey is the predominant design- it assembles aspects of explanatory design given that the study seeks to establish causal relationship between the three levels of leadership model and ethical procurement.

This study uses triangulation or a blend of positivism and phenomenological approach. Positivists argue that true knowledge is scientific and is characterized by operational definitions, objectivity, hypothesis testing, causality and reliability. Positivism refers to a deterministic philosophy in which causes probably determine effects/outcomes. Thus in the scientific method- the accepted approach to research by post- positivists to begin with theory, collects that data that either supports/ refutes the theory and then making necessary revisions before making additional tests to be conducted. On the other hand, phenomenological paradigm focus on meanings and makes sense by trying to understand what is happening by looking at the totality of each situation and developing ideas through induction from data. The triangulation was valuable by obtaining different but complimentary data for cross examination. These two paradigms helped to validate or expand quantitative results with qualitative data (Creswell, 2003). The triangulation was appropriate as it also verified the link between leadership development and ethical procurement in Kenya's county referral hospitals.



### **3.3 Location of the study**

This study was carried out in 12 county referral hospitals situated in the areas below: Coast, Embu, Nandi, Kakamega, Kisii, Voi, Kisumu, Machakos, Meru, Nakuru, Nyeri and Thika. The procurement staff (those within the hospital procurement department as well as those manning the docket from the county government) were targeted.

### **3.4 Population of Study**

According to Cox (2010) a target population for a survey is the entire set of units for which the survey data is to be used to make inferences. According to Ngechu (2004) a population is a well-defined set of people, services, elements and events, group of things or households that are being investigated. The unit of observation refers to independent collection of elements from the population that covers the entire population (Nassiuma, 2000). All the supply chain / procurement officers in Level 5 county referral hospitals and their counterparts' procurement officers that oversee the county referral hospital operations within the respective county government docket in each of the county were the targeted respondents. Appendix V is a list of the 12 level 5 county referral hospitals.

This study was done in County referral hospitals which are at the intermediate level between national referral hospitals and district level hospitals (level 4) before devolution. The 12 level 5 county referral hospitals are planned for a major upgrade to referral and teaching hospital status even in the post devolution period of health services. They have a prestigious position compared to other county hospitals (Level 4) as they all recently received extra (theatre, sterilization, radiology, ICU and dialysis) equipment to aid in specialist health care service delivery alongside the National Referral Hospitals ( Kenyatta National Hospital, Mathare Hospital , Spinal Cord and Injury Hospital and the Moi Teaching and Referral Hospital).

### 3.5 Sampling Procedure and Sample Size

Sampling is that part of statistical practice concerned with the selection of a subset of individuals from within a population to yield some knowledge about the whole population, especially for the purposes of making predictions based on statistical inference (Yin, 1994). According to Abbott and McKinney (2013) a census yields more reliable results than a sample and whenever it is possible it should be undertaken. Such are instances whereby the entire population is chosen because the size of population has the particular set of characteristics which the researcher is interested in and the population size is very small. The size of the population for the study was considered manageable and thus to increase the accuracy of the findings, a census was to be undertaken. The unit of analysis was the 12 level 5 county referral hospitals. The unit of observation was the procurement officers that oversee the county referral hospital procurement operations. The targeted respondents were 172.

**Table 3.1 Sampling Size**

	<b>County</b>	<b>Procurement Staff Within Hospital</b>	<b>Procurement Staff Within County</b>	<b>Total Staff</b>
<b>Level 5 County Referral Hospital</b>				
Coast Province General Hospital	Mombasa	6	7	13
Embu Provincial General Hospital	Embu	7	9	16
Kakamega Provincial General Hospital	Kakamega	5	6	11
Kisii Level 5 General Hospital	Kisii	5	15	20
New Nyanza Provincial Gen. Hospital	Kisumu	4	13	17
Machakos Level 5 Hospital	Machakos	9	4	13
Meru Level 5 Hospital	Meru	4	12	16
Nakuru Provincial General Hospital	Nakuru	6	8	14
Chepterwai Sub-District Hospital	Nandi	4	9	13
Nyeri Provincial General Hospital	Nyeri	4	10	14
Thika Level 5 Hospital	Thika	5	8	13
Moi (Voi) District Hospital	Taita Taveta	4	8	12
<b>Total</b>		<b>63</b>	<b>109</b>	<b>172</b>

### **3.6 Data Instrumentation**

According to Kerlinger (2004) a questionnaire is a convenient tool to facilitate easy and quick derivation of information especially when the respondents are literate. Questionnaire was used as the primary instrument of data collection. The questionnaires were developed through thorough literature review, discussions with experienced procurement academicians and professionals for data instrumentation. The self-administered questionnaires incorporated both closed and open questions. A five point likert scale (ranging with anchors from strongly disagree to strongly agree) was used on closed ended questions. Open ended questions were constructed to conform to objectives of the study. The questionnaire was dropped and picked to capture data on the study constructs.

The major objective of collecting additional detailed descriptive qualitative data was to explain the conducts of procurement staff on the study constructs. Consistent with Tashakkori and Teddlie (1998), this study hence adopted a mixed method model design with an objective of substantiating findings. The qualitative aspect of this research was to be undertaken concurrently with the quantitative data collection (Morgan 1998; Morse 1991). This was done to ensure that the findings reflected county referral setting on the role of leadership and on ethical procurement. Consistent with Stainback and Stainback (1988), qualitative data was predominantly suitable in accumulative reliability of the research findings.

This research study was founded from engagement in concrete issues that were confronting the county governments in regard to diligence on ethical procurement. Particularly, county referral hospitals were selected and data collection instrument depicted a combined deductive and inductive approach (Trochim, 2006).

### **3.6.1 Pilot study**

The researcher did a pilot study at Murang'a County Hospital to pre-test the validity of data collection instruments. The pilot test data was not part of the data finally analyzed. The pretest of questionnaire did ensure that questions were properly phrased, free from ambiguity, interesting and well understood by the respondents. The researcher used the pilot study instance to approximate the amount of time it took to fill each questionnaire. This aspect was crucial to ensure external sources of variation such as boredom, disinterest and fatigue are minimized to the extent possible.

### **3.6.2 Validity of the Instrument**

According to Somekh and Cathy (2005) validity is the degree by which the sample of test items represents the content the test is designed to measure. The main objective of the validity analysis is to provide the research instrument that allows the researchers to find the objective of the research study. Generally, validity analysis was conducted by asking the number of questions and get the responses from the respondents or sometimes from others research work. There are different forms of validity; face validity, criterion based validity, content validity, predictive validity, concurrent validity and construct validity. For construct validity- The questions asked relied on theoretical literature review, empirical literature and discussions with procurement professionals for a critique. Content validity measures the extent to which the instrument adequately covered the investigative questions in the study. Content validity was tested by use of procurement practioners from Moi Teaching and Referral Hospital Eldoret who expressed an opinion further on how well the data instrument met the standards before embarking on actual data collection.

### **3.6.2 Reliability of the Instrument**

Reliability was evaluated using the Cronbach alpha coefficient ( $\alpha$ ). The alpha coefficient was deliberated to be the most appropriate due to the multi-item scales used to measure most of the variables in this study. According to Cooper and Schindler (2001) the Cronbach alpha coefficient ( $\alpha$ ) is a model to measure of internal consistency. Cronbach alpha values range from zero (no internal consistency) to one (complete internal consistency). The Cronbach alpha value is used as the main indicator of internal consistency, the value of above 0.6, which is considered to be a good indicator for internal consistency reliability (Field, 2000) was utilized as a cutoff point. The higher the coefficient, the more reliable is the scale. Consequently, values tending to 1 are typically considered more reliable. According to Mugenda (2003) - reliability of data instruments refers to their ability to yield consistent data or results after repeated trails.

### **3.7 Data Collection procedure**

Primary data was obtained from the respondents using a semi structured questionnaires that had both open ended and closed ended questions. Open ended questions were vital for elaborations and clarifications to tie information together as given on the quantitative scales. The closed ended questions were all on a likert scale. A five point Likert scale ranging from 1= strongly disagree to 5= strongly agree was used to address most of the items. The data instrument was framed in line with the set study objectives. A total of 36 questions were asked to every respondent to harness divergence of capture of views from the respondents.

Section 1 collected general information on the demographics of procurement employees in county referral hospitals. The information was obtained regarding their age, gender, the job title and highest education qualification. While as, section 2 collected data on the independent variable- public level of leadership. Succeeding section was 3 that obtained data

on the independent variable- private level of leadership. Next was section 4 that collected data on the independent variable- personal level of leadership. That was followed by section 5 that collected data on dependent variable ethical procurement while the last piece was on organisation climate.

The questionnaire was administered through drop and pick method by the researcher. The data collection phase, maintained a set of data collection procedures and protocols for this study. These protocols include; ensuring that all questionnaires and covering letters were printed and complete, contacting the respondents personally and requesting for their consent to participate in the study, handing out the questionnaire to the respondent who consented to participate, introducing the questionnaire stressing its anonymity or confidential nature and finally collecting the filled questionnaire.

Telephones communication was done to arrange in advance the best time for the instrument to be delivered and picked by the researcher. For professionalism and ethics, a personal letter of introduction was drafted for the assistant where she assisted in the drop/pick process. The researcher also obtained a letter of authorization and a permit from the National Commission for Science, Technology and Innovation (NACOSTI) and a letter of introduction from Kabarak University, Institute of Postgraduate Studies and Research. Copies of these documents are attached as Appendix iv, v and vi respectively. The unit of analysis was county referral hospitals in Kenya.

### **3.8 Data Analysis**

Descriptive statistics presented respondents' opinion on subject matter under study. Whereas inferential statistics adopted the factor analysis, correlation analysis and regression analysis. Data analysis for this study also incorporated generating categories, themes and patterns from emergent understanding drawn from the respondents.

### **3.8.1 Descriptive statistics**

Upon completion of data collection- data was analysed in a series of steps that included questionnaire checking, data sorting, data coding, data entry, data processing and interpretation of the results. Quantitative data was analyzed using descriptive statistics techniques. Descriptive statistics gives the profile of the respondents (age, gender, education, job title) which were presented in frequencies and their percentages as well as tables. Quantitative data analysis on the closed ended questions sought to determine effect of the independent variables on the dependent variable. SPSS version 23 was used to create a data sheet that was to be used for analysis on the quantitative data.

### **3.8.2 Content Analysis**

Further, qualitative data captured from the open ended questions was analyzed using content analysis. The content analysis was undertaken by screening through each respondent questionnaire and preparing description of themes and frequency of each theme was also tallied out as a percentage. Content analysis involves search of patterns in data and ideas that help to explain existence of particular patterns. The aim of such qualitative data analysis is to decipher meanings and understanding from texts (Singleton & Straits, 2005). Data coding in this respect involved the process of sorting raw data into categories. The categories were then classified into several themes in relation to the research questions. The researcher read each questionnaire and marked out emergent themes or patterns. After the themes were cropped out, they were then numerated into frequencies for pictorial presentation of the emergent themes.

Such themes were classified into topics which in essence were responding to the study objectives. The qualitative data once transcribed into themes was analyzed, interpreted and presented by use of pie-charts and percentages. Subject of study under this section included views on ethical procurement issues such as whether participants had trainings on ethical

procurement, organizers of the trainings where applicable, topics covered during the supposed trainings, channels of communication in the institutions that enhanced ethical compliance, measures that have been undertaken to promote ethical culture, factors that limit procurement employee professionalism and measures are been undertaken where supplier deal was not closed in a transparent manner.

### **3.8.3 Correlation Analysis**

Pearson's product moment correlation was used to reflect the degree of linear relationship between two variables and determine the strength of the linear relationship. This was done to establish whether there was an association between the study variables. The values of the correlation coefficients range from a value of +1.00 to a value of -1.00 which represents extremely perfect relationships. When independent variables are highly correlated, multicollinearity presents itself making it difficult to establish the effect of each independent variable on the dependent variable (Hair *et al.*, 2010). Therefore Test for multicollinearity was run by two methods – one, was pairwise correlations among the variables and also VIF test. Multicollinearity is existence in a model signifies that there are multiple factors that are correlated but also to each other and not just to the response variable.

### **3.8.4 Regression Analysis**

Multiple regression analyses was used to establish the relationships among the study variables and the regression output is valuable in hypotheses testing (Cooper & Schindler, 2008). Regression analysis model was utilized in order to examine relationships between the three levels leadership model, organisation climate and ethical procurement in county referral hospitals in Kenya.

Prior to running the regression, factor analysis was used to reduce items in each variable that had low loading values. Items with factor loading below 0.4 did not meet the threshold for



regression analysis and thus were dropped. Preceding the regression, test of assumptions was also undertaken. For normality test, the researcher used skewness and kurtosis test, Shapiro-Wilk test and Q-Q plots. Test of normality in statistics are done to determine if a set of data is normally distributed. All regression analysis assumes normal distribution and thus the variables must be normally distributed. Other diagnostics tests done include tests of linearity, tests for auto-correlation, tests for homoscedasticity and tests of multicollinearity as explained above. Regression analysis was done to for each of the adjoining hypothesis as well as to check plausibility of the aggregated model as shown below:

Ethical Procurement = fn (three levels of leadership model)

$$\begin{aligned}
 Y &= \beta_0 + \beta_1 X_1 + e_0 \dots\dots\dots \text{(Hypothesis 1: Direct effect)} \\
 Y &= \beta_0 + \beta_1 X_1 + \beta_4 X_4 + e_0 \dots\dots\dots \text{(Hypothesis 1: Mediated effect)} \\
 Y &= \beta_0 + \beta_2 X_2 + e_0 \dots\dots\dots \text{(Hypothesis 2: Direct effect)} \\
 Y &= \beta_0 + \beta_2 X_2 + \beta_4 X_4 + e_0 \dots\dots\dots \text{(Hypothesis 2: Mediated effect)} \\
 Y &= \beta_0 + \beta_3 X_3 + e_0 \dots\dots\dots \text{(Hypothesis 3: Direct effect)} \\
 Y &= \beta_0 + \beta_3 X_3 + \beta_4 X_4 + e_0 \dots\dots\dots \text{(Hypothesis 3: Mediated effect)} \\
 Y &= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_0 \dots\dots\dots \text{(Overall model: Direct effect)} \\
 Y &= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_0 \dots\dots \text{(Overall model: Mediated effect)}
 \end{aligned}$$

Where:

Y= Ethical Procurement,

x<sub>1</sub>= Public Leadership,

x<sub>2</sub>= Private Leadership

x<sub>3</sub>= Personal Leadership

x<sub>4</sub>= organisation climate

β<sub>0</sub>= Intercept/ Estimator,

β<sub>1</sub> – β<sub>3</sub> = Regression coefficient for each Independent variable

β<sub>4</sub> = Regression coefficient for the mediating variable

ε= Error term/ Extraneous Variable/Disturbance Term

### **3.9 Ethical Consideration**

According to Resnik (2005) ethics are defined as principles and standards that protect participants in a research study. Ethical considerations are consequently actions taken to ensure safety of participants is not violated in any way whatsoever. Ethical standards are inclined to informed consent of participants, voluntary participation, anonymity of research participants, confidentiality of information obtained, requisite approval of study from relevant authorities and researcher being informed of the purpose for undertaking the study to lessen any suspicion and ease in obtaining permission. During this study the researcher was bound by ethics to treat information availed as private and confidential. The findings of the research were restricted purely for academic purpose. The researcher also sought authority from the institutions before issuing questionnaires. Further, to ensure anonymity names were not be written on the questionnaire.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND DISCUSSIONS**

#### **4.1 Introduction**

The broad objective of this research study was to assess the impact of the three levels leadership model and organisation climate on ethical procurement in county referral hospitals in Kenya. Precisely, the study used public level of leadership, private level of leadership and personal level of leadership as the independent variables, organisation climate was the mediating variable while ethical procurement was the dependent variable. To augment the findings of this study, related literature review was undertaken to compare and contrast findings with empirical studies done previously. Data instrument used in collection of the findings herein was a questionnaire. The data instrument was distributed to all the procurement officers in Level 5 county referral hospitals and their counterparts' procurement officers that oversee the county referral hospital operations within the respective county government docket.

This chapter starts by findings on response rate, respondents' characteristics, cross tabulation of demographic summaries and then content analysis of open ended questions of the instrument. Discussions are specified on how to describe the processes and techniques utilized to analyze and interpret data gathered using the data instrument. The chapter thereafter gives the diagnostic tests which include tests of normality, tests for auto-correlation, tests for homoscedasticity and tests for multicollinearity. Finally, on in this chapter are reliability analysis, factor analysis, correlation analysis, regression analysis and test of hypothesis.

## **4.2 General Information and Demographic Information**

### **4.2.1 Response Rate**

Data was collected between February and May 2018 through distribution of questionnaires to respondents in procurement department in all Level 5 county referral hospitals Kenya and their counterparts' procurement officers that oversee the county referral hospital operations within the respective county government docket. A total of one Hundred and Seventy Two (172) questionnaires were distributed and one Hundred and Twenty nine (129) questionnaires were returned representing seventy five percent (75%) response rate (see Table 4.1).

According to Orodho (2003), response rate is obtained by dividing the number of respondents with whom interviews are completed by the total number of respondents of the sample including none respondents. It is therefore the extent to which the final data sets include all sampled members. Several researchers point to variant levels of response rates for instance Dillman (2000) proposed 50% to be the minimal acceptable level while as Saunders, Lewis & Thornhill (2009) advocate for a response rate of 30-40 per cent. On the other hand, Fowler (2009) stated that 60% is an appropriate threshold of response rate. Babbie (2011) also affirmed that return rates of 50% are satisfactory to analyze and publish, while 60% is rated as good and 70% is appraised as very good.

Out of 129 respondents, 49 (78%) respondents were from within the hospital procurement departments while 80 (73%) were from the respective county government procurement departments. A total of 63 questionnaires were distributed to the hospital procurement staff while 109 were distributed from the county government procurement units. Out of 63 questionnaires distributed to the Level 5 county Referral hospital procurement staff, 49 (78%)

were returned while out of 109 questionnaires distributed to respective county governments' procurement department, 80 (73%) were returned as shown on table 4.1.

To attain 75% response rate for this study, the researcher took a diligent approach in data collection procedure. The researcher reached out to the respondents in their work stations and briefly explained to them the purpose of the study. Before administering the questionnaire assurance of the anonymity and confidentiality of the findings was emphasized. Purpose of the study was given while still persuading the respondent to participate in the survey for academic purpose only. The respondents were given the leeway to fill the questionnaire during the same day and the researcher waited to pick it later in the day. Whenever respondents requested for collection of instrument at a later day, the researcher gave an opportunity to the respondent to give a day of appointment when the questionnaire could be collected. This measure was in line with procedure to counter low response. According to Ibeh *et al.*, (2004) low response rate, if not completely eliminated, can be countered or mitigated by the use of specific tactics, including the 'drop-&-pick' mode. The response rate of 75% is moreover corroborated to the use of a self-administered questionnaire.

**Table 4.1: Response by Procurement Staff Category**

<b>Procurement Staff</b>	<b>Questionnaires issued</b>	<b>Questionnaires returned</b>	<b>Response rate (%)</b>
Within Hospital Procurement	63	49	78
Within County Procurement	109	80	73
<b>Total</b>	<b>172</b>	<b>129</b>	<b>75</b>

## 4.2.2 Demographic Characteristics

### 4.2.2.1 Age

Respondents were asked to indicate their age and their gender. Table 4.2 presents results of respondent's age per gender category. Males represented 55.8% of respondents while females were the remaining 44.2%. This indicated a good spread which depicts a fair balance of gender. A good gender mix is plausible to accommodate thoughts and outlooks from both sides of the gender divide. Nevertheless the balance in gender in public service may also be an evidence of successful efforts of various gender mainstreaming campaigns. Moreover, this gender distribution in the level 5 county referral hospitals is in trajectory set by Kenya constitution (2010) which obliges that no one gender should take up more than two thirds of employment positions in public institutions.

**Table 4.2: Age per Gender category**

Age	Male		Female		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
21-27 Years	32	24.8	26	20.2	58	45.0
28-34 Years	25	19.4	14	10.9	39	30.0
35-41 Years	8	6.2	7	5.4	15	11.6
42-48 Years	2	1.6	6	4.7	8	6.2
49-55 Years	4	3.1	3	2.3	7	5.4
Over 55 Years	1	0.8	1	0.8	2	1.6
<b>Total</b>	<b>72</b>	<b>55.8</b>	<b>57</b>	<b>44.2</b>	<b>129</b>	<b>100</b>

From the study findings- male and female combined as indicated in table 4.2, respondents' aged 21-27 make up 45% of respondents, 28-34 years were 30% of respondents, 35-41 age bracket were 11.6% of the respondents, between age 42-48 were 6.2%, Age 49-55 total to 5.4% while those above 55years were 1.6% of the respondents. From the results above, only

13.2% of the respondents are above age 42 years. An overwhelming majority of respondents (86.6%) are below age 41 years. The results herein do indicate a young workforce is in the procurement department overseeing procurement of Level 5 county referral Hospitals.

There are three reasons that can be attributed to this young workforce. Firstly, this results correlate to the devolution system of governance which began in year 2012 after promulgation of the new constitution in year 2010. With the devolution of health care services, it is apparent that most county governments acquired human capital within young generation. Secondly, the procurement profession got a streamlined after enactments of the PPDA Act 2005 that was operationalized in 2007, meaning those who have specialized in the profession are mainly young people. The third reason for the relatively low number of the aged employees could be due to exit from service due to natural attrition as a result of death or resignation to join other engagements or private service in a bid to utilize expansive experience gained in the tenure of service.

#### **4.2.2.2 Education**

Respondents were asked to indicate their education level. The researcher cross tabulated the education level against gender profile. Table 4.3 presents education level of respondent's per gender category.

From the study findings- male and female combined as indicated in table 4.3, respondents' with certificate level were 7%, diploma education level were 33.3% of respondents, bachelor degree level were 48.1%, masters level of education were 9.3%, those with PhD made up 1.6% and other levels were only 0.8% of respondents. An interpretation of the data findings demonstrated that majority of respondents (about 60%) have university Education. While as

33.3% have also acquired Diploma Education. This indicated over 93% have relevant skills and training to undertake tasks in the procurement department overseeing procurement of Level 5 county referral Hospitals.

**Table 4.3: Education Level per gender category**

<b>Education</b>	<b>Certificate</b>	<b>Count</b>	<b>Gender</b>		<b>Total</b>
			<b>Male</b>	<b>Female</b>	
			3	6	9
	<b>Diploma</b>	Count	17	26	43
	<b>Degree</b>	Count	43	19	62
	<b>Masters</b>	Count	7	5	12
	<b>PhD</b>	Count	2	0	2
	<b>Others (specify)</b>	Count	0	1	1
<b>Total</b>		<b>Count</b>	<b>72</b>	<b>57</b>	<b>129</b>
		<b>% of Total</b>	<b>55.8%</b>	<b>44.2%</b>	<b>100%</b>

The study findings showed that the respondents were well learned therefore reading and understanding of the questions from the data instrument did not prove to challenge the respondents. This outcome justifies the use of questionnaire as a data collection tool. Questionnaires, therefore- provided reliable and relevant data that can be relied on for completion of this study. A well-educated respondent also ascertains that the respondents do have relevant knowledge and skills on procurement ethical practices making their responses to be reliable. The male gender was more educated having 40.3% of male respondents having graduate and post graduate level of education while as only 19.4% of female respondents had



acquired university education. This infers that there is still more need for gender parity in terms of education both gender at higher levels of education equally.

#### 4.2.2.3 Job Title

Respondents were asked to indicate their job title. Table 4.4 presents job title of respondent's per gender category.

