2020

# Evaluation of the impact of corporate governance practices on procurement compliance; case of Safaricom PLC.

Otera, Grace Luchiri
*Strathmore Business School*
*Strathmore University*

# Evaluation of the Impact of Corporate Governance Practices On Procurement Compliance; Case of Safaricom PLC

**Grace Luchiri Otera**

**MBA/10069/14**

**A Dissertation Submitted in partial fulfillment of the Requirements for the degree of Master of Business Administration at Strathmore University**

**Strathmore Business School**

**Strathmore University**

**Nairobi, Kenya**

**July 2020**

# DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the thesis itself.



**Grace Luchiri Otera**
July 2020



**Approval**

This dissertation has been submitted for examination with my approval as university supervisor.

Dr. James Wanjagi
Strathmore University Business School
Strathmore University

# ABSTRACT

The main objective of this study was to evaluate the impact of corporate governance on procurement compliance at Safaricom, Plc. In general Kenya's entities have had a history of poor governance systems with about 70% of the scandals attributed to weak corporate governance practices, lack of internal controls, conflict of interest and weaknesses in regulatory and supervisory systems. Despite the prominence of corporate governance, academics and practitioners in developing markets have accorded the issue very paltry effort and attention, resulting to very few studies in the area. The main objective of this study was to evaluate of the impact of corporate governance practices on procurement compliance a case study of Safaricom, Plc. The constructs of corporate governance used in the study include transparency, fairness, accountability and corporate responsibility. The study used descriptive research design with a questionnaire as a data collection instrument. The collected data was analyzed using descriptive statistics and presented using tables and charts. This study established that the Likert scales used were reliable to capture the variables as measured by Cronbach's reliability coefficient (above 0.8 for all the four variables). The responses (83.40% response rate) received also cut across the organization in terms of sections and across different levels of management, depicting a fair representation of perceptions across the organization. In addition, the respondents had been with the organization for a reasonable duration which enabled them to have a fair grasp of the organization's policies and processes. It is also good to note that the bulk of the respondents that is greater than 50% had a postgraduate degree or higher with the rest being holders of at least an undergraduate degree a good indication of the fact that they had the capacity to understand what the subject matter of the study was. The regression results had an average adjusted coefficient of determination ($R^2$) of 0.233 which imply that 23.3% of procurement compliance can be explained by corporate governance practices. The ANOVA had high significance level of $< 0.0001$ which imply that the variation observed were not by chance but can be used to explain the relationship based on the parameter of the population as the significance value (p-value) is less than 5%. The study reveals that corporate governance has a positive effect on procurement compliance with all the three variables that is, accountability, corporate responsibility and transparency indicating a positive effect. Although fairness had a positive effect on procurement compliance, it was not statistically significant. Therefore, this study challenges the senior leadership of corporate entities to ensure that proper governance structures are instituted in their entities as they have an impact on procurement compliance. It also sensitizes the procurement leadership to push for adoption of proper corporate governance as the study proves that it leads to sustained productivity and better financial performance through procurement compliance. Those in the academic and research realm will also benefit since they can use the findings of this study as a source for future reference for further research.

# TABLE OF CONTENTS

# LIST OF FIGURES

# LIST OF TABLES

# LIST OF ABBREVIATIONS

| | | |
|---|---|---|
| **ANOVA** | - | Analysis of Variance |
| **BLI** | - | Baseline Indicators |
| **CAPEX** | - | Capital Expenditure |
| **CG** | - | Corporate Governance |
| **CMA** | - | Capital Markets Authority |
| **CPI** | - | Compliance/Performance Indicators |
| **DAC** | - | Development Assistance Committee |
| **GDP** | - | Gross Domestic Product |
| **IT** | - | Information Technology |
| **MAPS** | - | Methodology for Assessing Procurement Systems |
| **NBK** | - | National Bank of Kenya |
| **NHIF** | - | National Hospital Insurance Fund |
| **NSSF** | - | National Social Security Fund |
| **PLC** | - | Public limited Company |
| **OECD** | - | The Organization for Economic Co-operation and Development |
| **OPEX** | - | Operating expenses |
| **SD** | - | Standard deviation |
| **Tech** | - | Technology |
| **WBG** | - | World Bank Group |

# ACKNOWLEDGEMENT

I would like to thank the Almighty God for giving me the much-needed energy, strength, wisdom and perseverance during this period of this study. Secondly, I would like to thank and acknowledge all those people who have assisted me, a special gratitude goes to Dr. James Wanjagi for acting as my supervisor, and for giving useful comments and feedback on the research thesis

Special thanks go to all the staff and faculty members of Strathmore University, for their support and encouragement and for creating a conducive environment for me to work.

I would like to thank my family, especially my husband Dr. Aggrey Ochieng Adimo, who has been a pillar of strength and support throughout the time of writing this research thesis. My children Naima Konnie and Al Adimo, for their support and encouragement during the research project.

Lastly to my mom in heaven, for pushing me to achieve and soar to greater heights, I am forever indebted mum.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background to the study

All businesses regardless of size and location need to observe some business ethics to ensure they relate well with other stakeholders. Current firms operate in an era of information and knowledge where the stakeholders need to be well considered. Corporate governance (CG) is one key element in improving economic efficiency and growth as well as enhancing investor confidence in corporations as it provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. This involves development of business code of ethics that are meant to guide the way activities are carried out in the organization for smooth running of operations in accordance with the legal regulations and the benefits of all the stakeholders that would result in optimal organizational performance (Shukla, 2014).