**Table 4.4: Job title per gender category**

		<b>Gender</b>			
		<b>Male</b>	<b>Female</b>	<b>Total</b>	
<b>Title</b>	Director/ Head of Supply Chain	Count	2	2	4
	Supply Chain/Procurement Officer or Assistant	Count	59	40	99
	Store Keeper	Count	8	8	16
	Others (Specify)	Count	3	7	10
<b>Total</b>		<b>Count</b>	<b>72</b>	<b>57</b>	<b>129</b>
		<b>% of Total</b>	<b>55.8%</b>	<b>44.2%</b>	<b>100.0%</b>

From the study findings- male and female combined as indicated in table 4.6, respondents' at senior most level (directors and head of supply chain) were 3.1%, supply chain officers and assistant were 76.7%, storekeepers were 12.4% while as others were 7.8%. Results showed that majority of respondents were above middle cadre in the professions holding either director/head of supply chain/ supply chain officer or supply chain assistant position. This indicated about 80% have good understanding of the activities in overseeing procurement of Level 5 county referral hospitals.

#### 4.2.2.4 Job Title based on education Criteria

Cross tabulation was undertaken between job title and level of education to assess whether the holders of position got title based on educational qualification. Table 4.5 presents education level of respondents per job title. The demographics imply the trend of a highly educated workforce could be attributed to the likelihood of a rising career path should one get higher qualification. Higher education then becomes a motivator for the employees with procurement units. This finding was useful in determining level 5 county referral hospitals county ability to attract and retain employees.

**Table 4.5: Job title per education category**

		<b>Job Title</b>				
		<b>Director&amp; Head of Supply Chain</b>	<b>Supply Chain Officer &amp; Assistant</b>	<b>Store Keeper</b>	<b>Others (Specify)</b>	<b>Total</b>
<b>Education Certificate</b>	Count	1	1	4	3	9
<b>Diploma</b>	Count	0	33	6	4	43
<b>Degree</b>	Count	1	52	6	3	62
<b>Masters</b>	Count	1	11	0	0	12
<b>PhD</b>	Count	1	1	0	0	2
<b>Others (specify)</b>	Count	0	1	0	0	1
<b>Total</b>	<b>Count</b>	4	99	16	10	129

#### 4.2.2.5 Job Title based on age Criteria

Researcher cross tabulated data between job title and respondent age to determine if age had an influence on job title in the procurement profession. Table 4.6 presents job title per age bracket. This results indicate that the young people are moving in quickly to attain higher level of education and being rewarded for it in terms of career progression.

**Table 4.6: Job Title based on age Criteria**

	Age	Count	Job Title				Total
			Director& Head of Supply Chain	Supply Chain Officer & Assistant	Store Keeper	Others (Specify)	
	<b>21-27</b>	Count	1	39	9	9	58
	<b>28-34</b>	Count	1	36	2	0	39
	<b>35-41</b>	Count	2	13	0	0	15
	<b>42-48</b>	Count	0	6	2	0	8
	<b>49-55</b>	Count	0	4	2	1	7
	<b>Above 55</b>	Count	0	1	1	0	2
<b>Total</b>		<b>Count</b>	<b>4</b>	<b>99</b>	<b>16</b>	<b>10</b>	<b>129</b>

### 4.3 Validity and Reliability Analysis

#### 4.3.1 Factor Analysis

Factor analysis refers to the interdependent technique under the family of multivariate analysis which aims at identifying the significant few variables that can be used for multivariate analysis from a large set of variables. A principal component factor analysis with varimax rotation was conducted to assess the construct validity. Factor analysis is used to test the validity of the model constructs by assessing the variable item responses from the questionnaires.

In this regard, several assumptions were first tested. The usual measures of sampling adequacy Kaiser-Meyer-Olkin (KMO) measure and Bartlett test were undertaken. The Kaiser-Meyer-Olkin (KMO) measure is inadequate if less than 0.50 (Hair *et al.*, 2010). The KMO test conveys whether or not enough items are predicted by each factor. The Bartlett test relates to the significance of the study as regards the validity and suitability of the factors for a particular study and it should be significant (that is, a significant value of less than 0.50); this means that the variables are correlated highly enough to provide a reasonable basis for factor analysis. The results of the Kaiser-Meyer-Olkin test of sample adequacy and Bartlett's test of Sphericity on the validity and suitability of the independent and dependent variables are shown per each study variable.

Table 4.7 shows the KMO and Bartlett's Test for ethical procurement. The Bartlett's test of Sphericity was significant since its value (Chi-square 437.742,  $p = 0.000$ ) was less than alpha ( $\alpha = 0.05$ ). On the other hand, the Kaiser-Meyer-Olkin measure of sampling adequacy was (0.851) which is more than the threshold of (0.50) and not above 1.0 hence an acceptable index. According to these two statistics, the data set for ethical procurement is suitable for factor analysis. From the result of the Bartlett's test of Sphericity, it can be deduced adequate correlation exists to justify factor analysis.

**Table 4.7: KMO and Bartlett's Test for ethical procurement**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.851
Bartlett's Test of Sphericity	Approx. Chi-Square	437.742
	df	45
	Sig.	0.000

Table 4.8 shows the KMO and Bartlett's Test for Public Leadership. The Bartlett's test of sphericity was significant since its value (Chi-square 276.022,  $p = 0.000$ ) was less than alpha ( $\alpha = 0.05$ ). On the other hand, the Kaiser-Meyer-Oklin measure of sampling adequacy was (0.803) which is than the threshold of (0.50) and not above 1.0 hence an acceptable index. According to these two statistics, the data set for public leadership is suitable for factor analysis. From the result of the Bartlett's test of Sphericity, it can be deduced adequate correlation exists to justify factor analysis.

**Table 4.8: KMO and Bartlett's Test for public leadership**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.803
Bartlett's Test of Sphericity	Approx. Chi-Square	276.022
	df	15
	Sig.	0.000

Table 4.9 shows the KMO and Bartlett's Test for Private Leadership. The Bartlett's test of sphericity was significant since its value (Chi-square 218.482,  $p = 0.000$ ) was less than alpha ( $\alpha = 0.05$ ). On the other hand, the Kaiser-Meyer-Oklin measure of sampling adequacy was (0.804) which is than the threshold of (0.50) and not above 1.0 hence an acceptable index. According to these two statistics, the data set for private leadership is suitable for factor analysis. From the result of the Bartlett's test of Sphericity, it can be deduced adequate correlation exists to justify factor analysis.

**Table 4.9: KMO and Bartlett's Test for private leadership**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.804
Bartlett's Test of Sphericity	Approx. Chi-Square	218.482
	df	28
	Sig.	0.000

Table 4.10 shows the KMO and Bartlett's Test for Personal Leadership. The Bartlett's test of sphericity was significant since its value (Chi-square 141.135,  $p = 0.000$ ) was less than alpha ( $\alpha = 0.05$ ). On the other hand, the Kaiser-Meyer-Oklin measure of sampling adequacy (0.676) which is than the threshold of (0.50) and not above 1.0 hence an acceptable index. According to these two statistics, the data set for private leadership is suitable for factor analysis. From the result of the Bartlett's test of Sphericity, it can be deduced adequate correlation exists to justify factor analysis.

**Table 4.10: KMO and Bartlett's Test for personal leadership**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.676
Bartlett's Test of Sphericity	Approx. Chi-Square	141.135
	df	15
	Sig.	0.000

Factor analysis was undertaken to check the constructs validity. According to Hair *et al.*, (2010) construct validity denotes the extents to which a set of measured items do mirror the actual theoretical latent constructs those items that are intended to measure. This type of validity explicates therefore, how the instrument works and how its application can be interpreted.

Those items that fall below 0.4 levels were dropped from the construct thus strengthening the content validity of items in the factors. The exploratory factor analysis (EFA) presents the least number of factors that account for the common variance of a set of variables. Rahim and Magner (2005) affirm that items with factor loading of 0.4 and above do meet the threshold

for regression analysis. In this study, the analysis outcome of the process supported distinct constructs of ethical procurement, public leadership, private leadership and personal leadership. Tables 4.11 present total variance explanatory components.

**Table 4.11: Total variance explanatory components**

components Variable	Eigenvalue
Ethical Procurement	4.153
Public Leadership	3.191
Private leadership	3.025
Personal Leadership	2.545

#### **4.3.1.1 Factor Analysis for Ethical Procurement**

Factor analysis was conducted on the items advanced as measures of ethical procurement so as to ascertain those underlying factors that explain a larger number of other related variables in order to consider the most important ones in subsequent analysis. With the dependent variable ethical Procurement, factor loadings ranged from 0.232 to 0.784. The item with the highest factor loading was “Communication channels to report incidents of procurement malpractices that have been put in the county referral Hospital” with 0.784 while the item with lowest factor loading was “Recognition of procurement employees influences the tendency to act ethically at a factor 0.232”. The second lowest item was “County Referral Hospital; leadership has curbed tender not awarded in a manner that is not transparent at a factor loading 0.329” being the only two variable indicator with less than 0.4, the two items were dropped from the analysis. All the other eight items were therefore retained for further analysis. Table 4.12 presents the results.

**Table 4.12 Factor loadings for Ethical procurement**

Variable Indicators	Factor Loading
Recognition of procurement employees influences the tendency to act ethical	0.232
Suppliers of the county referral hospital level are paid in a timely manner	0.694
Communicating to every supplier is done in a frank and forthright manner	0.706
Supplier evaluation and selection is done transparently at the county	0.696
Hospital has an ethical committee that ensures compliance to the ethical policy	0.735
Stipulations of the ethical policy on gift acceptance or other rewards from vendors is followed duly at the county level	0.746
County Referral Hospital; leadership has curbed tender not awarded in a manner that is not transparent	0.329
Tender Cartels have not affected the procurement practice in the county Referral Hospital	0.664
Procurement employees in the county are willing to report incidents of unethical conduct	0.733
Communication channels to report incidents of procurement malpractices that have been put in the county referral Hospital	0.784

#### **4.3.1.2 Factor Analysis for Public Leadership**

Factor analysis was conducted on the items advanced as measures of public leadership so as to develop a scale to measure public leadership and to consider the most important factors in subsequent analysis. With the independent variable public leadership, factor loading ranged from 0.547 to 0.830. The item with the highest factor loading was “There has been structured trainings to enhance ethical procurement” with 0.830 while the item with lowest factor loading was “An employee has been hired to enhance ethical procurement in the county/ the hospital with 0.547.” All the six items were therefore taken for further analysis as all of them were acceptable with factor loadings above 0.4. Table 4.13 presents the results.



**Table 4.13 Factor loadings for Public Leadership**

<b>Variable Indicators</b>	<b>Factor Loadings</b>
An employee has been hired to enhance ethical procurement in the county/ the hospital	0.547
External stakeholders have been engaged on matters of ethical procurement in the county/ the hospital	0.734
The county referral hospital solicits support from regulatory bodies to enhance ethical procurement	0.641
Procurement employees are regularly trained on how to handle ethical dilemmas	0.798
There has been structured trainings to enhance ethical procurement	0.830
The Top leadership is highly supportive in the implementation of an ethical culture in the County referral hospital/ County government	0.794

#### **4.3.1.3 Factor Analysis for Private Leadership**

Factor analysis was conducted on the items postulated as measures of private leadership so as to enhance computation of factors for reduction and keep most important ones in subsequent analysis. With the independent variable private leadership, factor loading ranged from 0.354 to 0.764. The item with the highest factor loading was “Recruiters of the county referral hospital employees ensure values of employees are in line with organizational values” with 0.764 while the item with lowest factor loading was “During induction process of employees, ethical procurement practices are emphasized” being the only variable indicator with less than 0.4 as the item had a factor loading of 0.354. This item was dropped from the analysis and all the other seven items were therefore taken for further analysis. Table 4.14 presents the results.

**Table 4.14 Factor Loadings for Private Leadership**

<b>Variable Indicators</b>	<b>Factor Loadings</b>
During induction process of employees, ethical procurement practices are emphasized	0.354
Recruiters of the county / the hospital employees ensure values of employees are in line with organizational values	0.764
The performance appraisal of employees covers ethical actions of employees	0.705
Should there be a misconduct on employees with behaviour , organization takes corrective action	0.655
Leadership is able to recognize talents of employees and help them utilize capabilities	0.701
Leadership sets a good example in terms of ethical compliance and integrity	0.693
A “do as I say not as I do” attitude does not exist or thrive in the county/ hospital procurement department	0.489
Conflict of Interest has not been a challenge on impeding supplier selection in the county/ the hospital	0.609

#### **4.3.1.4 Factor Analysis for Personal Leadership**

Factor analysis was conducted on the items postulated as measures of personal leadership so as to ascertain those underlying factors that explain a larger number of other related variables in order to consider the most important ones in subsequent analysis. With the independent variable personal leadership, factor loading ranged from 0.203 to 0.747. The item with the highest factor loading was “Individuals at the county/ the hospital are recognized as Professionals and they thus champion the procurement professional ethics” with 0.747 while the item with lowest factor loading was “Procurement professionals in the county/ the hospital perceive themselves as being more exposed to act unethically compared to the other employees.” being the only variable indicator with less than 0.4 as the item had a factor loading of 0.203. This item was dropped from the analysis. All the other five items were therefore taken for further analysis. Table 4.15 presents the results.

**Table 4.15 Factor loadings for personal leadership**

Variable Indicators	Factor Loadings
An individual employee has competence to execute procurement in an ethical manner	0.718
An individual with the right attitude towards others can execute procurement ethically	0.750
Individuals at the county/ the hospital are recognized as Professionals and they thus champion the procurement professional ethics	0.747
The pay package influences ethical procurement of procurement employees	0.689
Fear of job loss affects procurement employees of the county/ the hospital	0.475
Procurement professionals in the county/ the hospital perceive themselves as being more exposed to act unethically compared to the other employees	0.203

### 4.3.2 Reliability Results

Reliability was evaluated using the Cronbach alpha coefficient ( $\alpha$ ). The alpha coefficient was deliberated to be the most appropriate due to the multi-item scales used to measure most of the variables in this study. According to Cooper and Schindler (2001) the Cronbach alpha coefficient ( $\alpha$ ) is a model to measure of internal consistency. Cronbach alpha values range from zero (no internal consistency) to one (complete internal consistency). The higher the coefficient, the more reliable is the scale. Consequently, values tending to 1 are typically considered more reliable. The cut-offs of alpha levels are arguable across the array of researchers. Field (2000) considers a cutoff point of 0.6 and higher as adequate and the same threshold has been adopted to check for internal consistency among the items in this study. The cut off decision is also in tandem with Orodho, (2003) who indicated that an alpha coefficient higher than 0.60 depicts relatively high -internal consistency and could be generalized to reflect opinions of all respondents in the target population. Zikmud (2003) also argues that a Cronbach alpha of at least 0.60 is satisfactory.

From table 4.16 , the Cronbach alpha reliability score  $\alpha=0.864$  for dependent variable ethical procurement increased slightly from  $\alpha=.833$  after two items were dropped during factor analysis due to their factor loading as shown on table 4.12. The Cronbach alpha reliability

score  $\alpha=0.820$  for independent variable public leadership remained static as all items of measurement were retained after factor analysis as shown on table 4.13. The cronbach alpha reliability score  $\alpha=0.762$  for independent variable private leadership increased slightly from  $\alpha=0.753$  after one item was dropped during factor analysis due to their factor loading as shown on table 4.14. The cronbach alpha reliability score  $\alpha=0.685$  for independent variable personal leadership increased slightly from  $\alpha=0.631$  after one item was dropped during factor analysis due to their factor loading as shown on table 4.15. The overall summated score of cronbach alpha reliability score for 36 items is  $\alpha=0.935$  showing an upward trend from  $\alpha=0.922$  after dropping some four items during factor analysis. All items in the study indicated a relatively high internal consistency therefore; this study can be generalized to reflect opinions of all respondents in the target population.

Reliability test is concerned with whether the data collecting instrument has the ability to yield the same result on recurrent trials. This view has been retorted by Yin (2013) who remarked that the objective of reliability testing is to curtail the errors and biases in a study. Thus, it can be concluded that data collected from the pilot study ( $\alpha$  before factor analysis) was reliable and have obtained the acceptable level of internal consistency. It can also be concluded that factor analysis ( $\alpha$  after factor analysis) validated instrument prior to undertaking inferential analysis as shown on table 4.16.

**Table 4.16 Reliability Results Before and After Factor Analysis**

Variable	Items for Measure	( <i>a</i> ) Before Factor Analysis	Items for Measure	( <i>a</i> ) After Factor analysis	Decision
Ethical Procurement	10	0.833	8	0.864	Reliable
Public Leadership	6	0.820	6	0.820	Reliable
Private Leadership	8	0.753	7	0.762	Reliable
Personal Leadership	6	0.631	5	0.685	Reliable
Organisation climate	6	0.865	6	0.865	Reliable
Composite Score	36	0.922	32	0.935	Reliable

#### 4.4 Descriptive Data Analysis

Data was analyzed using the Statistical Package for Social Sciences (SPSS) version 23 program as suggested by Robert (2000). According to Beaumont (2012), descriptive statistics is best utilized to describe the sample characteristics. Descriptive statistics was done using percentages to present the findings on respondents characteristics, cross tabulation and analysis of each of the 36 questions that respondents were asked to find out the influence of three leadership level model and organisation climate on ethical procurement practices. The questions were presented on a five point Likert scale ranging (5 =strongly Agree, to 1=strongly disagree). This segment presented descriptive statistics including the response rate and respondents' characteristics such as gender, education level, respondents' age and job title. A cross tabulation of all these respondents' profiles was also done.

#### 4.4.1 Public leadership

Under public leadership, respondents were asked six questions on the extent to which they agree or disagree with how public leadership affects ethical procurement. The results are presented in table 4.17

**Table 4.17 Public leadership**

<b>Variables indicators</b>	<b>S D</b>	<b>D</b>	<b>N S</b>	<b>A</b>	<b>S A</b>
An employee has been hired to enhance ethical procurement	2(1.6%)	8(6.2%)	18(14%)	55(42.6%)	46(35.7%)
External stakeholders have been engaged on ethical	5(3.9%)	10(7.8%)	17(13.2%)	70(54.3%)	27(20.9%)
R bodies are solicited to enhance ethical procurement	5(3.9%)	8(6.2%)	16(12.4%)	56(43.4%)	44(34.1%)
Employees are regularly trained to handle ethical dilemmas	6(4.7%)	14(10.9%)	12(9.3%)	52(40.3%)	45(34.9%)
Structured trainings to enhance ethical procurement	6(4.7%)	10(7.8%)	9(7.0%)	65(50.4%)	39(30.2%)
The Top leadership is highly supportive of an ethical culture.	3(2.3%)	8(6.2%)	12(9.3%)	58(45.0%)	48(37.2%)

Notes: SD=Strongly Disagree, D=Disagree, Neutral, A=Agree, SA=Strongly Agree

The first question was whether an employee has been hired to enhance ethical procurement practices in the county/ the hospital. The results showed that 42.6 % of the respondents agreed while 38.8% strongly agreed with the statement that an employee has been hired to enhance ethical procurement in the county/ the hospital. Very few (6.2%) disagreed while 1.6% strongly disagreed. Only 14% remained neutral. The second question sought to investigate respondents' opinion on whether External stakeholders have been engaged on matters of ethical procurement in the county/ the hospital. Majority of respondents (54.3%)

agreed while 20.9% strongly agreed with this statement. Results showed that 7.8% of the respondents disagreed while 3.9% strongly disagreed. Only 13.2% were not sure.

The third question sought to know the county referral hospital solicits support from regulatory bodies to enhance ethical procurement. The results showed that 43.4% of the respondents agreed while 34.1% strongly agreed with the statement that the county referral hospital solicits support from regulatory bodies to enhance ethical procurement. Very few (6.3%) disagreed while 3.9% strongly disagreed. Only 12.4% remained neutral. The fourth question asked whether Procurement employees are regularly trained on how to handle ethical dilemmas in procurement. Majority of respondents (40.3%) agreed while 34.1% strongly agreed with this statement. Results showed that 10.9% of the respondents disagreed while 4.7% strongly disagreed. Only 9.3% were not sure.

When asked whether there has been structured trainings to enhance ethical procurement in their institutions, the results showed that 50.4% of the respondents agreed while 30.2% strongly agreed with the statement that the county referral hospital has organized structured trainings to enhance ethical procurement in their institutions. Very Few (7.8%) disagreed while 4.7% strongly disagreed. Only 7% remained neutral. The last question sought to examine whether The Top leadership is highly supportive in the implementation of an ethical culture in the County referral hospital/ County government. Majority of respondents (45%) agreed while 37.2% strongly agreed with this statement. Results showed that 6.2% of the respondents disagreed while 2.3% strongly disagreed. Only 9.3% were not sure.

#### 4.4.2 Private Leadership

Under private leadership, respondents were asked eight questions on the extent to which they agree or disagree with how private leadership affects ethical procurement. The results are presented in Table 4.18.

**Table 4.18 Private leadership**

<b>Variables indicators</b>	<b>S D</b>	<b>D</b>	<b>N S</b>	<b>A</b>	<b>S A</b>
During induction ethical procurement practices are emphasized	2(1.6%)	3(2.3%)	10(7.8%)	64(49.6%)	50(38.8%)
Recruiters ensure values alignment	1(0.8%)	7(5.4%)	11(8.5%)	73(56.6%)	37(28.7%)
performance appraisal covers ethical actions	0(0%)	7(5.4%)	22(17.1%)	64(49.6%)	36(27.9%)
organization takes corrective action	1(0.8%)	3(2.3%)	10(7.8%)	71(55%)	44(34.1%)
Should there be a misconduct					
Leadership recognizes and utilize capabilities of employees	3(2.3%)	6(12.4%)	24(18.6%)	56(43.4%)	30(23.3%)
Leadership sets a good example in ethical compliance	3(2.3%)	8(6.2%)	10(7.8%)	60(46.5%)	48(37.2%)
A “do as I say not as I do” attitude does not exist or thrive	7(5.4%)	18(14%)	27(20.9%)	52(40.3%)	25(19.4%)
Conflict of Interest has not been a	14(10.9%)	20(15.5%)	22(17.1%)	52(40.3%)	21(16.3%)

Notes: SD=Strongly Disagree, D=Disagree, Neutral, A=Agree, SA=Strongly Agree

The first question was whether during induction process of employees, ethical procurement practices are emphasized. The results showed that 49.6 % of the respondents agreed while 35.7% strongly agreed with the statement that during induction process of employees, ethical procurement practices are emphasized. Very few (2.3%) disagreed while 1.6% strongly



disagreed. Only 7.8% remained neutral. The second question sought to investigate respondents' opinion on recruiters of the county referral hospital employees ensure values of employees are in line with organizational values. Majority of respondents (56.6%) agreed while 28.7% strongly agreed with this statement. Results showed that 5.4% of the respondents disagreed while 0.8% strongly disagreed. Only 8.5% were not sure.

The third question sought to know if the performance appraisal of employees covers ethical actions of employees. The results showed that 49.6% of the respondents agreed while 27.9% strongly agreed with the statement that performance appraisal of employees' covers ethical actions of employees. Very few (5.4%) disagreed while actually none (0%) strongly disagreed. Only 17.1% remained neutral. The fourth question asked whether should there be misconduct on employees with behaviour, organization takes corrective action. Majority of respondents (55%) agreed while 34.1% strongly agreed with this statement. Results showed that 2.3% of the respondents disagreed while 0.8% strongly disagreed. Only 7.8% were not sure.

The fifth question sought to evaluate respondents' opinion regarding whether Leadership is able to recognize talents of employees and help them utilize capabilities. The results showed that 43.4% of the respondents agreed while 23.3% strongly agreed with the statement that Leadership is able to recognize talents of employees and help them utilize capabilities. Very few (12.4%) disagreed while 2.3% strongly disagreed. Only 18.6% remained neutral. The sixth question asked respondents to give their view on whether leadership sets a good example in terms of ethical compliance and integrity. Majority of respondents (46.5%) agreed while 37.2% strongly agreed with this statement. Results showed that 6.2% of the respondents disagreed while 2.3% strongly disagreed. Only 7.8% were not sure.

When asked whether a “do as I say not as I do” attitude does not exist or thrive in the county/ hospital procurement department. The results showed that 40.3% of the respondents agreed while 19.4% strongly agreed with the statement that a “do as I say not as I do” attitude does not exist or thrive in the county/ hospital procurement department. Very Few (14%) disagreed while 5.4% strongly disagreed. Only 20.9% remained neutral. The last question sought to study the respondents view in regard to whether Conflict of Interest has not been a challenge on impeding supplier selection in the county/ the hospital. Majority of respondents (40.3%) agreed while 16.3% strongly agreed with this statement. Results showed that 15.5% of the respondents disagreed while 10.9% strongly disagreed. Only 17.1% were not sure.

#### **4.4.3 Personal Leadership**

Under personal leadership, respondents were asked six questions on the extent to which they agree or disagree with how personal leadership affects ethical procurement. The results are presented in Table 4.19.

**Table 4.19 Personal leadership**

<b>Variables indicators</b>	<b>S D</b>	<b>D</b>	<b>N S</b>	<b>A</b>	<b>S A</b>
An individual has competence to execute procurement ethically	1(0.8%)	6(4.7%)	7(5.4%)	57(44.2%)	58(45%)
An individual with the right attitude executes procurement ethically	0(0%)	5(3.9%)	5(3.9%)	60(46.5%)	59(45.7%)
Individuals are recognized as professionals and thus champion professional ethics	2(1.6%)	6(4.7%)	9(7%)	63(48.8%)	49(38%)
The pay package influences ethical procurement	10(7.8%)	17(13.2%)	31(24%)	44(34.1%)	27(20.9%)
Fear of job loss affects procurement employees	5(3.9%)	6(12.4%)	33(25.6%)	40(31%)	35(27.1%)
Procurement professionals perceive themselves as being more exposed to act unethically	16(12.4%)	16(12.4%)	34(26.4%)	43(33.3%)	20(15.5%)

Notes: SD=Strongly Disagree, D=Disagree, Neutral, A=Agree, SA=Strongly Agree

The first question required respondents view regarding whether an individual employee has competence to execute procurement in an ethical manner. The results showed that 44.2% of the respondents agreed while 45% strongly agreed with the statement that an individual employee has competence to execute procurement in an ethical manner. Very few (4.7%) disagreed while few 0.8% strongly disagreed. Only 5.4% remained neutral. The second question asked respondents whether an individual with the right attitude towards others can execute procurement ethically. Majority of respondents (46.5%) agreed while 45.7% strongly agreed with this statement. Results showed that 3.9% of the respondents disagreed while actually none (0%) strongly disagreed. Only 3.9% were not sure.

The third question sought to determine if individuals at the county/ the hospital are recognized as professionals and they thus champion the procurement professional ethics. The results showed that 48.8% of the respondents agreed while 38% strongly agreed with the statement that individuals at the county/ the hospital are recognized as professionals and they thus champion the procurement professional ethics. Very few (4.7%) disagreed while 1.6% strongly disagreed. Only 7% remained neutral. The fourth question asked respondents to indicate their opinion on whether the pay package influences ethical procurement of procurement employees. Majority of respondents (34%) agreed while 20.9% strongly agreed with this statement. Results showed that 13.2% of the respondents disagreed while 7.8% strongly disagreed. Some of the respondents (24%) were not sure.

When asked whether fear of job loss affects procurement employees of the county/ the hospital, the results showed that 31% of the respondents agreed while 27.1% strongly agreed with the statement fear of job loss affects procurement employees of the county/ the hospital. Very Few (12.4%) disagreed while 3.9% strongly disagreed. Some of the respondents (25.6%) were not sure. The last question sought to know the respondents view Procurement professionals in the county/ the hospital perceive themselves as being more exposed to act unethically compared to the other employees. Majority of respondents (33.3%) agreed while 15.5 % strongly agreed with this statement. Results showed that 12.4% of the respondents disagreed while another 12.4% strongly disagreed. Of the respondents, 26.4% were not sure.

#### **4.4.4 Organisation Climate**

Under organisation climate, respondents were asked six questions on the extent to which they agree or disagree with how organisation climate affects the professionals. The results are presented in Table 4.20.

**Table 4.20 Organisation Climate**

<b>Variables indicators</b>	<b>S D</b>	<b>D</b>	<b>N S</b>	<b>A</b>	<b>S A</b>
Staff are committed	2(1.6%)	1(0.8%)	4(3.1%)	63(48.8%)	59(45.7%)
Staff trust each other	4(3.1%)	3(2.3%)	27(20.9%)	69(53.5%)	26(20.2%)
Staff are adequately rewarded or compensated	14(10.9%)	25(19.4%)	22(17.1%)	51(39.5%)	27(13.2%)
Staff enjoy warmth and support	8(6.2%)	9(7.0%)	13(10.1%)	76(58.9%)	23(17.8%)
Communication flow is appropriate	4(3.1%)	9(7%)	9(7%)	77(59.7%)	30(23.3%)
Goal setting and decision making is done well	4(3.1%)	9(7%)	11(8.5%)	70(54.3%)	35(27.1%)

Notes: SD=Strongly Disagree, D=Disagree, Neutral, A=Agree, SA=Strongly Agree

The first question required respondents to gauge whether Staff Within their work environment (county referral hospital) are committed. The results showed that 48.8% of the respondents agreed while 45.7% strongly agreed. Very few (0.8%) disagreed while few 1.6% strongly disagreed. Only 3.1% remained neutral. The second question sought to establish whether Staff Within their work environment (county referral hospital) trusts each other. Majority of respondents (53.5%) agreed while 20.9% strongly agreed with this statement. Results showed that 2.3% of the respondents disagreed while 3.1% strongly disagreed. Some respondents (20.9) % were not sure.

The third question sought to investigate if Staff Within their work environment (county referral hospital) are adequately rewarded or compensated. The results showed that 39.5% of the respondents agreed while 13.2% strongly agreed with the statement that staff are adequately rewarded or compensated. Few (19.4%) disagreed while 10.9% strongly disagreed. Only 17.1% remained neutral. The fourth question asked respondents to indicate their opinion on whether Staff Within their work environment (county referral hospital)

enjoys warmth and support. Majority of respondents (58.9%) agreed while 17.8% strongly agreed with this statement. Results showed that 7% of the respondents disagreed while 6.2% strongly disagreed. Some of the respondents (10.1%) were not sure.

When asked whether Communication flow in this county/ hospital is appropriate for the work environment, the results showed that 59.7% of the respondents agreed while 23.3% strongly agreed with the statement. Very Few (7%) disagreed while 3.1% strongly disagreed. Only 7% were not sure. The last question sought to know the respondents' opinion regarding if goal setting and decision making is done well in this county/ Hospital. Majority of respondents (54.3%) agreed while 27.1 % strongly agreed with this statement. Results showed that 7% of the respondents disagreed while another 3.1% strongly disagreed. Of the respondents, 8.5% were not sure.

#### **4.4.5 Data Transformation**

Following factor analysis, data was transformed by getting the means of the items that loaded to the respective factors. Subsequently, the means of the various factors derived were then used for further analysis. The composite scores were created for ethical procurement (Y), public leadership (X1), private leadership (X1), personal leadership (X3) and organisation climate (x4) using the weighted average method.

#### **4.5 Content Analysis on Ethical Procurement**

Content analysis intends to pinpoint patterns that explain a particular behavior of a given unit and its relationship with the environment. Qualitative data drawn from the data instrument was transcribed to themes and patterns that addressed the study objectives. This method allowed the respondents to give a wide range of ideas about the issue. The observations made

were triangulated with the rest of the data for comprehensiveness and complementation. In agreement with this is the remark by Nachmias and Nachmias, (2008), who defined content analysis as a technique used for making interpretations through methodical and objective identification of indicated characteristics and using the same to narrate trends. Therefore, the results from the open ended questions allowed respondents to find rich data which enhance validity of the results when discussing descriptive statistics and inferential statistics.

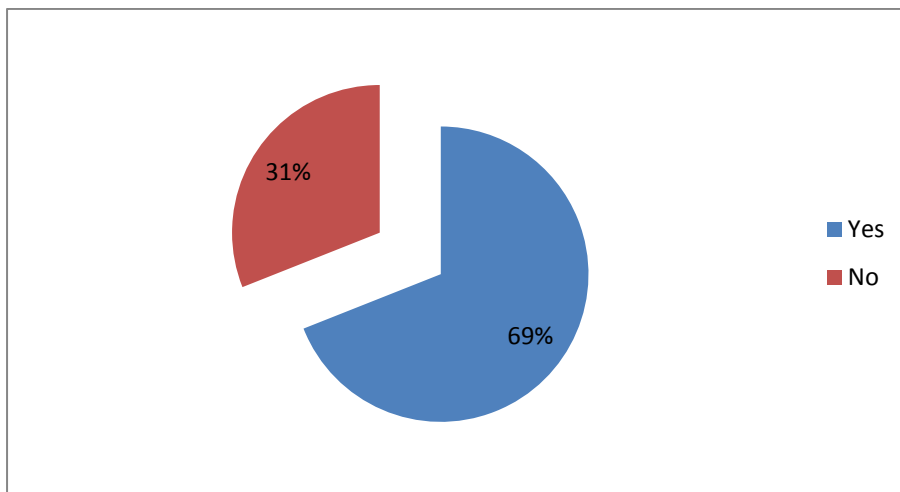
Content analysis does not restrict respondents to answers and has the potential of generating more information. The researcher employed qualitative approaches in data analysis in addition to quantitative techniques. According to Patton (2002) quantitative approaches of data analysis while valuable, are viewed as being too mechanical and limited to the extent that they cannot offer much to unearth feelings, emotions and subjective response evidenced in social studies. The role of content analysis therefore related to complimenting and further validating hypothesis testing and results. This is realized by the ability of qualitative data in bringing into prominence and highlighting issues that would have otherwise not been captured solely by use of a closed ended instrument. Additional benefits of content analysis include shielding against selective perception of content.

For the reason above- content analysis was used to cross validate research findings obtained using the quantitative approach method putting more confidence in the research evidence (Gall *et al.*, 2003).The section sought respondents views on ethical procurement issues such as whether participants had trainings on ethical procurement, organizers of the trainings where applicable, topics covered during the supposed trainings, channels of communication in the institutions that enhance ethical compliance, measures that have been undertaken to promote ethical culture, factors that limit procurement employee professionalism and

measures that have been undertaken where supplier deal was not closed in a transparent manner.

#### 4.5.1 Trainings on ethical procurement practices

Respondents were asked to point out if trainings had been conducted in county referral hospitals on ethical procurement practices. Figure 4.1 presents results. Results showed that majority of the respondents (69%) stated that trainings had been undertaken while 31% indicated that no trainings had been done. Results show that for majority of county referral hospitals trainings are part and parcel of the normal customs that their leadership enacts.



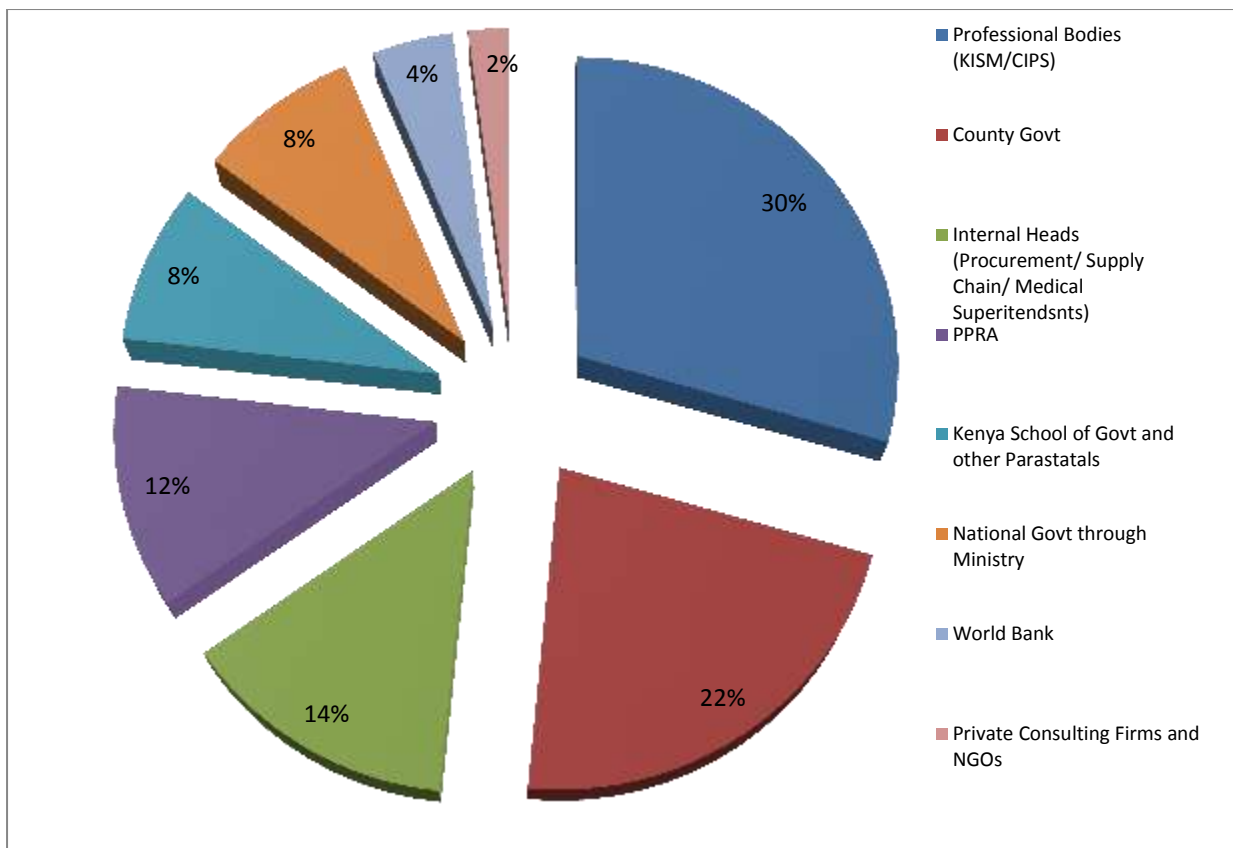
**Figure 4.1 Trainings on ethical procurement practices**

#### 4.5.2 Organizers of ethical procurement trainings

Respondents were asked to state the organizers of the trainings that had been conducted in their institutions. Figure 4.2 presents results. Results showed that from a majority of the respondents (30%) of the trainings were done by procurement professional bodies such as KISM and CIPS. County government came in second organizing 22% of the trainings. Institutions internal heads of procurement/ supply chain or medical superintendents came third organizing 14% of all the trainings. PPRA followed with 12% of all the trainings that had been conducted, next was National Government and parastatal each organizing 8% of the



trainings that had been conducted. The World Bank also took 4% share in organizing of trainings on procurement in county referral hospitals and lastly at 2% was private management consulting firms. Taking an comprehensive view on organizers of the procurement training over half of them (64%) have been conducted by external stakeholders being professional bodies, PPRA, National Government, Parastatals, Private entities and the World bank. The collaboration with external stakeholders is a profound mark of public leadership in enhancing ethical practices. Slightly over a third (36%) of all the trainings has been steered internally.



**Figure 4.2 Organizers of ethical procurement trainings**

### **4.5.3 Topics of ethical procurement trainings**

Respondents were asked to mention topics of the trainings that had been conducted in their institutions. Figure 4.3 presents results. Results showed that majority of the trainings covered procurement practices (27%). Ethical practices were explicitly covered making up 20% of the trainings topics coverage. PPDA Act and policies came third at 13% of all training content coverage. The use of IFMIS was also trained on making up 10% of training coverage. Stock management and control followed at 9% of all the trainings content that had been covered, next was cost and quality management at 7% of the trainings topics that had been conducted. Supplier relationships accounted for 5% portion in topics trained on procurement. Subsequently was procurement documentation at 3%, asset disposal, risk minimization & leadership and professionalism in procurement each topic at 2%.

To support this finding, the Public Procurement and Disposal Act 2005 was ratified by government in December, 2006. The Public Procurement and Disposal Regulations 2006 were gazetted to operationalize the Act, effective from 1st January, 2007 according to the provisions of the Act. The Act established procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment. The objective of the Act is stated as being six fold- one, to maximize economy and efficiency ; two, to promote competition and ensure that competitors are treated fairly; three, to promote the integrity and fairness; four- to increase transparency and accountability, five- to increase public confidence in those procedures; and six-to facilitate the promotion of local industry and economic development (Juma, 2010; PPOA, 2010 ). This supports the study finding as one core area for trainings in county referral hospitals.

Procurement documentation or records are central piece of a transparent system. Records, affirmed Thurston (2002), are vital to the processes of any entity. Any institution that has no institutional memory is guaranteed to flop. Success of an institution cannot be pegged on human memory to retain transactions track. Procurement records are an important resource for effective operations. To safeguard integrity of records, management systems- records ought to be accurate, accessible, original, free from interfering, reliable and able to divulge institutional memory for knowledgeable decision making. The records should be stored in orderly and accessible manner. This backs the need for training on procurement documentation.

Literature by (Edward, 2009; Wanyama, 2013) supports the finding that professionalism was amongst the identified training areas in county referral hospitals in Kenya. Procurement being a complex area in terms of ethical dilemmas, procurement professionals needs to recognize and formulating approaches for handling all these complex challenges. The professionals ought to spearhead efficiency and effectiveness in spite of the various forms of challenges they contend with from diverse sources. To maneuver the intricate procurement work environment, it is essential that staff need to educate themselves and equip themselves with fresh and updated professional skills as a matter of become urgency. Skills refer to the capacity of performing specific behavioral task or specific cognitive processes as related to some specific task.

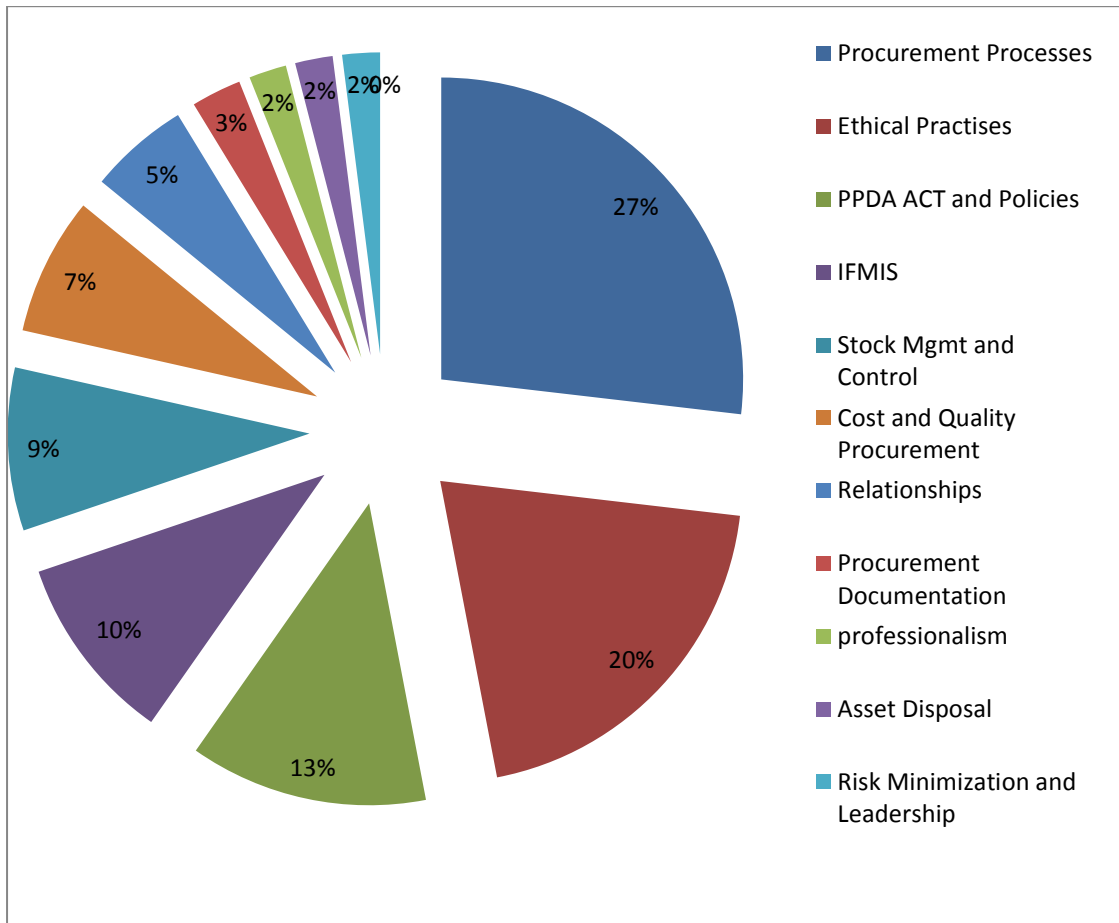
Stock (inventory) management and control training content is consistent with a study undertaken by Mathiasa & Owuor (2015) to determine effects of inventory management system on organizational performance: case study of grain bulk handlers limited. The study findings established that the organization performance is related to its inventory management

system. The study concluded that organizations ought to display the four inventory management system attributes of inventory control, inventory speed, inventory cost, and inventory. The study revealed a strong and positive relationship between inventory management system and organizational performance with three variables; inventory speed, inventory cost and inventory accountability. In county referral hospitals stocks being pharmaceutical and non-pharmaceutical items ought to be managed responsibly in terms speed of stock movement (turnover), stock cost and stock accountability as key aspects of ethical procurement practices.

Disposal is a component of the procurement cycle. It ought to be considered prior to procurement of an item. When considering life cycle procurement, how an equipment or item will be essentially disposed of makes part of the procurement costs. Disposal literally means detaching off or clearance of what one does not need. Disposal as defined by Ndolo & Njagi (2014), means disengaging on possession from what was once useful to oneself. It is therefore vital that every public entity plans for disposal of assets/equipment. Asset disposal is therefore a relevant training theme for county referral hospitals in line with provisions of PPDA Act 2015.

The respondents indicated that trainings covered how to handle supplier relationships. Supplier relationships management is the comprehensive approach of working collaboratively with suppliers as important stakeholders of an organisation. Suppliers have a vital role in an organisation success and mutually beneficial relationships ought to be pursued. A study conducted by Nyamasege & Biraori (2015) to determine the effect of supplier relationship management on the effectiveness of supply chain management in the Kenya public sector. The study findings indicated that supplier relationship

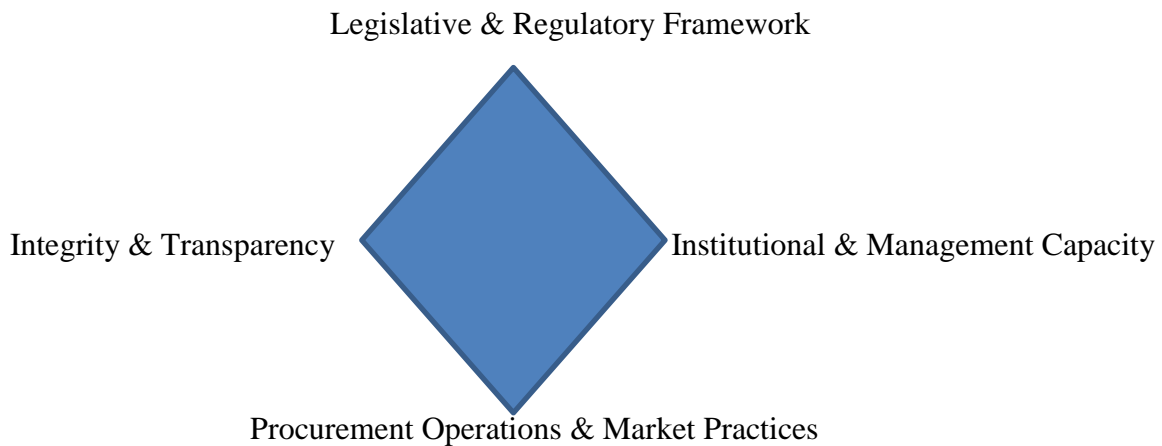
management significantly determines the effectiveness of supply chain management practices. The study concluded that supplier collaboration and supplier development should be enhanced. The study noted that lack of a comprehensive approach for managing interactions with suppliers affected realization of increased effectiveness on supply chain. Supplier relationships are therefore a value adding training topic by county referral hospitals.



**Figure 4.3 Topics of ethical procurement trainings**

The topics covered during the trainings are in tandem with the four pillars model as shown on figure 4.4. The model aims at assessing the quality and effectiveness of national public procurement systems developed by the World Bank, Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and a number of developing countries (OECD, 2005). Primarily the model looks at legislative &

Regulatory Framework, Procurement Operations & Market Practices, Institutional & Management Capacity and Integrity & Transparency.



**Figure 4.4: Four Pillars Model**

**Source: OECD, (2007)**

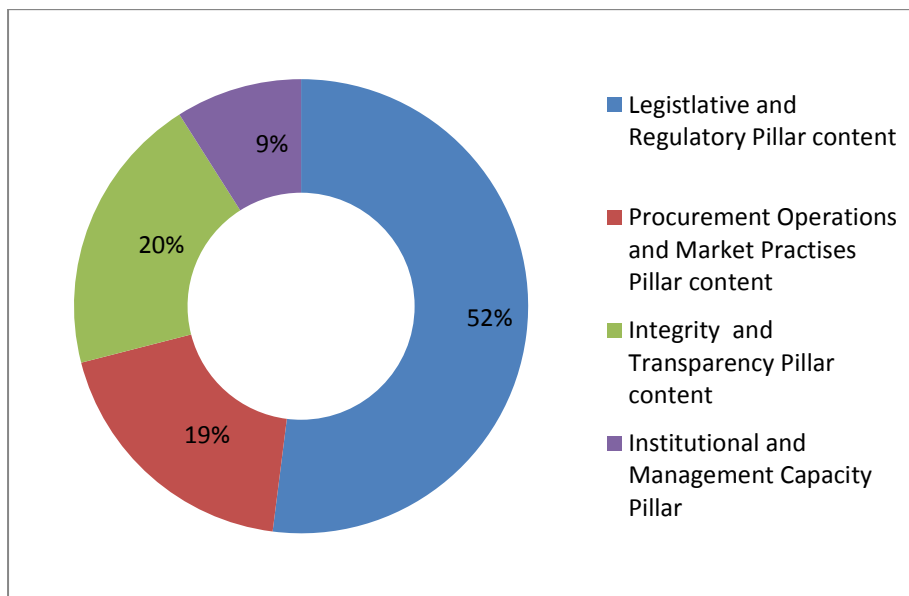
The legislative and regulatory framework pillar is centered on Acts and Regulations. Particularly the existence, accessibility of laws and acts to monitor procurement processes from the highest level down to the nitty gritty of operational guidelines, availability of standard tender documents and contract documents. The institutional framework and management capacity pillar operates through systems and protocols established through overall public sector governance. It also thrives upon enacted legal and regulatory framework. Procurement operations and market practices pillar is based on the operation of the systems at the level of the implementing Purchasing Entities as well as on the procurement market. Integrity and transparency pillar is based establishment of control mechanisms. Devoid such control mechanisms, faults and errors in the procurement system may not be noticed and addressed. The control mechanisms range from efficient audit systems, operative ethics and anti-corruption measures, effective appeals mechanism, a wide-

ranging sharing system enabling information to be obtained and utilized by civil society and interested stakeholders for conduct social audit. (PPOA, 2007).

When findings of this research were contextualized within the four pillars model framework it therefore emerged that legislative & regulatory Framework pillar was the most prominent subject matter for trainings making up 52% of all the training content. From Fig 4.3 four items can be grouped into this first pillar being procurement practices accounting for 27%, PPDA Act and policies making up 13% of training content, the use of IFMIS as a recent regulatory mandate on execution of procurement processes with public institutions making up 10% of training content and finally are the guidelines on asset disposal that had some 2% of training content. Featuring of IFMIS is a relevant addition in county referral hospitals context as envisaged that E-procurement would streamline procurement practice by increasing procurement transparency, standardizing processes, improving access to markets and promoting integrity in public bidding.

The integrity and Transparency pillar was the second most prominent pillar for training content making up 20% of all training content. The integrity pillar also happens to be one of the aims of the PPDA Act 2005. Procurement Operations & Market Practices came third in training making up 19% of all training content. Specific operations that were alluded to are stock management and control at 9% cost and quality management at 7% of the trainings and procurement documentation at 3%. The last pillar that made record for trainings content was the Institutional & Management Capacity Pillar at 7%. The themes or patterns that were highlighted include supplier relationships accounting for 5%, risk minimization and leadership at 2% and professionalism in procurement at 2% as shown in figure 4.3.

These findings are meaningful for this study that sought to determine the impact value of three levels leadership model and organisation climate on ethical procurement practices in county referral hospitals in Kenya. The findings depicts that currently the county hospitals have significantly given profound awareness to procurement practioners in regards to upholding the laws and regulations that govern procurement practice. At a rather moderate level, capacity of procurement practioners in county referral hospitals has been given regarding procurement operations and market practices as well as integrity and transparency tenets of procurement practice. This milestones or achievement in a diverse training content is related to public level of leadership and private level of leadership. Trainings initiatives are activities done at an organizational wide level. The study findings however indicated that institutional and management capacity seemingly has coverage gaps. As training content on institutional and management capacity was less than 10% of all that was covered as shown in fig 4.5.



**Figure 4.5 Four Pillars Model and Training content**



#### 4.5.4 Ethical procurement practices

Respondents were asked to specify the ethical procurement practices that are actively enforced in their institutions. Figure 4.6 presents results. Results showed that institutions specifically stated that they uphold transparency and integrity at 33%. Adherence to policy and accountability came in second at 18%. Next in mention was honesty and confidentiality at 15% while as specific procurement practices were mentioned such as equality in tenders' award at 12%, opening tender in presence of the supplier at 4%, competitive procurement and undertaking of market surveys at 4% and openness in delivery at 3%. Other positive practices that were mentioned are free expression at 2%, supplier debriefing at 2%, equal treatment of staff at 2%, training of suppliers at 2% and others at 3%.

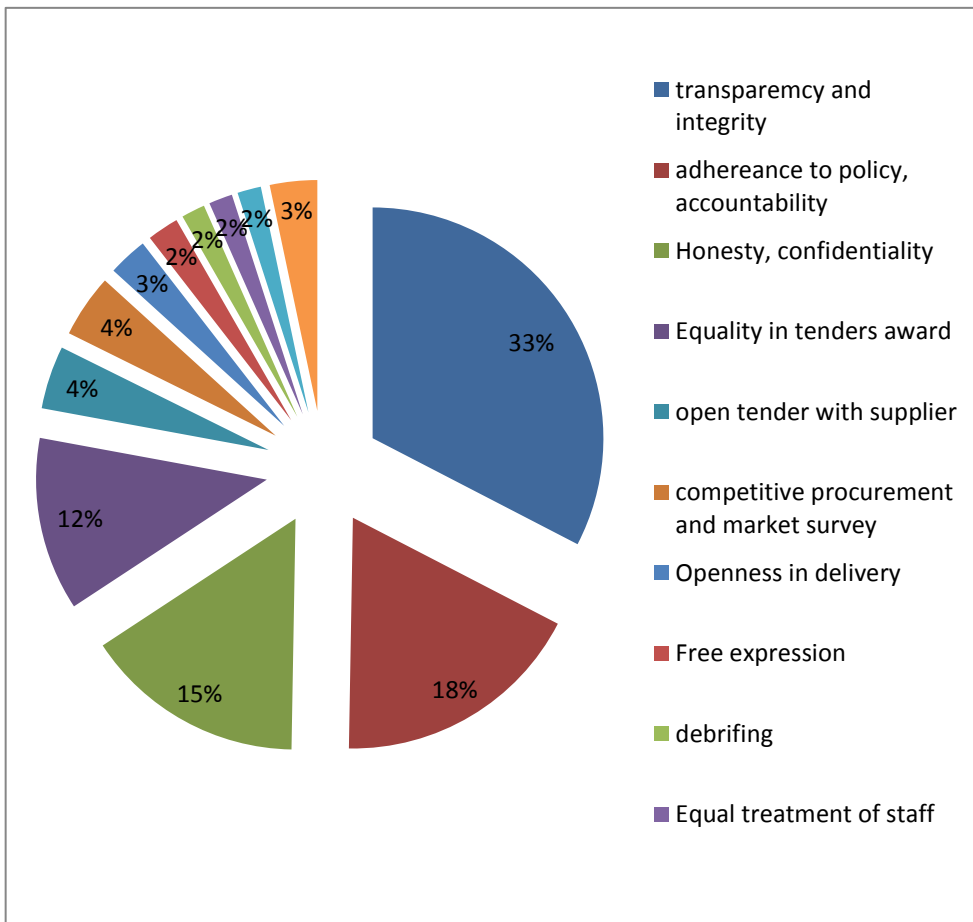
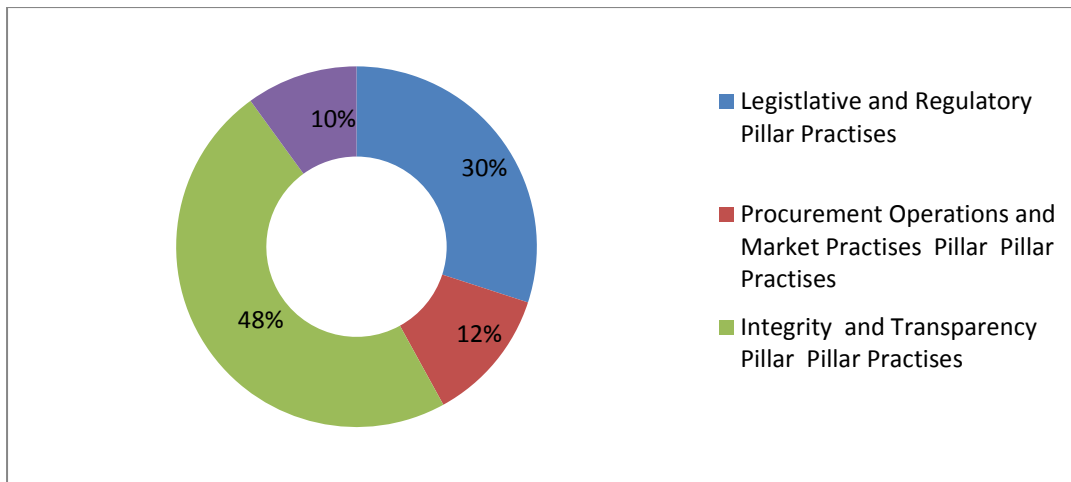


Figure 4.6 Ethical procurement practices

When findings of this research were synthesized within the four pillars model framework (see fig 4.3) it emerged that the integrity and transparency pillar was the most prominent pillar in regard to ethical practices making up 48%. The specific themes or patterns respondents alluded to were transparency and integrity at 33% and honesty and confidentiality at 15%. Legislative & regulatory Framework enforcement was second most prominent pillar that respondents related to at 30%. Two themes that emerged from respondent views on legislative and regulatory enforcement were adherence to policy and responsibility at 18% as well as equality and tender awards at 12%. The Procurement Operations & Market Practices enforcement came third in ethical practices making up 12% of all ethical practices. Specific ethical operations that were alluded to were competitive procurement and market survey at 4%, opening of tender bids with supplier at 2%, at openness in delivery at 3% and supplier debriefing at 2%. The last pillar in regard to ethical practices was the Institutional & Management Capacity Pillar at 10%. The themes or patterns that were highlighted include free expression at 2%, equal treatment of staff at 2%, training of suppliers at 2% and others at 3% as shown in From Fig 4.7.

These findings are meaningful for this study that sought to determine the value of three levels leadership model and organisation climate on ethical procurement in county referral hospitals in Kenya. The findings depict the ethical procurement practices that the institutions are upholding currently. The findings reveal an uptrend on ethical practices regarding integrity and transparency as well as legislative and regulatory pillar. However, more ought to be done on procurement operations and market practices pillar and institutional and management capacity pillar.



**Figure 4.7 Four Pillars Model and ethical procurement practices**

#### **4.5.5 What can be done to ensure compliance to the Procurement Act**

Respondents were asked to specify the action that the institutions can take to ensure procurement is done in line with Procurement Act. Figure 4.8 presents results. Results showed that capacity building in form of trainings, awareness seminars and education is the most critical step an organisation can take accounting for 40% of all responses. These findings are a mirror to a study undertaken to determine the factors influencing compliance to procurement regulations in public secondary schools in Nyamache sub-county, a survey in 15 secondary schools with a sample size of 135 respondents. The study established that ethics awareness and training influence compliances with procurement regulations.

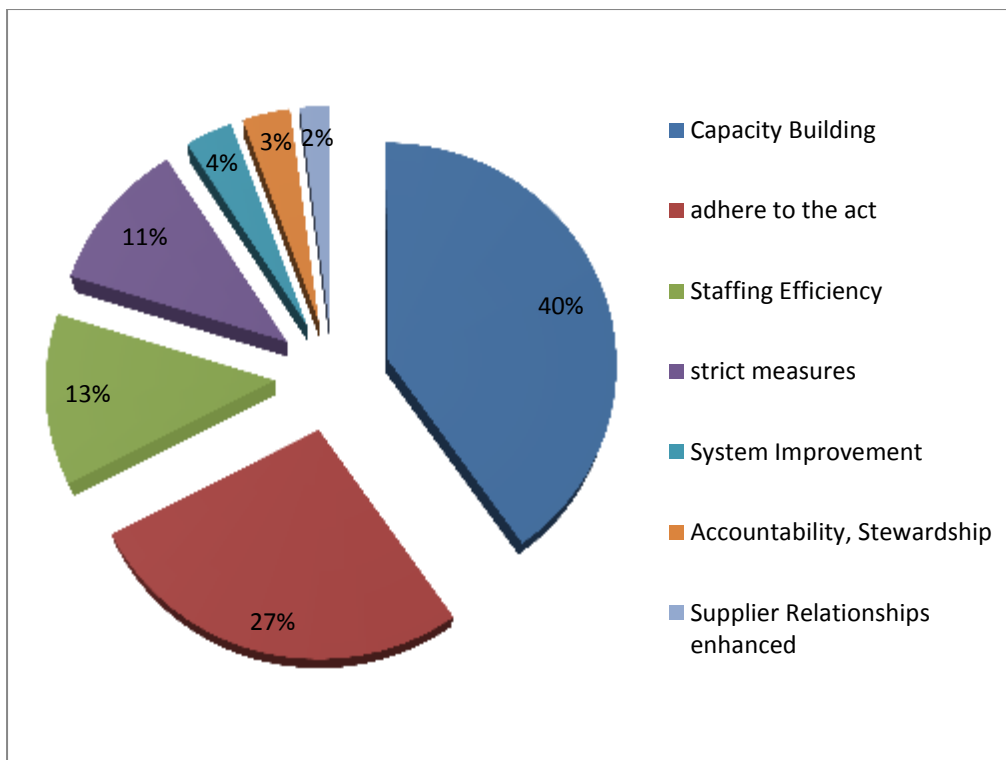
Study findings established that 27% of respondents mentioned adherence as what was essential to streamline organisations in line with procurement Act. Study findings established that 3% mentioned accountability was a critical step to take while as 2% stated supplier relationships needed to be enhanced. 11% of respondents that retorted that organisations need to take strict measures against those that were not following the procurement Act. The latter results reflects findings of a study done by Wanyonyi & Muturi (2015) that looked into

factors that affected procurement function among public technical training institutions in Kisumu County, Kenya. The outcome established that ethics is fundamental in the success of organizational performance and the institutions on study should ensure that ethical practices are observed in the procurement departments. Stringent measures that deal with unethical practices by the procurement staff were to therefore be formulated and adhered to.

Staffing efficiency was mentioned by 13% of the respondents. Chimwani (2014) advocated that professional qualifications are the fulcrum around which performance turns. It is therefore important that organisations hire based on professional qualifications. The work environment should also be looked into with incorporations of work teams, cross-functional management, comprehensive process and link oriented job responsibilities as well as extensive information systems. An efficient work environment helps staff to balance conflicting objectives and improve processes. Devoid a well-motivated, able and well trained staff, even intensely thought about plans and strategies can fail. Motivated teams have better output in comparison to more talented teams that lack motivation.

Study findings established that 4% of respondents indicated system improvement was essential in ensuring procurement is done in line with Procurement Act. The respondents view on system improvement is in tally with Thomas & Rainer (2005) who opined that procurement systems have long been supported by ICT. The benefits of incorporating ICT capabilities to the procurement system include ability to strategically categorize procurement processes so that the routine activities can be decentralized while as the strategic ones can be centralized to enhance higher transparency. When strategic aspects of procurement are prioritized, buyer has more influence on selection of supplier and choice of products.

With system improvement via technology adoption - operational aspects of procurement processes can be handled faster and more effectively so that procurement managers' time can be dedicated to strategic tasks. The benefits of system improvement are long overdue to county referral hospitals as the inception of ERP systems began in the 1990s. Electronic data Interchange connections with suppliers were established through computerization of delivery schedules by linking user materials management system with supplier systems. Despite the benefits of adoption of e-procurement; findings of this research showed yet county referral hospitals still face challenges associated with its advent and use.



**Figure 4.8 Ensure compliance with procurement Act**

#### **4.5.6 Channels of Communication**

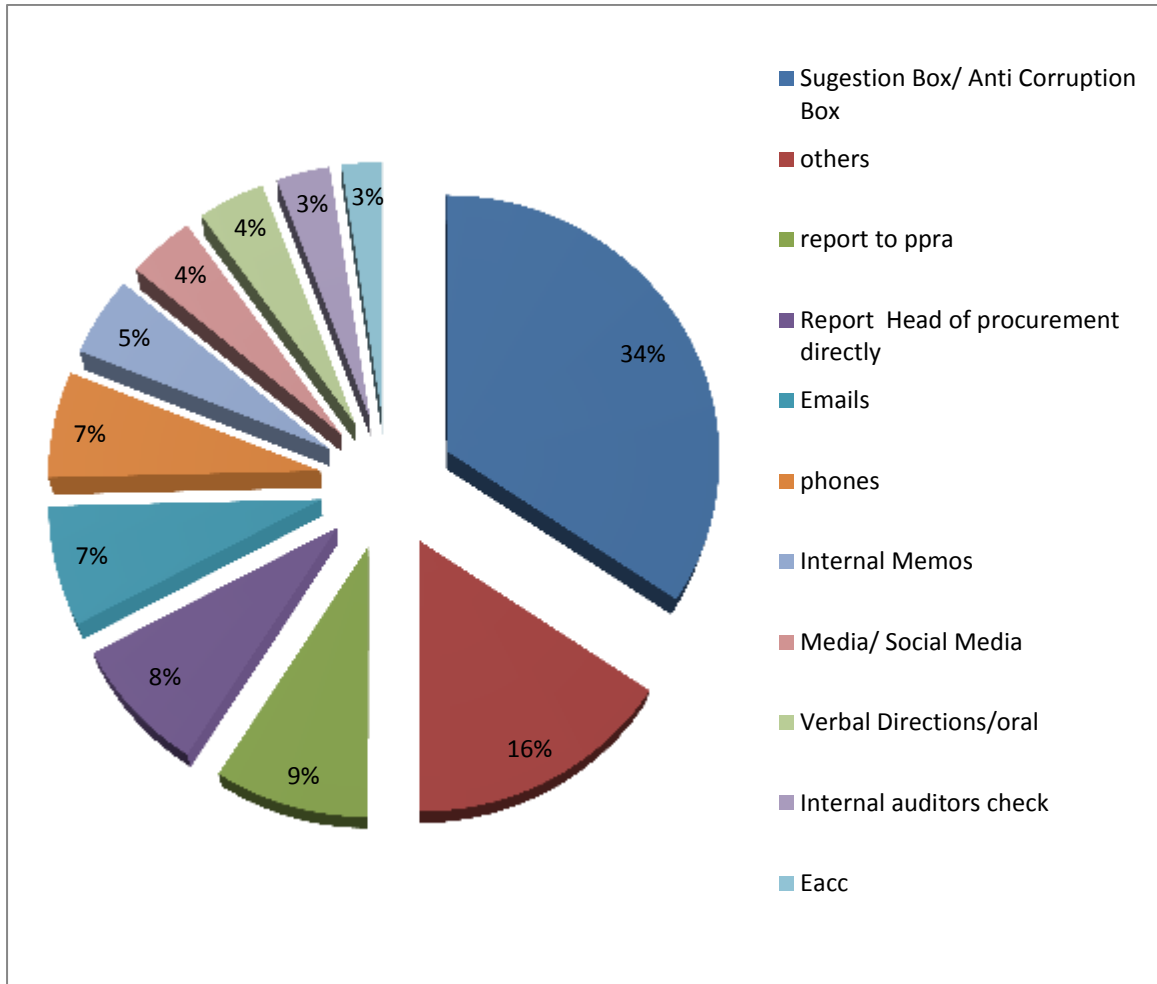
Every organisation that has effective management must devise control systems that are able to receive feedback should an occurrence that is a deviation from the plan happen. This is what is often referred to as a whistle blowing mechanism. By definition, whistle blowing

refers to the “active responses to raise a matter internally or to alert someone outside the organisation when a staff member becomes aware of a problem within a public organisation” Svara (2007). Though whistle blowing essentially can ethically take internal or external approach, many exponents believe that external channels ought not be explored prior to exhausting all other possible interventions. First step therefore for a public servant is an attempt to inform ones supervisor prior to informing anyone else.

Respondents in this study were asked to state the channels of communication they utilize to report any unethical conduct. Figure 4.9 presents results. Findings identified several channels such suggestion/anti-corruption boxes making up for 34%, others measures that were not communication related such as assembling a legal team, better supervision and accountability at 16%, direct communication to PPRA at 9%, direct communication or reporting to head of procurement at 8%, use of emails at 7%, use of phones or hotlines at 7%, communicating using internal memos at 5%, passing information through media/social media at 4%, giving verbal or oral directions at 4%, checks being done by internal auditor at 3% and communicating directly to EACC at 3%. Out of all the proposed channels, less than 20% of the respondents mentioned external channels. The most ferocious external channel that respondents suggested was media and social media.

Whistleblowing is not a feat for the faint hearted. Anwarullah (2013) posits that a responsible whistle-blower has a strong drive to avert the negative effect of the organization. In a sense, they are advocates for public common good. A responsible whistle-blower is accountable to maintain the public interest rather than interest of institutional superiors. A whistle-blower is not one to stand between the fences. They must cross to and take position in what they believe in. whistle blowing calls for a courageous, honest person with noble ideals. Public

leadership may create infrastructure for whistleblowing, private leadership may create a conducive environment in which to whistle blow but it takes personal leadership to be the person to do the task (whistle blow).



**Figure 4.9 Channels of Communication**

The role of whistleblowing in the fight against corruption cannot be overstated. Corruption and other malpractices that would shroud procurement practice contribute to the poverty levels especially in developing countries as well as emerging markets. Curtailing corruption levels would allow funds assigned for infrastructure to be spent on projects identified rather than enriching contractors, administrators or politicians. Particularly in county referral hospitals, any funds that may be lost may well mean an opportunity lost to strengthen

health and restore dignity of citizenry. In more adverse situations, it could lead to loss of lives due to lack of health amenities.

Leaders should encourage followers to speak up on procurement malpractices because if employees are not assured that their values need to be voiced, then they are likely to conceal their views and perceptions because corruption is particularly tough to identify and tackle through formal legal channels, especially in developing countries. Whistle blowing then comes in as a vital means of exposing procurement as well as other forms of malpractices (Carr & Lewis, 2010). The result of research, showing a good proliferation of whistle blowing channels are therefore in tandem with other studies that depict procedures have been introduced by many employers/ institutions as an aspect of good corporate governance.

#### **4.5.7 Promoting Ethical culture**

Respondents were asked to report on what ought to be done to uphold an ethical culture in their institutions. Figure 4.10 presents results. The study acknowledged several ways to inculcate a culture of ethics. Training was the chief modality mentioned at 28%, this view is backed by Goetsch & Davis (2006) who affirmed that value-based procurement management paradigm requires a rethinking of the management of human resources. An educated procurement team is not sufficient; it must motivate them towards better performance. Possession of knowledge is not as important as applying it. Thoughtfulness should be moved to skills of doing jobs and demonstrating competences. This can be realized by undertaking trainings. Trainings benefits include higher productivity, finer quality, communication and better teamwork. Trainings impact on understanding of a staff. Essentially, capacity building



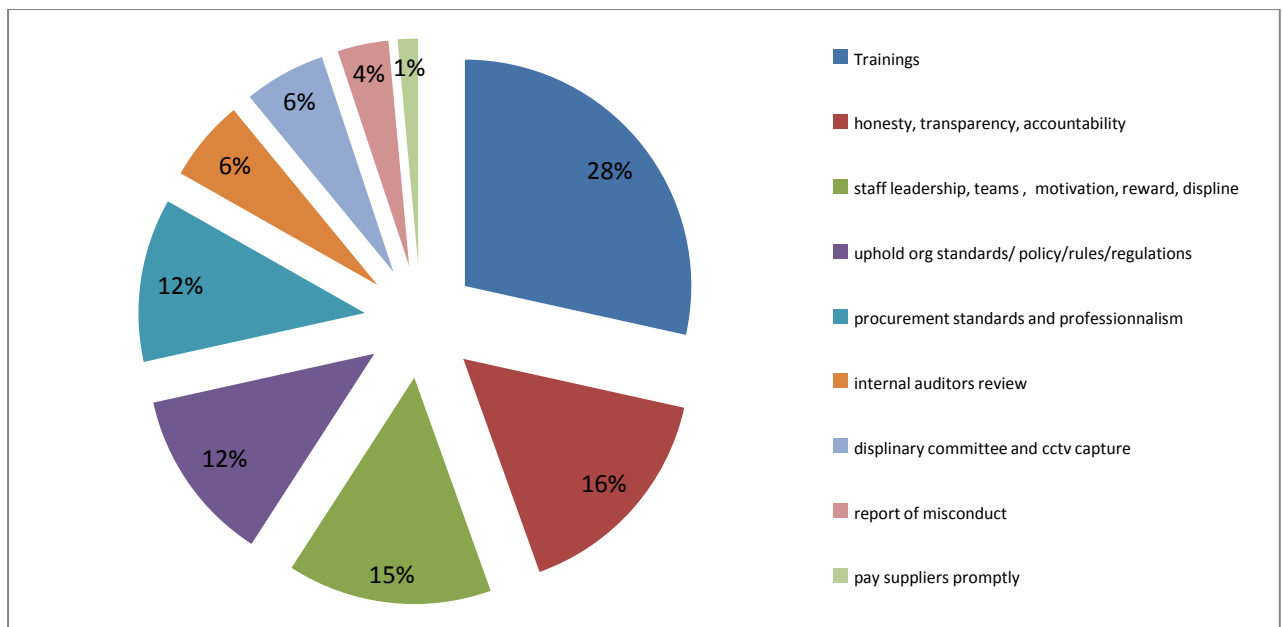
is what enables an employee to become an innovator, initiative taker and creative problem solver as well as achieving good job performance.

As a means of ensuring there is an ethical culture in county referral hospitals, respondents mentioned others measures that institutions can take that include- one, the need for staff and the organisation to uphold honesty, transparency and accountability at 16%, another measure respondents suggested is effective staff leadership, better teamwork, better motivation, better reward and better discipline at 15%, three- upholding of procurement standards and professionalism at 12%, another measure was utilizing internal auditors to review procurement conduct at 6%, interestingly respondents mentioned need for disciplinary committees and installation of CCTV to capture or monitor staff dealings at 6%.

Regarding audit the respondents ascertained the need of having auditors to review the procurement process in line with a Ghanaian study conducted to establish public procurement audit process in practice. A Case study of the public procurement authority office in Kumasi and the procurement unit of the Kumasi polytechnic. The study concluded that audit should be done to verify purposes intended so as to develop ways to ensure attentiveness and being more proactive than procurement fraudsters and those who have conflict of interest. Procurement audit has benefits of enhancing efficiency and effectiveness in procurement process. Additionally, integrity and accountability of procurement are safeguarded so that taxpayers money is spent for the suitable or intended purpose.

Respondents mentioned on the need of reporting of misconduct were also highlighted at 4%. Similarly EACC (2015) established most suppliers had failed to report cases of procurement malpractice citing four reasons. One, they had indicated not knowing where to report, two-

they had mentioned no action had been taken despite reporting previously, three- a need to mention good relationship deterred them from reporting and fourth, a culture of not reporting was the norm. Lastly in mention as a measure to promote ethical culture was paying of suppliers promptly at 1% though a study by EACC (2015) delays in supplier payment was the most aggrieving situation suppliers faced when transacting with public organisations. The delayed payment was very prevalent in hospitals. Such a stance indicates organisations have not known how to prioritize ethical actions to the suppliers. It also indicates flaws with supplier relationship management.



**Figure 4.10 Promoting Ethical Culture**

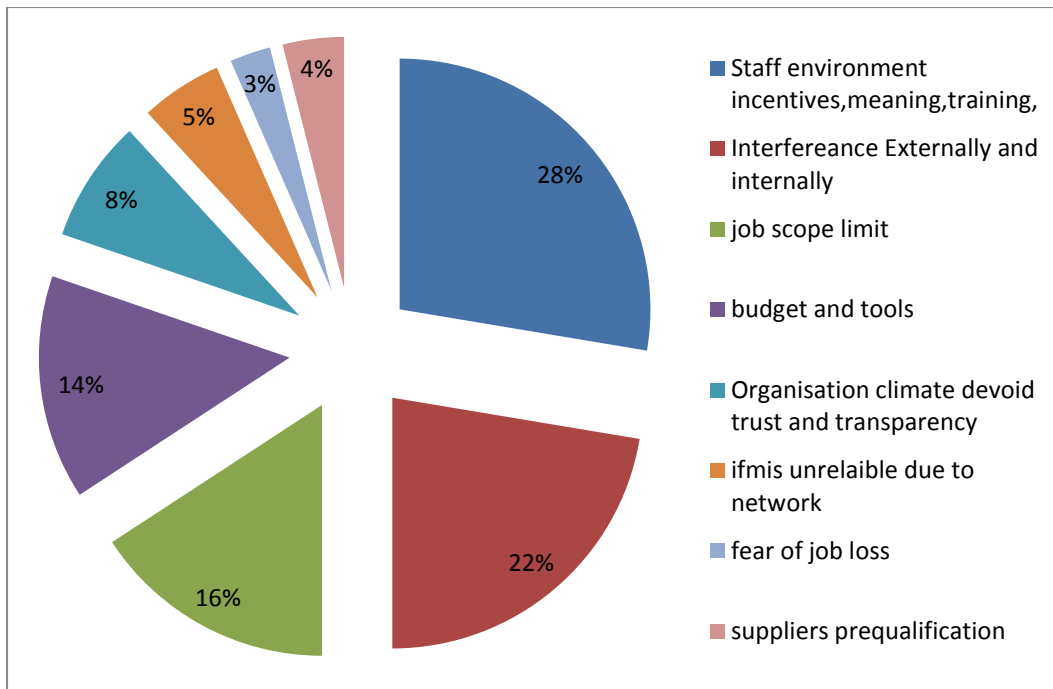
#### 4.5.8 Limits for procurement Employee

Respondents were probed on factors that limit their professionalism. Figure 4.11 presents results. The chief reason that was suggested was an ailing staff environment that is characterized by poor incentives, lack of meaning for the work and inadequate or no training and staff development. The second most prevalent hindrance of procurement employees' professionalism was interferences of the procurement professional function both internally

and externally at 22%. This finding is in tandem with Mokogi (2015) who observed that though the Public Procurement and Disposal Act, 2005 was meant to address the procurement function challenges, experience submits that the outcomes of legislating and enforcing the Act has not entirely met the objective.

The Public Procurement Act sought to address cases of interference from actors external to the authorized or mandates tender committees while at the same time tackling fraudulent practices through debarment, transfer of procurement to other procuring entities and introduction of deterrent penalties. The Act has remained insufficient in bid to keep off the interferences that are shrouded by procurement practice.

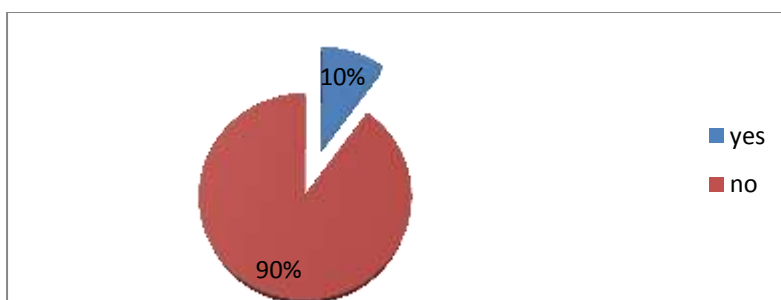
Job scope limit was also alluded at 16%, budgetary constraint and lack of appropriate tools were mentioned at 14%, and organisation climate was also cited as a hindrance at 8% where respondents cited lack of trust and transparency. Followed by this at 5% was the challenges related to information technology with specific example of IFMIS network being unreliable, next in rank some respondents put forward an ill suppliers' prequalification at 4% as an impediment and finally fear of job loss was mentioned at 3%.



**Figure 4.11 Limits for procurement Employee**

#### 4.5.9 Measures where a deal with supplier was not transparent

The final open ended question that respondents were asked- was on whether they had been any incident in their organisation wherein the supplier had not closed deal in a transparent manner. Figure 4.12 presents results. From the findings an overwhelming 90% of the respondents indicated there was no such incident in their institutions. Only 10% acknowledged to have had such an encounter in their institution.

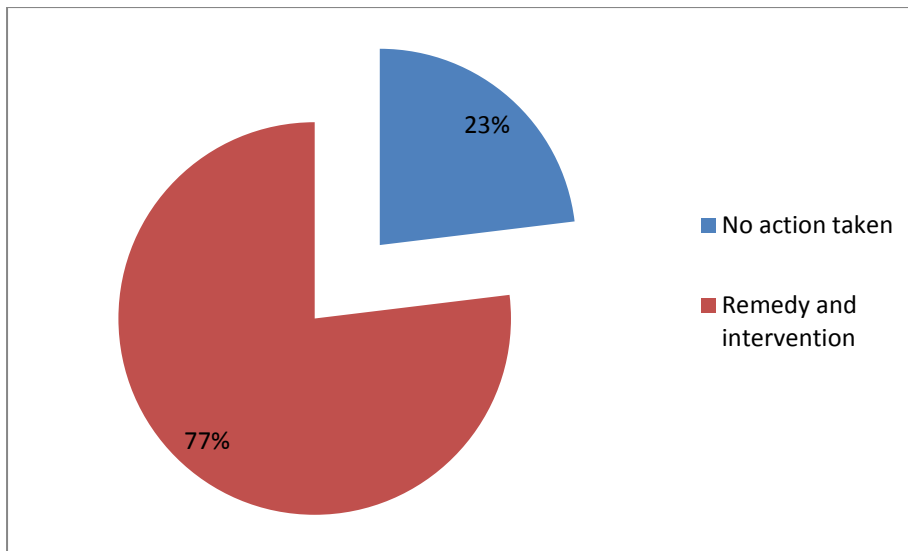


**Figure 4.12 Incidences of supplier closing deal in a manner not transparent**

When respondents were asked what transpired in the scenario of a supplier having a deal closed in a manner that was not transparent, figure 4.13 presents results. 77% of the

respondents stated that when an institution had a challenge of lack of transparency in tender bid, remedy and intervention had been taken. Only 23% of respondents said that no action was taken. For those who mentioned action was taken they mentioned seven measures – first, they indicated disciplinary action was taken with an example of a staff member who had to forgo salary for six months as a disciplinary intervention. Secondly, management stakeholders such as were county government high ranking officials being involved in case of tender malpractice. Thirdly respondents mentioned regulatory authority PPRA was involved. Fourth action that was highlighted was that management was put to task. Fifth intervention stressed on supplier communication being done in an appropriate manner. Sixth remedy was disqualification of implicated supplier from taking future tenders and seventh measure that was highlighted was the tender bid in question was cancelled and a new tender was re-advertised.

These findings are consistent with EACC (2015) report that established such stringent measures were reported with a few suppliers and practioners stating there was blacklisting of suppliers upon establishing malpractice being realized in the procurement practices from the procurement practioners view. However, no suppliers expressed knowledge of anything that had been done, most indicated the practice goes on unabated. Both suppliers and practioners, very few had mentioned law enforcement agencies such as the police and EACC being looped in to take action. The EACC study targeted 573 suppliers who had interest in transacting with the government, 377 public procurement practioners; the study also relied on 369 files scrutinized across 15 counties.



**Figure 4.13 Intervention where deal was not closed in a transparent manner**

#### **4.6 Inferential Statistics**

Inferential statistics are a set of procedures used to make generalization, estimate, prediction, or decision. Inferential statistics are techniques that allow the use of samples to make generalizations about the populations from which the samples were drawn. Unlike descriptive statistics, which are used to describe the characteristics (such as distribution, central tendency, and dispersion) of a single variable, inferential statistics are used to make inferences about the larger population based on the sample (Babbie, 2011).

Typically, inferential statistics deal with bivariate and multivariate analysis of variables. This section presents correlation and multiple regression analysis results to evaluate the relationship between independent variables and the dependent variable (ethical procurement). Three levels of leadership model and organisation climate were analyzed in this study to establish their effect on ethical procurement.

Before carrying out correlation and regression analysis, factor analysis and other diagnostic tests prior to carrying out regression analysis. Factor analysis was employed to reveal

underlying factors that illustrate relationships among sets of related items. Factor analysis is a preferred tool because of its ability to single out small number factors that are critically linked to the area of study of interest and grouping similar variable indicators together (Cox, 2010). Test of normality on the other hand is used to determine if a data set is normally distributed. Variables that are not normally distributed can distort relationships and significance tests thus causing problems in multiple regression analysis. This means that if normality assumption is violated, then interpretations and inferences may not be reliable or valid thus negatively affecting results.

#### **4.6.1 Test of normality**

In statistics, normality tests are used to establish if a data set is well-modeled by a normal distribution and to calculate the likelihood that a random variable within the dataset to be normally distributed. The impact of the distribution falling outside normal range of normal distribution is that relationships can be biased and significance tests misleading. An additional view of Razali and Wah, (2011) is that when normality assumption is violated, interpretation and inferences may not be reliable or valid. This is because all regression analyses assume normal distributions.

According to Hair *et al.*, (2010) the most essential supposition in multivariate analysis is normality. Normality denotes the form or shape of the data distribution for a variable and its correspondence to the normal distribution. Normality is determined in several parametric or non-parametric techniques in view to uphold if the distribution of the data approximates that of a normal distribution. To affirm this argument, (Tabachnick & Fidell , 2014) identifies skewness and kurtosis as two significant components of normality. Skewness checks the deviance of the data from the mean while kurtosis examines the relative peakedness of the distribution.

From a theoretical perspective, skewness and kurtosis are zero when a distribution is perfect distribution. In social sciences such precision of value is rather uncommon. According to Kothari, (2004), assumptions of normality are satisfied if the kurtosis and skewness is between +2 and -2. Hair *et al.*, (2010) also proposed that for a distribution to be considered normal, the skewness value must be within  $\pm 2.00$  standard error of skewness and within  $\pm 3.00$  standard error of kurtosis. Additionally, the researcher conducted Shapiro-Wilk test. For samples of 3 to 2,000, Shapiro-Wilk test should be used but if the sample size exceeds 2,000 then the Kolmogorov-Smirnov test applies (Field, 2000).

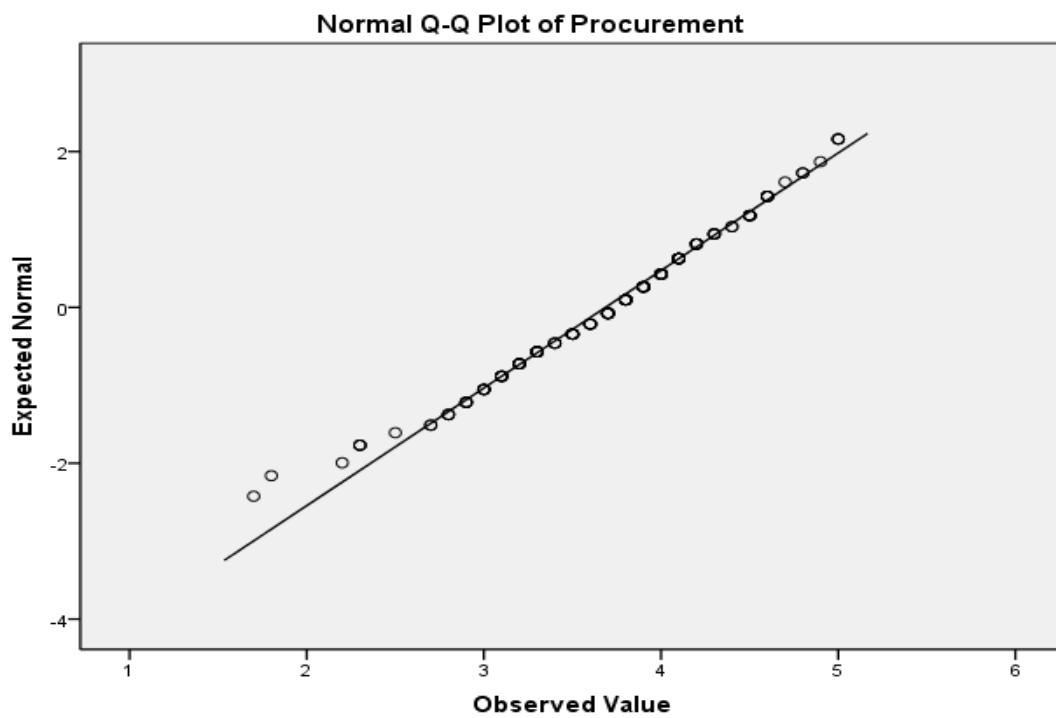
Statistics for skewness for ethical procurement was -0.399 while kurtosis was 0.192. Public leadership had statistics for skewness of -1.252 and kurtosis was 1.001. Private leadership had statistics for skewness of -0.527 and kurtosis was 0.901. Last was, Personal leadership had statistics for skewness of -0.705 and kurtosis was 0.696. All of these values did not surpass the absolute values of 2 for skewness and 3 for kurtosis indices. Hence the data set was considered to have moderately normal distribution as shown on table 4.21. Whereas Shapiro Wilk statistic for ethical procurement, public leadership, private leadership and personal leadership were 0.984, 0.907, 0.971 and 0.960 respectively. Shapiro-Wilk statistics for all the study variables were greater than 0.5 hence the distribution is normal. This implies that the variables were normally distributed.



**Table 4.21 Tests of Normality**

	Shapiro Wilk Statistic	Skewness Statistic	Kurtosis Statistic
Ethical Procurement	.984	-0.399	0.192
Public leadership	.907	-1.252	1.001
Private leadership	.971	-0.527	0.901
Personal Leadership	.960	-0.705	0.696

Finally, the findings of normality with skewness test, kurtosis test, and Shapiro wilk test were all interpreted in conjunction with Q-Q plots. The Q-Q plots demonstrated graphically how the data meets a normal distribution are shown below



**Figure 4.14: Normal Q-Q plot of Ethical Procurement**

#### 4.6.2 Test for auto-correlation

Autocorrelation infers that adjacent observations are correlated. If the regression model violates the assumption of no autocorrelation the model will have underestimated the standard errors of the predictors even if predictors may be significant. It is essential that the residuals should not be auto correlated. The study conducted an autocorrelation test using the Durbin Watson method.

The Durbin Watson test for auto correlation in residuals ranges between zero to four. A value of two indicates there is no auto correlation. A value below two tending towards zero or nearing zero implies positive auto correlation. A value above two that is tending towards four indicates negative auto correlation.

The findings indicated that the Durbin-Watson value is at 1.933 is between the two critical values of  $1.5 < d < 2.5$  therefore implying that there is no first order auto-correlation in our multiple linear regression data. The value which shows that the autocorrelation coefficient lies within the recommended values of between 1.5 and 2.5 where 2 implies that there is no autocorrelation. Thus the value 1.933 lies within the satisfactory levels.

**Table 4.22 Durbin Watson Test for auto – correlation.**

Model dimension	R	Std. Error of the Estimate	Durbin-Watson
1	.645a	.57801	1.933

#### 4.6.3 Test for homoscedasticity and heteroscedasticity

Homogeneity of variance or homoscedasticity refers to the extent to which the data values for the dependent and independent variables have equal variances (Hair *et al.*, 2010). If the variances happen to be unequal, then heteroscedasticity exists which complicates regression analysis because regression assumes equal variances. In this study, Levene test was used to

test for homogeneity of variance. According to Field (2009) in large samples greater than 30, small differences in group variance can produce a Levene test that is significant. A useful double check, therefore is to look at variance ratio. This is the ratio of variances between the group with highest and the group with the lowest variance and the ratio should be below or about 2 or 3 (Field, 2009). Homoscedasticity test results are presented in Table 4.23.

**Table 4.23 Test of Homogeneity of Variances**

	Levene Statistic	df1	df2	Sig.
Public Leadership	2.128	21	102	.007
Personal leadership	1.281	21	102	.206
Private leadership	1.547	21	102	.078

The results presented in Table 4.23 showed that all the study variables do not deviate far away from the expected variance ratio of approximately 2.0 (Field, 2000). This was interpreted to mean that the variances are equal, hence no threat of heteroscedasticity. Homoscedasticity refers to the assumption that dependent variable(s) exhibit equal levels of variance across the range of independent variables.

#### **4.6.4 Testing for Linearity**

The assumption of linearity is that there is a straight line relationship between dependent variables and independent variables. The assumption of linearity is important as Pearson's  $r$  only captures the linear relationships among variables (Tabachnick & Fidell, 2014). This assumption may be assessed by observing the bivariate scatterplot for all variables. This was essential in the determination that variable relationships are linear and outliers can be detected. This was especially essential as correlation and multiple regression analysis are based on this assumption. The assumption of linearity is that there is a straight line relationship between dependent variables and independent variables (Hair *et al.*, 2010). If both variables are

normally distributed and linearly related, the scatter plot is oval-shaped (Tabachnick & Fidell, 2014).

#### **4.6.5 Test for multicollinearity**

Methods of conducting multicollinearity tests are several- including pair-wise correlation analysis, VIF tests, and regression analysis between the independent variables. This study conducted pair-wise correlation analysis of independent variables and VIF tests.

##### **4.6.5.1 Test of Multicollinearity of Independent Variables**

While some moderate correlation between the independent variables is necessary for regression analysis, since they are measuring the same dimension of the study - high correlation poses the threat of multicollinearity. According to Field (2009) the rule of thumb is that coefficients above 0.90 should be rejected due to inflated outcomes of individual predictive power. Lind *et al.*, (2011) differs with view and established that the common rule of thumb is that correlations among the independent variables should be less than 0.70 to remove the difficulties in regression analysis. When the independent variables were correlated among themselves, all were found to be associated as shown in the table 4.24.

Public leadership was positively and statistically significant correlated to private leadership ( $r = 0.647$ ,  $p = 0.000$ ), Public leadership was positively and statistically significant related to personal leadership ( $r = 0.330$ ,  $p = 0.000$ ) and lastly Private leadership was positively and significantly correlated to personal leadership ( $r = 0.353$ ,  $p = 0.000$ ). From Table 4.24, the correlation among variables is less than  $r < 0.7$  and hence the impediment of multicollinearity was minimized. Multicollinearity results in close association between independent variables causing problems in distinction of effects of one variable on another. (Norusis, 2009).

**Table 4.24 pair-wise correlation analysis of independent variables**

Variable	Test	Public Leadership	Private Leadership	Personal Leadership
Public Leadership	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	129		
Private Leadership	Pearson Correlation	.647**	1	
	Sig. (2-tailed)	.000		
	N	129	129	
Personal Leadership	Pearson Correlation	.330**	.353**	1
	Sig. (2-tailed)	.000	.000	
	N	129	129	129

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.6.5.2 VIF Test of Multicollinearity

Multicollinearity was also tested by examining the variable inflation factor (VIF) and tolerance values for all variables. According to Hair *et al.*, (2010) multicollinearity is defined as a strong correlation among the predictor variables not only does it increase the likelihood of errors in hypothesis testing of multiple regression analysis but it is also a threat to the internal validity (Field, 2000). As a rule of the thumb to rule out multicollinearity, the VIF values are to be in a value range below 10 and the tolerance values over 0.1 to be acceptable (Hair *et al.*, 2010).

The findings revealed that shaping public leadership had VIF of 1.756 and tolerance of 0.569, private leadership had VIF of 1.788 and tolerance of 0.559 and personal leadership had VIF of 1.166 and tolerance of 0.858. The findings of multicollinearity do suggest that multicollinearity was absent among the variables (Hair *et al.*, 2010; Tabachnick & Fidell, 2014). The results for testing multicollinearity in terms of VIF and tolerance values with ethical procurement as the dependent variable are presented in Table 4.25. It was therefore

established that there was no threat of multi-collinearity thus the data was fit for regression analysis.

**Table 4.25 VIF Test of Multicollinearity**

Model		Unstandardized Coefficients			Standardized	Collinearity Statistics	
		B	Std. Error		Beta	Tolerance	VIF
1	(Constant)	.473	.393				
	Public	.307	.091	.304	.569	1.756	
	Private	.457	.109	.382	.559	1.788	
	Personal	.062	.086	.053	.858	1.166	

#### 4.6.6 Collinearity Analysis

Pearson's correlation coefficient is a measure of linear association between two continuous variables and has the advantage of yielding to a small standard error (Gall et al., 2003). Pearson correlation analysis indicates the strength, direction, and significance of bivariate relationship among the variables. The larger the correlation coefficient, the stronger the level of association. The Correlation coefficient could take any value between -1.00 and +1.00. A value of +1.00 representing perfect positive correlation while a value of -1.00 a perfect negative correlation. The assumption of normality Pearson's correlation coefficient analysis was also observed in this study. The product-moment correlation coefficient (sometimes called Pearson's correlation coefficient  $r$ ) was used in this study.

From the findings on the correlation analysis between ethical procurement and public leadership as shown by correlation factor ( $r= 0.569$ ) depicts a positive association with significance ( $p=0.000$ ). This portrays a moderately strong relationship. The association between ethical procurement and private leadership was also found to have positive and significant correlation coefficient ( $r= 0.597$ ,  $p=0.000$ ) also showing a moderately strong relationship. A positive, albeit weak correlation between ethical procurement and personal leadership as shown by ( $r=0.288$ ,  $p= 0.001$ ). This is an indication that there was positive

relationship between ethical procurement and all the three levels of leadership model being the public leadership, private leadership and personal leadership as shown on table 4.26.

**Table 4.26: correlation of three levels leadership model and ethical procurement**

Variable	Test	Public Leadership	Private Leadership	Personal Leadership	Ethical Procurement
Public leadership	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	129			
Private Leadership	Pearson Correlation	.647**	1		
	Sig. (2-tailed)	.000			
	N	129	129		
Personal Leadership	Pearson Correlation	.330**	.353**	1	
	Sig. (2-tailed)	.000	.000		
	N	129	129	129	
Ethical Procurement	Pearson Correlation	.569**	.597**	.288**	1
	Sig. (2-tailed)	.000	.000	.001	
	N	129	129	129	129

\*\* . Correlation is significant at the 0.01 level (2-tailed)

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

#### 4.7 Regression Analysis

Multiple regression analysis is a statistical technique that can be used to analyze relationship between single dependent variable and several (independent variables) Hair et (2010). In this present study, multiple regression analysis was utilized to analyse the contribution of three levels of leadership model on impact on ethical procurement in level 5 county referral hospitals in Kenya.

Before running the regression model, pair-wise correlation was calculated to analyze extent of association between dependent and independent variables. Further, assumptions of regression model are ascertained to ensure appropriateness of the data set for multiple

regression analysis. First assumption was linearity of parameters. Second assumption relates to homoscedasticity of residuals or equal variance of errors that was tested using Levene's test. Third assumption was in regard to no auto correlation of residuals which was tested using Durbin Watson test. Fourth assumption was on no multicollinearity which was tested using pairwise correlation of independent variables and VIF multicollinearity test. The fifth assumption on normality of residuals which was tested using skewness and kurtosis tests, Shapiro Wilk test and normal Q-Q graphical plots.

The broad objective of this study was to assess the impact of the three levels leadership model and organisation climate on ethical procurement in county referral hospitals in Kenya. To achieve this, specific objectives were established and corresponding hypothesis stated. Multiple regression analysis was used to determine combined effects of the independent variables on the dependent variable. The tests of hypothesis using t-values were carried out at 95 percent significant level  $p < 0.05$ . Decisions were made whether to reject or accept a hypothesis based on the p-values. Where  $p \geq 0.05$  the study failed to reject the hypotheses and where  $p \leq 0.05$ , the study rejected the hypotheses at 5% level of significance. Interpretations of results and subsequent discussions also considered coefficient of determination ( $R^2$ ), F-Statistic values and beta values. The  $R^2$  indicated the change in dependent variable that was explained by change in the independent variable. The findings are presented in various sections of this chapter along research objectives and corresponding hypotheses.

#### **4.7.1 Test of Hypothesis 1: public leadership and ethical procurement**

From the analysis in the table 4.27, the linear regression analysis models on the independent variable which is public leadership and dependent variable which is ethical procurement in county referral hospitals in Kenya. The coefficient of determination ( $R^2$ ) and correlation coefficient (R) shows the degree of association between the ethical procurement county



referral hospitals in Kenya and public leadership. The results of the linear regression indicate that  $R^2=0.324$  and  $R= 0.569$  an indication that there was a moderately strong linear relationship between public leadership and ethical procurement in county referral hospitals in Kenya. The independent variable explained 32.4% of the variability of the dependent variable which is the ethical procurement in county referral hospitals in Kenya. When mediating variable was added into the model, results indicate a strong linear relationship with  $R^2=0.785$  and  $R= 0.617$ .

When adjusted for the sample size and degrees of freedom, public leadership can explain up to 31.8% of ethical procurement (adjusted  $R^2=.318$ ) while as public leadership explains 61.1% of ethical procurement (adjusted  $R^2=.611$ ) when organisation climate was added into the model, this indicate a higher explanation of the independent variable on ethical procurement. The mediating variable accounts for R squared increase by 29.3 % implying that organisation climate contributes to the variance explained between public leadership and ethical procurement.

**Table 4.27: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.569 a	0.324	0.318	0.61738
2	0.785 a	0.617	0.611	0.46667

a. Predictors: (Constant), Public, Private, Personal

Anova model adequacy table: linear regression F test has the null hypothesis that the model explains zero variance in the dependent variables;  $R^2 = 0$ . Further to test the overall significance of the analysis of variance was done. The significant F ratio is strong evidence against the null hypothesis. It reveals that at least one or more partial regression have a value

other than zero. In all it indicates that the model is significantly better at predicting the outcomes.

Results of ANOVA model adequacy as shown in table 4.28 reveals that public leadership statistically significantly predicted ethical procurement in county referral hospitals in Kenya,  $F(1, 127) = 60.784, p < .05, R^2 = .324$ . The statistical model fit ( $F=29.744$ ) is significant at  $p < 0.05$ . When the mediating variable, organisation climate is added into the model- the model was statistically significant  $F(1, 127) = 101.328, p < .05, R^2 = .617$  and predicted ethical procurement. The two models imply that there is considerable improvement in prediction upon introduction of mediating variable: organisation climate, in comparison to the baseline prediction. This means there is no evidence to support for the null hypothesis. We therefore reject the null hypothesis and accept the alternative hypothesis, thus “there is significant positive relationship between public leadership and ethical procurement practice”.

**Table 4.28: Model Adequacy**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.168	1	23.168	60.784	.000 <sup>b</sup>
	Residual	48.407	127	.381		
	Total	71.576	128			
a. Dependent Variable: Ethical Procurement						
b. Predictors: (Constant), Public						
2	Regression	44.135	2	22.067	101.328	.000 <sup>b</sup>
	Residual	27.441	126	.218		
	Total	71.576	128			
a. Dependent Variable: Ethical Procurement						
b. Predictors: (Constant), Climate, Public						

From table 4.29, the linear regression model for public leadership,

$$Y = \beta_0 + \beta_1x_1 + \varepsilon \dots\text{Model 1}$$

$$Y = \beta_0 + \beta_1x_1 + \beta_4x_4 + \varepsilon \dots\text{Model 2}$$

Where; Y = Ethical procurement in county referral hospitals in Kenya

$\beta_0$  = Constant (Y- Intercept)

$\varepsilon$ = Standard Error term

$\beta_1$  = Regression Coefficient

$\beta_4$  = Regression Coefficient

$x_1$  = Public Leadership

$x_4$  = Organisation Climate

**Table 4.29: Public Leadership Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
		B		Beta		
1	(Constant)	1.426	.297		4.804	.000
	Public	.575	.074	.569	7.796	.000
2	(Constant)	.372	.249		1.496	.137
	Public	.209	.067	.207	3.113	.002
	Climate	.650	.066	.651	9.812	.000

a. Dependent Variable: Ethical Procurement

Regression results showed that a unit change in public leadership resulted to 57.5% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 1.426 + 0.575$  Public Leadership. From regression results table 4.29, a

unit increase in public leadership resulted in increase of 57.5% change in ethical procurement in county referral hospitals. The general regression model will be  $Y = 1.426 + 0.575X_1$ . The results indicated that public leadership had a positive and statistically significant effect on the ethical procurement ( $\beta = 0.651$ ,  $t = 7.796$ ,  $p < 0.05$ ). This revealed that public leadership significantly influenced ethical procurement, hence the objective was attained.

When the mediating variable, organisation climate is added into the model- unit change in public leadership resulted to 20.9% increase in ethical procurement in county referral hospitals and a unit change in organisation climate resulted to 65% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 0.372 + 0.209 \text{ Public Leadership} + 0.650 \text{ organisation climate}$ . The general regression model  $Y = 0.372 + 0.209X_1 + 0.650X_4$ . The regression coefficients agree with the findings in the descriptive data analysis that public leadership level has a positive influence on ethical procurement. The results indicated that organisation climate had a positive and statistically highly significant mediating effect on the relationship between public leadership and ethical procurement ( $\beta = 0.150$ ,  $t = 9.812$ ,  $p < 0.05$ ). This revealed that organisation climate significantly mediated the relationship between public leadership and ethical procurement, hence the objective was attained.

#### **4.7.2 Test of Hypothesis 2: private leadership and ethical procurement**

From the analysis in the table 4.30, the linear regression analysis models on the independent variable which is private leadership and dependent variable which is ethical procurement in county referral hospitals in Kenya. The coefficient of determination ( $R^2$ ) and correlation coefficient ( $R$ ) shows the degree of association between the ethical procurement county referral hospitals in Kenya and private leadership. The results of the linear regression indicate

that  $R^2=0.357$  and  $R= 0.597$  which indicates that there was a moderately strong linear relationship between public leadership and ethical procurement in county referral hospitals in Kenya. The independent variable explained 35.7% of the variability of the dependent variable which is the ethical procurement in county referral hospitals in Kenya. When mediating variable was added into the model, results indicate a strong linear relationship with  $R^2=0.786$  and  $R= 0.618$ .

When adjusted for the sample size and degrees of freedom, private leadership can explain up to 35.2% of ethical procurement (adjusted  $R^2=.352$ ) while as private leadership explains 61.2% of ethical procurement (adjusted  $R^2=.612$ ) when organisation climate was added into the model, this indicate a higher explanation of the dependent variable on ethical procurement. The mediating variable accounts for R squared increase by 26 % implying that organisation climate contributes to the variance explained between private leadership and ethical procurement.

**Table 4.30: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.597 a	0.357	0.352	0.60202
2	0.786 a	0.618	0.612	0.46609

b. Predictors: (Constant), Private

Anova model adequacy table 4.31: linear regression F test has the null hypothesis that the model explains zero variance in the dependent variables;  $R^2 = 0$ . Further to test the overall significance of the analysis of variance was done. The significant F ratio is strong evidence against the null hypothesis. It reveals that at least one or more partial regression have a value other than zero. In all it indicates that the model is significantly better at predicting the outcomes.

Results of ANOVA model adequacy reveals that private leadership statistically significantly predicted the ethical procurement in county referral hospitals in Kenya,  $F(1, 127) = 70.491$ ,  $p < .05$ . The statistical model fit ( $F=70.491$ ) is significant at  $p < 0.05$ . When the mediating variable, organisation climate is added into the model- the results remained statistically significant  $F(2, 126) = 101.739$ ,  $p < .05$  and predicted ethical procurement. The two models imply that there is considerable improvement in prediction upon introduction of mediating variable: organisation climate, in comparison to the baseline prediction. This means there is no evidence to support for the null hypothesis. We therefore reject the null hypothesis and accept the alternative hypothesis, thus “there is significant positive relationship between private leadership and ethical procurement practice”.

**Table 4.31: Model Adequacy**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.548	1	25.548	70.491	.000 <sup>b</sup>
	Residual	46.028	127	.362		
	Total	71.576	128			
a. Dependent Variable: Ethical Procurement						
b. Predictors: (Constant), Private						
2	Regression	44.203	2	22.102	101.739	.000 <sup>b</sup>
	Residual	27.372	126	.217		
	Total	71.576	128			

a. Dependent Variable: Ethical Procurement

b. Predictors: (Constant), Climate, Private

From table 4.32, the linear regression model for private leadership,

$$Y = \beta_0 + \beta_2x_2 + \varepsilon \dots\text{Model 1}$$

$$Y = \beta_0 + \beta_2x_2 + \beta_4x_4 + \varepsilon \dots\text{Model 2}$$

Where; Y = Ethical procurement in county referral hospitals in Kenya

$\beta_0$  = Constant (Y- Intercept)

$\varepsilon$  = Standard Error term

$\beta_2$  = Regression Coefficient

$\beta_4$  = Regression Coefficient

$x_2$  = Private Leadership

$x_4$  = Organisation Climate

**Table 4.32: Private Leadership Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		Unstandardized Coefficients	Std. Error	Beta	t	Sig.
		B				
1	(Constant)	0.940	.333		2.824	.006
	Private	.716	.085	.597	8.396	.000
2	(Constant)	.251	.268		0.934	.352
	Private	.261	.082	.217	3.167	.002
	Climate	.635	.069	.636	9.267	.000

a. Dependent Variable: Ethical Procurement

Regression results show that a unit change in private leadership resulted to 71.6% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 0.940 + 0.716$  Private Leadership. The general regression model will

be  $Y = 0.940 + 0.716X_1$ . The regression coefficients agree with the findings in the descriptive data analysis that private leadership level has a positive influence on ethical procurement.

The results indicated that private leadership had a positive and statistically significant effect on the ethical procurement ( $\beta = 0.597$ ,  $t = 8.396$ ,  $p < 0.05$ ). This revealed that private leadership significantly influenced ethical procurement, hence the objective was attained.

When the mediating variable, organisation climate is added (model 2)- unit change in private leadership resulted to 26.1% increase in ethical procurement in county referral hospitals and a unit change in organisation climate resulted to 63.5% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 0.251 + 0.261 \text{ Private Leadership} + 0.635 \text{ organisation climate}$ . The general regression model  $Y = 0.251 + 0.261X_1 + 0.635 X_4$ . The results indicated that organisation climate had a positive and statistically highly significant mediating effect on the relationship between public leadership and ethical procurement ( $\beta = 0.636$ ,  $t = 9.267$ ,  $p < 0.05$ ). This revealed that organisation climate significantly mediated the relationship between private leadership and ethical procurement, hence the objective was attained.

#### **4.7.3 Test of Hypothesis 3: personal leadership and ethical procurement**

From the analysis in the table 4.33, the linear regression analysis models on the independent variable which is personal leadership and dependent variable which is ethical procurement in county referral hospitals in Kenya. The coefficient of determination ( $R^2$ ) and correlation coefficient ( $R$ ) shows the degree of association between the ethical procurement county referral hospitals in Kenya and personal leadership. The results of the linear regression indicate that  $R^2 = 0.083$  and  $R = 0.288$  an indication that there was a moderately weak linear relationship between personal leadership and ethical procurement in county referral hospitals



in Kenya. The independent variable explained 7.6% of the variability of the dependent variable which is the ethical procurement in county referral hospitals in Kenya. When mediating variable was added into the model 2, results were contrasted with a strong linear relationship with  $R^2=0.590$  and  $R= 0.768$ .

When adjusted for the sample size and degrees of freedom, personal leadership can explain up to 7.6 % of ethical procurement (adjusted  $R^2=.076$ ) while as personal leadership and organisation climate explains 58.3% of ethical procurement (adjusted  $R^2=.583$ ) when organisation climate was added into the model, this indicate a higher explanation to the model. The mediating variable accounts for R squared increase by 50.7 % implying that organisation climate contribute most to the variance between the personal leadership and ethical procurement. Individuals thrive in within the context of organisation climate.

**Table 4.33: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.288 a	0.083	0.076	0.71887
2	0.768 a	0.590	0.583	0.48287

c. Predictors: (Constant), Personal

Anova model adequacy table: linear regression F test has the null hypothesis that the model explains zero variance in the dependent variables;  $R^2 = 0$ . Further to test the overall significance of the analysis of variance was done. The significant F ratio is strong evidence against the null hypothesis. It reveals that at least one or more partial regression have a value other than zero. In all it indicates that the model is significantly better at predicting the outcomes.

Results of ANOVA model adequacy reveals that personal leadership statistically significantly predicted the ethical procurement in county referral hospitals in Kenya,  $F(1, 127) = 11.505, p < .05$ . The statistical model fit ( $F=11.505$ ) is significant at  $p < 0.05$ . When the mediating variable, organisation climate is added into the model- the results remained

statistically significant  $F(2, 126) = 90.485, p < .05$  and predicted ethical procurement. The two models imply that there is considerable improvement in prediction upon introduction of mediating variable: organisation climate, in comparison to the baseline prediction. This means there is no evidence to support for the null hypothesis. We therefore reject the null hypothesis and accept the alternative hypothesis, thus “there is significant positive relationship between private leadership and ethical procurement practice”.

**Table 4.34: Model Adequacy**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.945	1	5.945	11.505	.001 <sup>b</sup>
	Residual	65.630	127	.517		
	Total	71.576	128			
2	Regression	42.197	2	21.098	90.485	.000 <sup>b</sup>
	Residual	29.379	126	.233		
	Total	71.576	128			

a. Dependent Variable: Ethical Procurement

b. Predictors: (Constant), Personal

Model

a. Dependent Variable: Ethical Procurement

b. Predictors: (Constant), Climate, Personal

From table 4.35, the linear regression model for personal leadership,

$$Y = \beta_0 + \beta_3 x_3 + \epsilon \dots \text{Model 1}$$

$$Y = \beta_0 + \beta_3 x_3 + \beta_4 x_4 + \epsilon \dots \text{Model 2}$$

Where; Y = Ethical procurement in county referral hospitals in Kenya

$\beta_0$  = Constant (Y- Intercept)

$\epsilon$  = Standard Error term

$\beta_2$  = Regression Coefficient

$\beta_4$  = Regression Coefficient

$x_3$  = Personal Leadership

$x_4$  = Organisation Climate

**Table 4.35: Personal Leadership Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients		
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.362	.400		5.910	.000
	Personal	.336	.099	.288	3.392	.001
2	(Constant)	.579	.304		1.905	.059
	Personal	.060	.070	.052	.859	.392
	Climate	.748	.060	.750	12.469	.000

a. Dependent Variable: Ethical Procurement

Regression results showed that a unit change in personal leadership resulted to 33.6% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 2.362 + 0.336 \text{ Personal Leadership}$ . The general regression model will be  $Y = 2.362 + 0.336X_1$ . The regression coefficients agree with the findings in the descriptive data analysis that personal leadership level has a positive influence on ethical procurement. The results indicated that personal leadership had a positive and statistically significant effect on the ethical procurement ( $\beta = 0.288$ ,  $t = 3.392$ ,  $p < 0.05$ ). This revealed that private leadership significantly influenced ethical procurement, hence the objective was attained.

When the mediating variable, organisation climate is added (model 2)- unit change in personal leadership resulted to 6% increase in ethical procurement in county referral hospitals and a unit change in organisation climate resulted to 74.8% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 0.579 + 0.060 \text{ Personal Leadership} + 0.748 \text{ organisation climate}$ . The general regression model  $Y =$

$0.579 + 0.060X_3 + 0.748 X_4$ . The results indicated that organisation climate had a positive and statistically highly significant mediating effect on the relationship between public leadership and ethical procurement ( $\beta = 0.750$ ,  $t = 12.469$ ,  $p < 0.05$ ). This revealed that organisation climate significantly mediated the relationship between private leadership and ethical procurement, hence the objective was attained.

#### **4.7.4 Test of Hypothesis 4: Three levels leadership and ethical procurement**

Table 4.36 shows a multiple regression results that predict the ethical procurement in county referral hospitals in Kenya from the three levels leadership model; public leadership X1, private leadership X2 and personal leadership X3 (model 1) and public leadership X1, private leadership X2, personal leadership X3 and organisation climate x4 (model 2). The results of the regression indicate that  $R^2 = 0.417$  and  $R = 0.645$  and indication that there was a strong linear relationship between three levels of leadership model and the ethical procurement in county referral hospitals in Kenya. The independent variables explained 41.7% of the variability of the dependent variable which is the ethical procurement in county referral hospitals in Kenya. When mediating variable was added into the model 2, results were buffered with a strong linear relationship with  $R^2 = 0.628$  and  $R = 0.792$ .

When adjusted for the sample size and degrees of freedom, the three levels of leadership can explain up to 40.3% of ethical procurement (adjusted  $R^2 = .403$ ) while as the same model of leadership explains 61.6% of ethical procurement (adjusted  $R^2 = .616$ ) when organisation climate was added into the model, this indicate a higher explanation of the three levels of leadership model on ethical procurement.

**Table 4.36: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.645 a	0.417	0.403	0.57801
2	0.792 a	0.628	0.616	0.46349

d. Predictors: (Constant), Climate, Personal, Public, Private

Anova model adequacy table: linear regression F test has the null hypothesis that the model explains zero variance in the dependent variables;  $R^2 = 0$ . Further to test the overall significance of the analysis of variance was done. The significant F ratio is strong evidence against the null hypothesis. It reveals that at least one or more partial regression have a value other than zero. In all it indicates that the model is significantly better at predicting the outcomes.

Results of ANOVA model adequacy reveals that the three levels of leadership model statistically significantly predicted the ethical procurement in county referral hospitals in Kenya,  $F(3, 125) = 27.744$ ,  $p < .05$ . The statistical model fit ( $F=29.744$ ) is significant at  $p < 0.05$ . When the mediating variable, organisation climate is added into the model- the results remained statistically significant  $F(4, 124) = 59.296$ ,  $p < .05$  and predicted ethical procurement. The two models imply that there is considerable improvement in prediction upon introduction of mediating variable: organisation climate, in comparison to the baseline prediction. This means there is no evidence to support for the null hypothesis. We therefore reject the null hypothesis and accept the alternative hypothesis, thus “there is significant positive relationship between aggregated three levels of leadership model index and ethical procurement practice”. This further supports stewardship theory, agency theory, stakeholder theory and systems theory reviewed in chapter two.

**Table 4.37: Model Adequacy**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.813	3	9.938	29.744	.000 <sup>b</sup>
	Residual	41.763	125	.334		
	Total	71.576	128			
2	Regression	44.938	4	11.234	52.296	.000 <sup>b</sup>
	Residual	26.638	124	.215		
	Total	71.576	128			

a. Dependent Variable: Ethical Procurement  
b. Predictors: (Constant), Personal, private, public

a. Dependent Variable: Ethical Procurement  
b. Predictors: (Constant), Climate, Personal, private, public

From table 4.38, the linear regression model for ethical procurement,

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \epsilon \dots\dots\text{Model 1}$$

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \epsilon \dots\dots\text{Model 2}$$

Where;

Y = ethical procurement in county referral hospitals in Kenya

$\beta_0$  = Constant (Y- Intercept)

$\epsilon$  = Random Error of the Model

$\beta_1, \beta_2, \beta_3, \beta_4$  = Regression Coefficient

X1 = Public Leadership

X2 = Private Leadership

X3 = Personal Leadership

X4 = Organisation Climate

**Table 4.38 Coefficients for three levels of leadership model**

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.473	.393		1.206	.230
	Public	.307	.091	.304	3.362	.001
	Private	.457	.109	.382	4.178	.000
	Personal	.062	.086	.053	.720	.473
2	(Constant)	.149	.317		0.470	.639
	Public	.140	.076	.138	1.837	.069
	Private	.179	.094	.150	1.912	.058
	Personal	.001	.069	.001	.010	.992
	Climate	.599	.071	.600	8.391	.000

Predictors: (Constant), Public, private, personal

Dependent Variable: Ethical procurement in county referral in Kenya

Regression results showed that a unit change in public leadership resulted to 30.7% increase in ethical procurement in county referral hospitals; unit change in private leadership resulted to 45.7% increase in ethical procurement in county referral hospitals and a unit change in personal leadership resulted to 6.2% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 0.473 + 0.307 \text{ Public Leadership} + 0.457 \text{ Private Leadership} + 0.062 \text{ Personal Leadership}$ . The general regression model  $Y = 0.473 + 0.307X_1 + 0.457X_2 + 0.062X_3$ .

The beta ( $\beta$ ) values allow us to compare the relative strength of each independent variable's relationship with the dependent variable. From the table above private leadership  $X_2$  ( $\beta = 0.382$ ,  $t = 4.178$ ,  $p < 0.05$ ) has the strongest relationship with the ethical procurement in county referral hospitals in Kenya, then followed by public leadership  $X_1$  ( $\beta = 0.304$ ,  $t = 3.362$ ,  $p < 0.05$ ). Personal leadership ( $\beta = 0.053$ ,  $t = 0.720$ ,  $p > 0.05$ ) could not significantly predict the ethical procurement practices in county referral hospitals in Kenya. In order to determine which beta coefficients are non-zero, t statistic is computed for each beta coefficient. The

significant t value corresponding each independent variable to the model. Larger the value of t statistics great will be the contribution of the respective variables.

When the mediating variable- organisation climate is added (model 2)- unit change in public leadership resulted to 14% increase in ethical procurement in county referral hospitals; unit change in private leadership resulted to 17.9% increase in ethical procurement in county referral hospitals; unit change in personal leadership resulted to 1 % increase in ethical procurement in county referral hospitals and a unit change in organisation climate resulted to 59.9% increase in ethical procurement in county referral hospitals. Ethical procurement in county referral hospitals in Kenya  $Y = 0.149 + 0.140 \text{ Public Leadership} + 0.179 \text{ Private Leadership} + 0.010 \text{ Personal Leadership} + 0.599 \text{ organisation climate}$ . The general regression model  $Y = 0.149 + 0.140X_1 + 0.179 X_2 + 0.010x_3 + 0.599x_4$ .

The multiple linear regression model showed that public leadership level and private leadership level had a significant contribution with p-values  $X_1 = 0.001$ ,  $X_2 = 0.000$ , personal leadership however had no significant contribution  $X_3 = 0.473$ . The regression results show that private level of leadership contributes more to ethical procurement in county referral hospitals followed by public leadership. This finding is in tandem with Scouller (2011) see fig 1.1 who advanced that leadership is an in-out phenomena with more impact being from personal level of leadership out to private level of leadership and finally public level of leadership.

The finding that personal level of leadership is statistically insignificant therefore is a “riddle repressed personal level of leadership” as indicated from content analysis. Respondents indicated that they lack meaning in their work. More to the same, the incentives are inadequate and staff motivation is wanting. Respondents also indicate work environment is devoid of trust, there is fear of job loss and transparency with persistent conflict of interest



and interference in the procurement process is a hindrance to execution of their personal leadership. The  $\beta$  was significant ( $\beta= 0.600$ ,  $t= 8.391$ ,  $p > 0.05$ ). The evidence therefore indicated that the mediating variable could be used in explaining the relationship between three levels of leadership and ethical procurement

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes the findings and the conclusions of the study. The study investigated the influence of the three levels leadership model and organisation climate on ethical procurement in county referral hospitals in Kenya. From the conclusions drawn from the study findings, the study makes recommendations on how county referral hospitals in Kenya could improve on ethical procurement. Finally, the chapter proposes areas for further research.

#### **5.2 Summary**

The study first determined the characteristics of the respondents and the variables. It was established that majority of workforce were in their youth. This findings is in tandem with devolution of health sector which happened after 2010 new constitution promulgation. The respondents primarily were responsible for procurement practice in county referral hospitals in Kenya. Majority of the respondents were supply chain officers. Respondents had a relatively high education background indicating they understood contents of the data instrument. The respondents also possessed requisite skills and knowhow to give reliable answers.

When the respondents were asked to indicate if they had attended trainings on ethical procurement practices, majority stated they had attended. Eight organizers were mentioned being professional bodies (such as KISM/CIPS), county government heads, internal organisation heads (procurement/ supply Chain/ medical Superintendents), Public Procurement Regulatory Authority, Kenya School of government, national government

through Ministry of Finance and Treasury, the World Bank and private consulting firms. When the respondents were asked to indicate topics of trainings they had covered they highlighted procurement processes, ethical practices, PPDA 2015 Act, IFMIS, stock management and control, cost and quality procurement, supplier relationships, procurement documentation, professionalism, asset disposal, risk minimization and leadership.

When the respondents were asked to indicate specific ethical procurement practices observed in county hospitals eleven responses were given. First was transparency and integrity, second was adherence to policy and accountability, third was honesty and confidentiality, fourth was equality in tender awards, fifth was open tendering with supplier, sixth was competitive procurement and market survey, seventh was openness in delivery, eighth was free expression, ninth was supplier debriefing, tenth was equal treatment of staff and lastly was training of suppliers in procurement. When the respondents were asked to indicate what county hospitals ought to do to ensure procurement is done in line with the procurement Act they mentioned six initiatives being capacity building, adherence to the act, staffing efficiency, strict measures for any non-conformance, system improvement, accountability and stewardship and finally, enhancing of supplier relationships.

When the respondents were asked to indicate communication channels that are available for whistleblowing on any malpractices they mentioned ten channels being suggestion boxes or what others termed as anti-corruption box, reporting directly to PPRA, reporting to head of procurement directly, emails, phones, internal memos, media and social media, verbal directions, internal auditors check and reporting directly to EACC. When respondents were asked what institutions can do to promote an ethical culture they mentioned increasing trainings, enhancing honesty, transparency and accountability, improving human resource

leadership, upholding organisation standards, policy, rules and regulations, safeguarding procurement standards and professionalism, reviewing procurement with internal auditors , enabling disciplinary committee and capturing the action of staff through CCTV, report of misconduct amongst staff and paying suppliers promptly.

When respondents were asked what limits them from performing their duties in a professional manner they stated that the work environment is wanting in terms of incentives given, meaning of work and value of work. Secondly, they cited interference externally and internally to be a hindrance to execution of their work, others mentioned limit are job scope related, budgetary constraints and lack of tools were also mentioned. Another reason advanced is an organisation climate being void of trust and transparency, IFMIS was cited as being unreliable due to network challenges of the system was also given as another limitation, fear of job loss and the techniques used during suppliers prequalification were also highlighted.

When respondents were asked if there was an instance where tender was awarded in a manner that was not transparent, majority said they had not experienced such scenario. For those who acknowledged such encounters, majority stated that action or an intervention had been taken on the anomalies. Intervention measures included disciplinary action, revocation of tender, being disqualified for future tenders, advertisement of tenders, involvement of stakeholders such as county government, management, PPRA involved and suppliers.

### **5.3 Conclusions**

From the research findings, public level of leadership, private level of leadership and personal level of leadership play an important role in ethical procurement. Organisation climate plays a significant influence in the relationship between three levels of leadership model and ethical procurement. It has explanation power as a mediating variable.

#### **5.3.1 Public Leadership and Ethical Procurement**

The first study objective was to determine the influence of public leadership on ethical procurement in county referral hospitals in Kenya. Results indicated that most of the county referral hospitals have hired an employee to enhance ethical procurement. Results also revealed that most of the county referral hospitals have engaged external stakeholders on matters of ethical procurement. Further, results showed that the county referral hospital solicits support from regulatory bodies to enhance ethical procurement. To add to these views, results indicated that county referral hospitals conduct regularly trainings on how to handle ethical parameters, results showed that dilemmas. The trainings they have conducted are structured in nature. Finally respondents' results displayed that the top leadership is highly supportive in the implementation of an ethical culture in the County referral hospital.

Public leadership level has significant association with ethical procurement. A change in public level of leadership causes a positive influence on ethical procurement. The multivariate regression results of this study established that public leadership had a positive and statistically significant effect on ethical procurement. Based on this finding, the study concludes that effective public leadership leads to enhancement in ethical Procurement. This confirms the proposition of (Mayer *et al.*, 2009 and Robin, 2010) who opined that public

leadership and stakeholder engagement has a direct outcome on how ethical practices of the organization and enhance group citizenship.

### **5.3.2 Private Leadership and Ethical Procurement**

The second study objective was to determine the influence of private leadership on ethical procurement in county referral hospitals in Kenya. Results indicated that most of the county referral hospitals emphasized on ethical procurement. Results also revealed that recruiters of the county referral hospitals ensure values of employees are in line with organizational values. Results indicated performance appraisal of employees covers ethical actions of employees. Results also revealed that county referral hospitals should take corrective action should there be misconduct of employees. Further, results showed that the county referral hospital leadership is able to recognize talents of employees and help them utilize capabilities. To add to these views, results indicated that county referral hospitals leadership sets a good example in terms of ethical compliance and integrity. However, the study results indicated a “do as I say not as I do” attitude does exist or thrive in the county/ hospital procurement department. Finally respondents’ results revealed that conflict of Interest is a high level challenge in impeding supplier selection in the county referral hospital.

Private leadership level has made significant association with ethical procurement. A change in private level of leadership causes a positive influence on ethical procurement. The multivariate regression results of this study established that private leadership had a positive statistically significant effect on ethical procurement. Conclusion is that county referral hospital practice effective private leadership leading to augmentation in ethical Procurement. This confirms the proposition of Mihelic *et al.*, (2010) who contends that it is not enough to have procurement employee exhibit moral strength, the dynamics of socialization of the work

place through private leadership exerted by colleagues' leadership and the culture therein alike- may undermine his ethical sense. The study concludes that private leadership ingrained by organisation processes is a key ingredient to effective ethical procurement.

### **5.3.3 Personal Leadership and Ethical Procurement**

The third study objective was to determine the influence of personal leadership on ethical procurement in county referral hospitals in Kenya. Results indicated that individuals perceive that they have requisite competence to execute procurement in an ethical manner. Results also revealed that with the right attitude towards others can execute procurement ethically. Further, results showed that individuals at the county referral hospital are recognized as professionals and they thus champion the procurement professional ethics. It was however striking, those results indicated that the pay package influences ethical procurement of procurement employees in county referral hospitals. The majority of respondents also indicated that fear of job loss affects procurement employees in county referral hospital. Finally, respondents' results indicated that the procurement professionals in the county referral hospitals perceive themselves as being more exposed to act unethically compared to the other employees.

From the findings exposed- the study concludes that personal leadership level has had internal deterrents to its effectiveness in enhancement of ethical procurement. When these findings are supplemented with content analysis results on limits of procurement employee professionalism - patterns or themes emerged that indicated indeed the pay package in county referral hospitals was demotivating and respondents stated the incentives are inadequate to the extent that they lack meaning in their work. The other significant encumbrance they

unveiled was work environment stated as being devoid of trust and transparency. Lastly, the interference to the procurement process both internally and externally was perennial. The study established that respondents agreed to the fact that personal level of leadership influenced by ethical procurement.

On ANOVA findings of this study established that personal leadership had a positive effect on ethical procurement. A change in personal level of leadership causes a positive influence on ethical procurement. In contrast to existent literature; the findings established that the effect was not statistically significant when in the aggregated regression model. These findings contradict existent literature that postulates that personal leadership is at the core of the three levels of leadership model and is the epicenter from which a leader gains the technical competence, character and presence to lead. Besides, Scouller (2011) suggest that public and private levels of leadership are contingent on personal level of leadership.

The findings contradict Alemu (2016) who conducted an empirical study whose findings pointed to some practical implications for individual leaders. The study was restricted to the role of the leader in complex organizational dynamics. Findings of the study pointed that personal leadership matters in a significant way. Effective leaders impact groups through modeling and demonstrating exemplary ethical behavior. Therefore, personal leadership calls for consistent and constant reflection on one's decision making, organizational goal achievement, modeling, and meeting ethical expectations which were established to be critical leadership features that mark leaders of functional organizations from those leading dysfunctional organizations. Personal leadership from the study could not be discounted as it is individuals who are entrusted in making critical decisions, on a daily basis making an output on organizational goal achievement.



In contrast to the empirical finding, Souba and Souba (2018), assert personal leadership can impact with meaningful and unstoppable change. An individual, with or without an organizational title can, basically enthuse others to put their best foot forward and cause a ripple effect change by what they communicate. As individuals are inspired and aligned to take action, a tipping point can be reached.

Drawing from this two recent empirical literature backing, the finest deduction the research study made looking keenly at both quantitative finding and contextualizing with content analysis findings on factors that limit procurement professionals, there is a “riddle of repressed personal leadership” in county referral hospitals. Whereas there is a positive relationship between personal leadership and ethical procurement, the relationship was not statically significant due to the work environment. The professionals ascertain that they find no meaning in their work for reason that the incentives are not motivating. Further, there is a glaring interference with the procurement process both internally and externally. To limit personal leadership more, the respondents are afraid of losing their jobs hence that cannot make authentic expressions to augment organisations ethical procurement.

### **5.3.4 Contribution to Knowledge**

#### **5.3.4.1 Contributions to theory**

This study was mainly anchored on the agency theory, stewardship theory, systems theory and stakeholders’ theory. The study has contributed by linking these theoretical views into an integrated framework to provide better understanding of leadership and ethical procurement. The findings of this study contributed to empirical wealth to the systems theory by demonstrating how leadership within organisation affects the whole. It demonstrated that the three levels of leadership model has a positive influence on ethical procurement in county referral hospitals. The hospitals have elements like employees, suppliers, external

stakeholders such as regulators that influence on the functioning of the whole. Each component of the system has a vital input and impact have a bearing on outcomes of whole system. The findings expound on need of propelling employees to take a more proactive stance on personal leadership so as to fully unlock all the work that private leadership and public leadership levels have labored to streamline in bid to enhance procurement ethical procurement.

This study has confirmed the agency theory's postulations by empirically testing the role of oversight in enhancing ethical procurement. Agency theory makes contribution firstly, by openly indicating the need for vigilance in procurement process by utilizing valuable input of auditors to review and scrutinize procurement process. Secondly, a need for stringent control measures has been advanced in the occurrence that either the supplier or the employer has had a misconduct that flouts the PPDA Act. Finally, this research gleams on the need to utilize incentives in order to alignment of agent's interest with that of the principals. The findings indicated one of the constraints to personal leadership is demotivation that is incentives related. Intrinsic as well as extrinsic motivation should be supplemented. One substantial measure would be to align rewards to ethical procurement practices. There are various ways to do this positive behaviour reinforcement for example through staff recognition, career progression avenues for those who execute procurement duties ethically and further salary can be looked into so that staff find meaning in their work which is currently lacking. Ability for staff (agents) to align their interest with those of the owners (public) will go a long way in enhancing ethical procurement through the lens of three levels of leadership model.

This study has shed light on the role of various stakeholders. The findings of this research publicized a long list of stakeholders that are pertinent in execution of ethical procurement processes. The stakeholders are both the external as well as those internal. Internal stakeholders of county referral hospitals include employees, the leadership/management team and the county government leadership. External stakeholders are expansive as shown on list of those have conducted trainings in ethical procurement practices such as professional bodies, regulatory bodies, national government, parastatals, world Bank and private consulting firms. Channels of whistle blowing highlighted auditors and social media as other external stakeholders of county referral hospitals. This study therefore confirmed the stakeholders' theory suppositions by clearly articulating the stakeholders of procurement department. The theory's proposition is to assimilate organization accountability by broadening the range of stakeholders.

The study further boosted the stewardship theory's postulations by establishing the contributions of each of the three levels of leadership to ethical procurement practices. The applicability of public leadership level where top management have taken stewardship role by organizing structured meetings and involving external stakeholders in order to advance ethical procurement. The private leadership level where management has influenced each employee one on one to ensure during processes of employee recruitment, employee induction and employee development to ensure ethical procurement is emphasized and enhanced. The personal level of leadership was also valuable given that findings indicated their professional skill; emotional intelligence was viewed as vital in alignment to ethical procurement. All the three levels portray employees as stewards. Those in managerial hierarchy where they can influence two or more people at a go (public leadership), those in managerial hierarchy influence one person at a time (private leadership) and leadership of

self regardless or not if an employee has managerial rank or not (personal leadership) operationalization of this variables has been contextualized in county referral hospitals in Kenya which widens its scope.

#### **5.3.4.2 Contributions to literature**

The research therefore developed and tested an empirical model on the relationship of leadership and ethical practices in procurement. It is aimed to make four unique contributions; first the research offers theoretical rationale of leadership and provide ground breaking empirical test on whether leadership exerts an influence on procurement ethics. Literature gaps existed on the relationship between the three levels of leadership model, organisation climate and ethical procurement. Empirical gaps in the literature were in relation to previous studies on ethical procurement not addressing the concept of leadership. The study did not locate any other study that has used this model for specific assessment on ethical procurement. This research has made significant contribution by making empirical contribution and testing applicability of a leadership model and its utility on ethical procurement.

This further suggest that the current study makes a significant contribution to literature and theory development by utilizing this leadership development model in an African setting. While being a simple to understand leadership model- the applied research on the three levels of leadership model is still scanty in Africa, particularly in Kenya. The three levels of leadership model being a new leadership model leadership was developed in the USA to serve as a guide for leaders to gain self-mastery. This leadership model fills the knowledge gap by incorporating leadership with ethical procurement practices.

While as malpractices in procurement have exacerbated in Kenya - Amaemba *et al.*, (2015), Nwabuzor (2005), PWC (2014) and Transparency International (2014), there is scanty empirical investigation to understand how to reverse the trend. This study operationalized the construct of ethical procurement practices by examining variables such as whether suppliers are paid in time, whether supplier communication is done frankly and openly, whether supplier evaluation is done transparently, whether the organisation has ethical committees, gift acceptances stipulations, existence of tender cartels and channels to report of malpractices.

This study used the three levels of leadership model that elucidates on the concept of leadership. Leadership has been interpreted to be equivalent to access to managerial position. The leadership model applied in this research underpins leadership as a construct that cuts across hierarchical lines in the organisation. The findings are therefore interesting as the study established that employees are yet to unlock the latent power in personal leadership. Leadership development as an explicit mission in organisation unearths how employees can make direct impact to ethical culture.

Second, the research builds an application of the three levels of leadership model to unveil how the construct of leadership is articulated by organizational leaders. This trickle down model of leadership on personal- private- public leadership levels unveils how organizations manifest leadership to kindle ethical conduct. This Investigation of antecedents of procurement malpractices and outcomes of leadership “gone bad” is in tandem to the value of multidisciplinary approach on dynamics and richness of outcomes that are likely to transcend different organization. (Ciulla, 1995).

Third, the study extends the thinking that research brings significant implication for practice on how emancipatory leadership should be integrated in academia (Garcia, 2009; Ciulla, 1995). Research into the relationship of leadership and procurement ethics would not only help us with questions like what sort of person should lead? What are moral responsibilities of leadership? It thus gives better understanding on leadership.

#### **5.3.4.3 Contributions to policy**

County referral hospitals in Kenya play a very important role through dissemination and provision of specialized health care to citizenry. Therefore, county referral hospitals ethical procurement is important in ensuring pharmaceutical drugs, equipment and infrastructure are availed at the right time and at the right cost to the public. This study has brought out key issues that need to be given attention regarding leading effectively to ensure ethical procurement is also effectively undertaken. This study has exposed findings that bring on board policy implications.

While there is appreciation for the work done by regulatory bodies such as PPOA and EACC, the stated institutions need to raise their bar in enforcing stringent measures to act as deterrents from malpractices. The professional bodies such as CIPS and KISM need to streamline their capacity building by incorporate trainings across the three levels of leadership. Particularly, initiatives to unlock personal leadership development should be intensified.

Policy makers will benefit by having an enabling environment for the three levels of leadership model to impact ethical procurement. This study established that county referral hospitals had a gap in regard to enabling procurement staff to execute their personal

leadership. At a policy level- before raising a leaders to exterior levels of leadership, it becomes important to ensure they are developed at the core of leadership (personal leadership). Top leadership therefore needs to intensify display of exemplary leadership so as to develop credible leadership. The leaders therefore from the point of recruitment become change agents in organisations.

Procurement staff mentioned they lacked meaning in their work as they were not adequately compensated. Therefore staff compensation and motivation ought to be streamlined at a policy level. Moreover, study established that external and internal interference to procurement practices are palpable. This challenge could be dwelt with by ensuring staff have a policy to declare interest on a procurement bid. Human resource factors, financial diligence and communication were the main factors with policy implications for county referral hospitals in Kenya.

#### **5.3.4.4 Contributions to Managerial Practice**

The study revealed that county referral hospitals have a relatively strong leadership at the public level and at the private level. However, the core of leadership is wanting and in bare neglect, the personal level of leadership though correlated positively has no significant influence on ethical procurement in county referral hospitals in Kenya.

The study revealed the “riddle of repressed personal leadership” with respondents indicating that their work environments are not a place where they find meaning. The study established that compensation (reward and incentives) is wanting or rather inadequate. This becomes important for management to increase motivation of staff so that they can find meaning in

their work. At a managerial practice level, intrinsic and extrinsic motivation will need to be looked into.

To add to the quagmire of “riddle of repressed personal leadership”, the study findings established that staff are afraid of losing their job. This inhibits them from streamlining action in ethical procurement. From time to time, instances of malpractice may call for their personal initiatives to weed out procurement malpractices. The management should ensure there is safety of employees to exercise their authority. Job security without victimization ought to be given due attention. County referral hospitals including county governments have a huge task to develop their staff to the level that everyone feels heard and important.

The study also revealed that budgetary constraints and lack of basic work tools are an impediment in county referral hospitals. The study established limitations county referral hospitals in financial strength to adequately equip procurement staff. This could be enhanced through establishment of resource mobilization in counties to boost allocation to healthcare

## **5.4 Recommendations**

### **5.4.1 Policy Recommendations**

The findings of this study led to the several recommendations that would benefit county referral hospitals leadership, county governments, procurement professional bodies, procurement regulatory bodies and procurement staff amongst other stakeholders. Drawing from conclusions that the three levels of leadership model has impact on ethical procurement - then each level of leadership (public, private and personal) has some particular commendations towards effecting ethical procurement in institutions and organisation climate is a significant mediating influence.



First recommendation of this study is to step up institutional and management capacity building that was sighted as the core step in streamlining ethical practices. The study finding was clear that much as there was training on ethical practices, little had been done on the framework regarding institutional and management capacity. This recommendation is linked closely with public leadership that enhances ethical procurement practices through trainings, involvement of regulatory bodies and involvement of diverse stakeholders as shown on Fig 4.2. When public leadership is enhanced through structured learning and development there is a consistent approach to ethical dilemmas that may face procurement employees. Trainings strengthen skills that employees need to execute their tasks effectively and increase their efficiency. Execution of public leadership through capacity building offers the organisation higher capability as employees gain similar skills and knowledge from the joint forums. Besides, such joint development initiatives increase employee job satisfaction and improve their work morale.

Second recommendation is associated with the enhancement of private leadership through one on one initiatives that leaders have with their employees. Throughout the process of recruitment, induction, socialization, appraisal, development and discipline- private leadership plays a role in enhancing ethical procurement. The leaders must therefore set an example to enhance ethical procurement through private leadership. Findings of this research, elicited two impediments of ethical procurement that are affiliated to private leadership. A “do as I say not as I do” attitude has infiltrated the county referral hospitals while as conflict of interest has impeded supplier selection to a moderately large extent. This study recommends that private leadership be improved by stances that increase authentic leadership whereby leaders first set an example.

Thirdly, personal leadership has been not met its full latent power in cultivating ethical procurement for reasons attributed to work environment challenges, lack of motivation and adequate compensation, fear of job loss and inherent interferences to the procurement process both internally and externally. The study recommends that County referral hospitals leadership and procurement professional bodies should hold coaching, empowerment and personal skills development forums to address issues relating to personal level leadership. Particularly, there is need for county referral hospitals to take strong initiatives in awakening personal leadership level. There is a call to do customized empowerment, coaching and personal skills development to align organizational goals to individual goals so that the staff can begin to lead from a personal level making positive implications for ethical procurement. Personal leadership skill set for every employee will take county referral hospitals to the next level in ethical procurement.

The fourth recommendation for this study is in respect to the work environment. Work environment should be also looked into especially staff morale, motivation and reward so that staff get to see the role they play in shaping ethical procurement. This particular aspect is very important as the study findings revealed a very young workforce that ought to be retained. If the “riddle of repressed personal leadership” is not taken care, labour turnover will be high as the staff get to prime of their careers. Labour turnover is likely to wipe away a highly trained workgroup in county referral hospitals. The workforce is not only young but also highly educated meaning their mobility to other sectors is much probable. Being well trained on - legislative and regulatory framework, integrity and transparency framework, procurement operations and market practices county referral hospitals may have a declined know-how on tackling ethical procurement practices should they suffer this “brain drain”. To

bolster the ethical procurement in the future, institutions ought to pay attention to the work environment as established from the study findings.

The fifth recommendation is on weeding out interferences to the procurement process both internally and externally. Regulatory bodies and county governments should look into the parties that the study findings have established do to interfere with procurement process externally while as management should weed out internal interference to the procurement process. More robust whistle blowing mechanism needs to be established as majority of the cases there is recourse when a tender is known to have been awarded in a manner that was not transparent. Regulatory bodies should work hand in hand to sanction against those undermining ethical practices in procurement. Lastly, procurement employees mentioned budgetary constraints to be adversely affecting procurement department in county referral hospitals. County governments ought to prioritize healthcare to ensure financial constraint does not curb positive gains of ethical procurement practices.

#### **5.4.2 Recommendations for Further Research**

Although this research study delivers insight into the three levels of leadership model and ethical procurement in level 5 county referral hospitals in Kenya, there is still much more that can be addressed by future researchers. This study has three suggestions for possible areas that could be considered for further research:

1. This study focused on the three levels of leadership model. This limited the study from exploring other leadership models as would affect ethical procurement. The study therefore proposes further studies to be undertaken on other leadership models such as transactional

leadership, servant leadership and transformational leadership to determine their impact on ethical procurement.

2. The present study was carried in 12 level 5 county hospitals. It is suggested that a similar study on three levels of leadership model on ethical procurement be carried out in other public sector in Kenya such as government ministries and parastatals. Such findings across the public sector would be meaningful in the as public entities provide services to the citizens of Kenya using public funds.

3. There is also an opportunity to use a different research design. Gordon and Yukl (2004) assert that a significant missing variable in evaluating impact of leadership is time. Incorporating time is critical in understanding the effect of leadership development. Future research may apply a longitudinal approach to corroborate cross sectional findings and examine ethical procurement prior to and after implementation of the three levels of leadership model at different times. Longitudinal approach is more robust in determining causality especially in relationship studies that are normally dynamic and long term in nature. The approach will provide more insight since the research design used in this study was a cross sectional one.

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## Appendix 1: Questionnaire

**Dear Respondent,**

In an effort to collect high quality data on three levels of leadership model on ethical procurement practices. We greatly appreciate your willingness to participate in the survey.

Kindly fill out the questionnaire honestly and your views expressed will be handled with utmost confidentiality. This information obtained from you is sought for academic purpose only. Thanks in advance.

### SECTION I: GENERAL INFORMATION:

Please tick the appropriate box for the questionnaire that follows below:

A. Gender

<b>Gender</b>	Male	Female
<b>Tick</b>		

B. Age bracket

<b>Years</b>	21-27	28-34	35-41	42-48	49-55	Above 55
<b>Tick</b>						

C. Level of Education

<b>Highest Qualification</b>	Certificate	Diploma	Degree	Masters	PhD	Other (Specify)
<b>Tick</b>						

D. Job Title

<b>Job Category</b>	Director or Head of Supply Chain	/Procurement Officers Or Procurement/ Assistants	Store Keepers	Others (Specify)
<b>Tick</b>				

**SECTION II: PUBLIC LEADERSHIP**

1. Procurement employees in the county referral hospital have had group trainings on ethical procurement practices?

YES NO

--	--

If yes, mention the organizer(s) of that organizational meeting? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. Mention **three** topics procurement employees were trained about? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. Mention **three** ethical Procurement practices within the county referral hospital? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4. What can be done to ensure Procurement within the county referral hospital being done in line with the Procurement Act

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Please Tick in the appropriate box extent you agree/disagree with the following statements.

(SA- Strongly Agree, A- Agree, N- Not Sure, D- Disagree and SD- Strongly Disagree)

<b><u>Public Leadership</u></b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
A. An employee has been hired to enhance ethical procurement practices in the county referral hospital					
B. External stakeholders have been engaged on matters of ethical procurement in the county referral hospital					
C. The county referral hospital solicits support from regulatory bodies to enhance ethical procurement					
D. Procurement employees are regularly trained on how to handle ethical dilemmas					
E. There has been structured trainings to enhance ethical procurement					
F. The Top leadership is highly supportive in the implementation of an ethical culture in the County referral hospital.					

**SECTION I11: PRIVATE LEADERSHIP**

6. What channels of communication have been put in place to report any incident where a procurement transaction has not been done transparently or in line with the Procurement Act? \_\_\_\_\_

7. What measures have been put in place to promote ethical culture in your organization?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

8. Please Tick in the appropriate box extent you agree/disagree with the following statements.

(SA- Strongly Agree, A- Agree, N- Not Sure, D- Disagree and SD- Strongly Disagree)

<b><u>Private Leadership</u></b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
G. During induction process of employees, ethical procurement practices are emphasized					
H. Recruiters of the county referral hospital employees ensure values of employees are in line with organizational values					
I. The performance appraisal of employees covers ethical actions of employees					
J .Should there be a misconduct on employees with behaviour , organization takes corrective action					
K. Leadership is able to recognize talents of employees and help them utilize capabilities					
L. Leadership sets a good example in terms of ethical compliance and integrity					
M.A “do as I say not as I do” attitude does not exist or thrive in the county referral hospital procurement department					
N Conflict of Interest has not been a challenge on impeding supplier selection in the county referral hospital					

**SECTION IV: PERSONAL LEADERSHIP**

9. What are the limits for a procurement employee in your organization to execute their duties professionally?

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10. Please Tick in the appropriate box extent you agree/disagree with the following statements.

(SA- Strongly Agree, A- Agree, N- Not Sure, D- Disagree and SD- Strongly Disagree)

<b><u>Personal Leadership</u></b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
O. An individual employee has competence to execute procurement in an ethical manner					
P. An individual with the right attitude towards others can execute procurement ethically					
Q. Individuals at the county referral hospital are recognized as Professionals and they thus champion the procurement professional ethics					
V. The pay package influences ethical procurement of procurement employees					
W. Fear of job loss affects procurement employees of the county referral hospital					
X. Procurement professionals in the county referral hospital perceive themselves as being more exposed to act unethically compared to the other employees					



**SECTION V: ETHICAL PROCUREMENT**

11. Please Tick in the appropriate box extent you agree/disagree with the following statements (**SA- Strongly Agree, A- Agree, N- Not Sure, D- Disagree and SD- Strongly Disagree**)

<u><b>Ethical Procurement Practices</b></u>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
U. Recognition of procurement employees influences the tendency to act ethical					
Z. Suppliers of the county referral hospital level are paid in a timely manner					
AA. Communicating to every supplier is done in a frank and forthright manner					
BB. Supplier evaluation and selection is done transparently at the county referral hospital					
Y. County referral hospital has an ethical committee that ensures compliance to the ethical policy					
CC. Stipulations of the ethical policy on gift acceptance or other rewards from vendors is followed duly at the county referral hospital					
DD. County Referral Hospital; leadership has curbed tender not awarded in a manner that is not transparent					
AB. Tender Cartels have not affected the procurement practice in the county Referral Hospital					
AC. Procurement employees in the county referral hospital are willing to report incidents of unethical conduct					
AD. Communication channels to report incidents of procurement malpractices have been put in the county referral Hospital					

12. Has there ever been a situation where a deal with suppliers was closed in a manner that was not transparent?

YES NO

--	--

If yes, What measures were taken in your organization ?

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**SECTION VI: ORGANISATION CLIMATE**

13. Please Tick in the appropriate box extent you agree/disagree with the following statements.

(SA- Strongly Agree, A- Agree, N- Not Sure, D- Disagree and SD- Strongly Disagree)

<u>Organization Climate</u>	SA	A	N	D	SD
AE. Staff Within this work environment are committed					
AF. Staff Within this work environment have trust for each other					
AG. Staff Within this work environment are adequately rewarded or compensated					
AH. Staff Within this work environment enjoy warmth and support					
AJ. Communication flow in this county referral hospital is appropriate for the work environment					
AK. Goal setting and decision making is done well in this county referral Hospital.					

**Thank you for your cooperation and time**

**Appendix 1I : Personal letter of introduction**

Gloria Beth Muthoni

Kabarak University

School of Business

Private Bag – Nakuru

20th February 2018

To Whom it may concern

Dear Sir/Madam,

**RE: THREE LEVELS OF LEADERSHIP MODEL, ORGANISATION CLIMATE AND ETHICAL PROCUREMENT IN COUNTY REFERRAL HOSPITALS IN KENYA**

I am a Doctor of Philosophy (PhD) candidate in Kabarak University. A vital part of the PhD study involves undertaking an academic research study on a pertinent topic. I am conducting a research study on three levels of leadership model on ethical procurement practices in county referral hospitals in Kenya. A research permit or license from the National Council of Science, Technology and Innovation (NACOSTI) is here attached.

You have been chosen as a key respondent to this study and I therefore kindly request you to participate in this study by responding to the questions in the attached questionnaire honestly. The information hereby gathered will be treated with utmost confidentiality and used solely for the stated academic purpose.

I do hope for your kind consideration. Thanks in advance for support and cooperation.

Yours faithfully,



Gloria Beth Muthoni

## Appendix III : University Authorization letter



### INSTITUTE OF POST GRADUATE STUDIES

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24<sup>th</sup> January, 2018

Ministry of Higher Education Science and Technology,  
National Council for Science, Technology & Innovation,  
P.O. Box 30623 – 00100,

Dear Sir/Madam,

**RE: RESEARCH BY GLORIA BETH MUTHONI- GDM/M/1371/09/15**

The above named is a student at Kabarak University taking PHD Degree in Business Administration(Purchasing and Supplies) .She is carrying out research entitled "*Three levels of Leadership Model on Ethical Procurement Practises in County Referral Hospitals in Kenya.*"

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide the necessary assistance.

Thank you.

Yours faithfully

**Dr. Betty J. Tikoko**  
**DIRECTOR - (POST-GRADUATE STUDIES)**

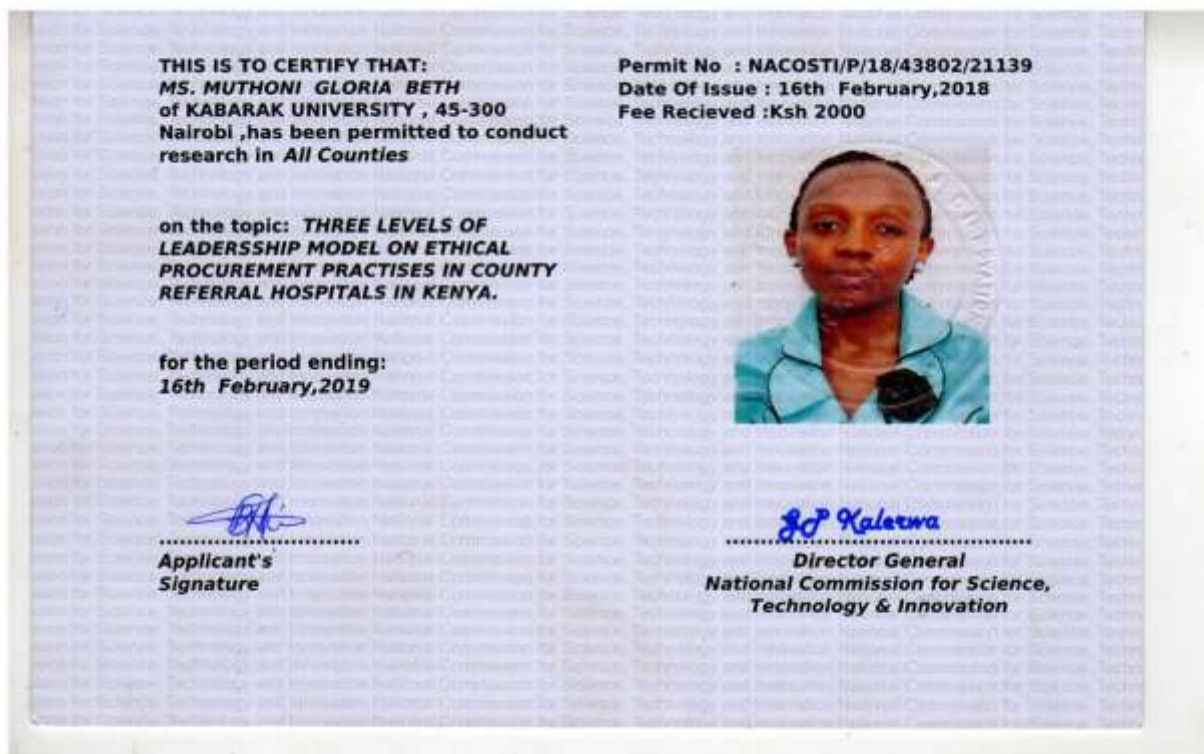
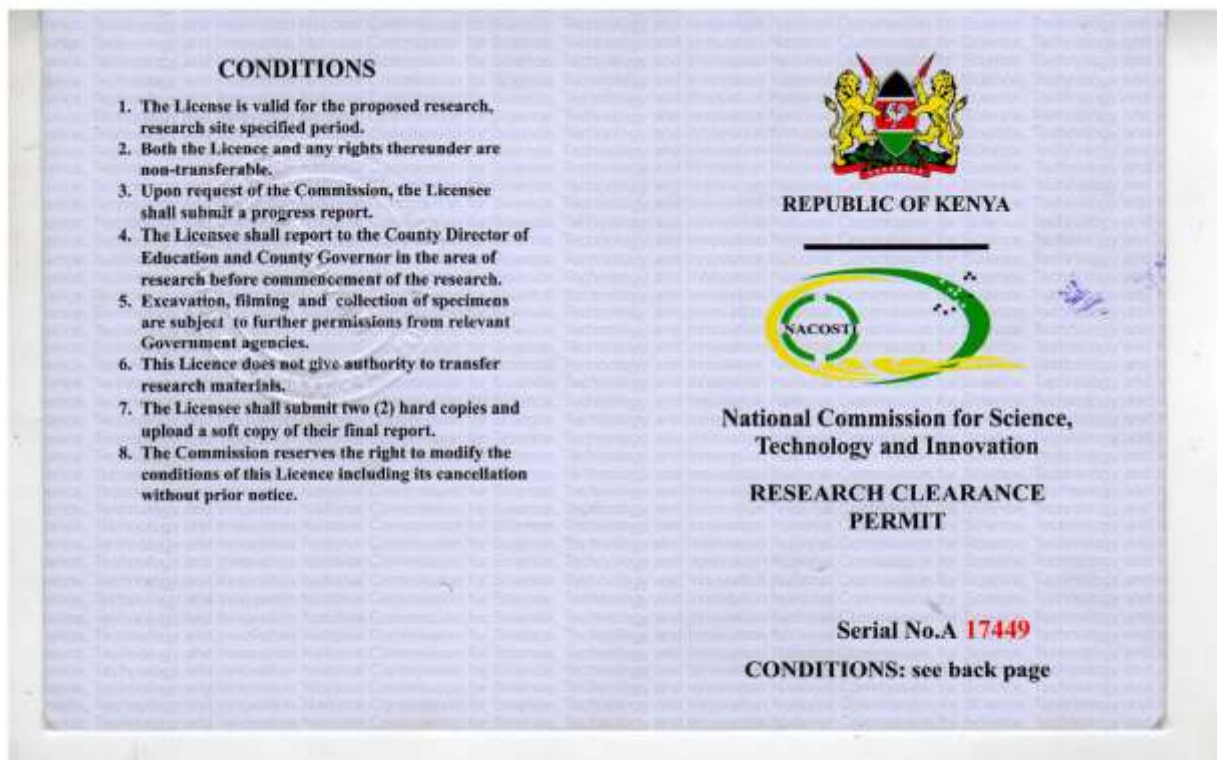


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**Kabarak University Moral Code**

*As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)*

### Appendix Iv : NACOSTI Authorization letter



**Appendix v : Level 5 County Referral Hospitals**

<b>S/No.</b>	<b>County</b>	<b>District</b>	<b>Constituency</b>	<b>Health Facility Name</b>	<b>MFL CODE</b>	<b>KEPHS LEVEL</b>
<b>1.</b>	<b>Kiambu</b>	<b>Thika West</b>	<b>Juja</b>	<b>Thika Level 5 Hospital</b>	<b>11094</b>	<b>Level 5 Hospital</b>
<b>2.</b>	<b>Nyeri</b>	<b>Nyeri Central</b>	<b>Nyeri Town</b>	<b>Nyeri Provincial General Hospital</b>	<b>10903</b>	<b>Level 5 Hospital</b>
<b>3.</b>	<b>Mombasa</b>	<b>Kisauni</b>	<b>Kisauni</b>	<b>Coast Province General Hospital</b>	<b>11289</b>	<b>Level 5 Hospital</b>
<b>4.</b>	<b>Taita/Taveta</b>	<b>Voi</b>	<b>Voi</b>	<b>Moi (Voi) District Hospital</b>	<b>11641</b>	<b>Level 5 Hospital</b>
<b>5.</b>	<b>Meru</b>	<b>Imenti North</b>	<b>Imenti North</b>	<b>Meru Level 5 Hospital</b>	<b>12516</b>	<b>Level 5 Hospital</b>
<b>6.</b>	<b>Embu</b>	<b>Embu West</b>	<b>Manyatta</b>	<b>Embu Provincial General Hospital</b>	<b>12004</b>	<b>Level 5 Hospital</b>
<b>7.</b>	<b>Machakos</b>	<b>Machakos</b>	<b>Machakos Town</b>	<b>Machakos Level 5 Hospital</b>	<b>12438</b>	<b>Level 5 Hospital</b>
<b>8.</b>	<b>Nandi</b>	<b>Nandi North</b>	<b>Mosop</b>	<b>Chepterwai Sub-District Hospital</b>	<b>14369</b>	<b>Level 5 Hospital</b>
<b>9.</b>	<b>Nakuru</b>	<b>Nakuru</b>	<b>Nakuru Town</b>	<b>Nakuru Provincial General Hospital</b>	<b>15288</b>	<b>Level 5 Hospital</b>
<b>10.</b>	<b>Kakamega</b>	<b>Kakamega Central</b>	<b>Lurambi</b>	<b>Kakamega Provincial General Hospital</b>	<b>15915</b>	<b>Level 5 Hospital</b>
<b>11.</b>	<b>Kisii</b>	<b>Kisii central</b>	<b>Kitutu Chache</b>	<b>Kisii Level 5 General Hospital</b>	<b>13703</b>	<b>Level 5 Hospital</b>
<b>12.</b>	<b>Kisumu</b>	<b>Kisumu East</b>	<b>Kisumu Town West</b>	<b>New Nyanza Provincial Gen. Hospital</b>	<b>13939</b>	<b>Level 5 Hospital</b>