Corporate governance ensures that appropriate governance structures are put in place to control the activities going on in an organization with the aim or protecting its integrity in the face of other stakeholders. Issues of corporate governance normally arise due to the principle of separation of ownership and management in the business settings where the shareholders engage qualified individuals to undertake the day to day running of the organizations. This separation raises concerns that need to be dealt with to ensure that none of these parties misappropriate their positions at the expense of another (Chahal & Kumari, 2011). This separation is the genesis of the agency conflict that bedevils the corporate entity. Good corporate governance has thus been touted as the panacea that mitigates the agency conflict by aiding to achieve a level of convergence in the inherently divergent interests of management and shareholders.

Corporate governance helps in building market confidence in the organization hence long-term shareholder value protection. Good corporate governance provides proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and society at large (Harford, Mansi, & Maxwell, 2012). The presence of an effective corporate governance system provides a degree of confidence that is necessary for the proper functioning of a market economy (Akicho, Oloko, & Kihoro, 2016) .

Compliance is concerned with the status of being in accordance with established guidelines, specifications, or the process of becoming so. To be said to have complied, organizations must strictly adhere to laid down guidelines in the management of organizational resources. These needs to be done in consideration of the provisions of unique industry in which a given organization operates to ensure that service delivery is not affected in a negative way. Adherence to corporate governance practices presents various advantages to an organization including: reinforcement of existing guidelines and policies, operationalization the objectives of fairness, openness, competition and transparency into a set of detailed steps and indicators, provide guidance in how to design procurement tenders in such a way as to minimize fraud, corruption and anti-competitive behavior, allow tracking of procurement decisions to help detect irregularities through system red flags and indicators, support consistent procurement processes, and finally serve as a comprehensive tool for reviewing procurement processes and asses compliance with existing guidelines.

### *1.1.1 Corporate Governance*

OECD (1999) provides a more detailed definition of corporate governance. It defines corporate governance as the system by which business corporations are directed and controlled. The structure of corporate specifies the distribution of rights and responsibilities among different stakeholders in the corporation such as: the board, managers or CEOs, shareholders' customers, employees, among others; and spells out the rules and regulations for making decisions on corporate affairs. In so doing, it also provides the structure through which the companies' objectives are set and the means of achieving such objectives and monitoring performance (Wolfensohn, 1999; Uche, 2004; and Akinsulire, 2006).

According to Magdi & Nadereh (1999), Adrian Cadbury further qualified his classic definition of corporate governance as a concern with holding the balance between economic and social goals and between individual and communal goals with an aim to align as nearly as possible the interests of individuals, corporations and society." As such corporate governance is crucial as it introduces internal controls that foster accountability and disclosure all of which are critical in procurement compliance.

This study was based on Mahajan (2003) definition and considered fairness, transparency, and accountability as the main variables

### *1.1.2 Procurement compliance*

Compliance is the adherence to a set of pre-notified legal agreements or established standards for services, goods, and/or processes and this is the definition adopted for this study. A compliance audit on suppliers or upstream in the supply chain may be conducted by the buyers or their agents to validate compliance.

Procurement compliance checklists constitute an important element of corruption risk management strategies in procurement processes, both in terms of prevention and detection of fraud and corruption. They can guide procurement staff through the process of transparent and effective procurement and help detect and report irregularities.

Compliance checklists signal good practice in procurement processes by providing a set of indicators to assess adherence to the agency’s procurement rules and regulations. They are often structured around the major phases of the procurement cycle and typically cover the various risks associated with each phase of the contracting process, using red flags and “blinking” indicators.

### *1.1.3 Corporate Governance and its impact on procurement compliance*

Procurement function is an important function in organizational performance as it influences how well other functions in an organization run. Githui (2012) indicates that procurement remains a key function in Kenyan organizations, as it facilitates the acquisition and disposal of goods and services thereby leading to smooth running of both public and private institutions. Hong & Kwon (2012) in addition also take cognizance of the fact that procurement has grown immensely, over the last decade in Kenya. Given the strategic nature of procurement it may be considered a core component of most organizations. Thus, procurement demands an adequate number of high-quality standards as well as high-quality service, economy, efficiency, and fairness by way of competition.

This simply means that a well-designed procedure must be followed when contracting for goods, services and works (Mwikali & Kavale, 2012).Good governance supports a culture and ethos which ensures behavior with integrity, a strong commitment to ethical values, and respect for the rule of law which then helps to determine policies and interventions necessary to optimize sustainable economic and societal benefits (OGCIO, 2017).The procurement function is critical for big corporates in Kenya as it plays a crucial role in ensuring that organizations meet their goals and objectives. The extent to which these goals and objectives are met is determined by the level of compliance to procurement regulations and may also affect many internal and external stakeholders (Holm Andreasen, 2012). It then becomes imperative that the absence of procurement compliance can be a costly problem for organizations, hence the need for good corporate governance.

### *1.1.4 Safaricom PLC*

The focus on Safaricom was based on the premise that the mobile telecommunications sector continues to be a great contributor for economic growth for both the developed and developing markets with mobile services becoming an essential part of how economies work and function (Deloitte, 2011). It is therefore imperative that there is need to ensure that this sector is performing at its peak to support the sustainability of the Kenyan economy. It is also essential to note that the telecommunication sector is very capital intensive due to high technological upgrades done from time to time. This means that the costs of running a telecommunication company are quite high. Yet within the Kenyan market, competition has intensified as more firms strive to edge out one another through gaining of a substantial market share. Market statistics indicated that Safaricom controlled 72.6% of the market share followed by Airtel at 15.3%, Telkom Kenya at 7.2%, Fin serve at 4.6% with the last one being Sema Mobile Services at 0.2% (CAK, 2018).

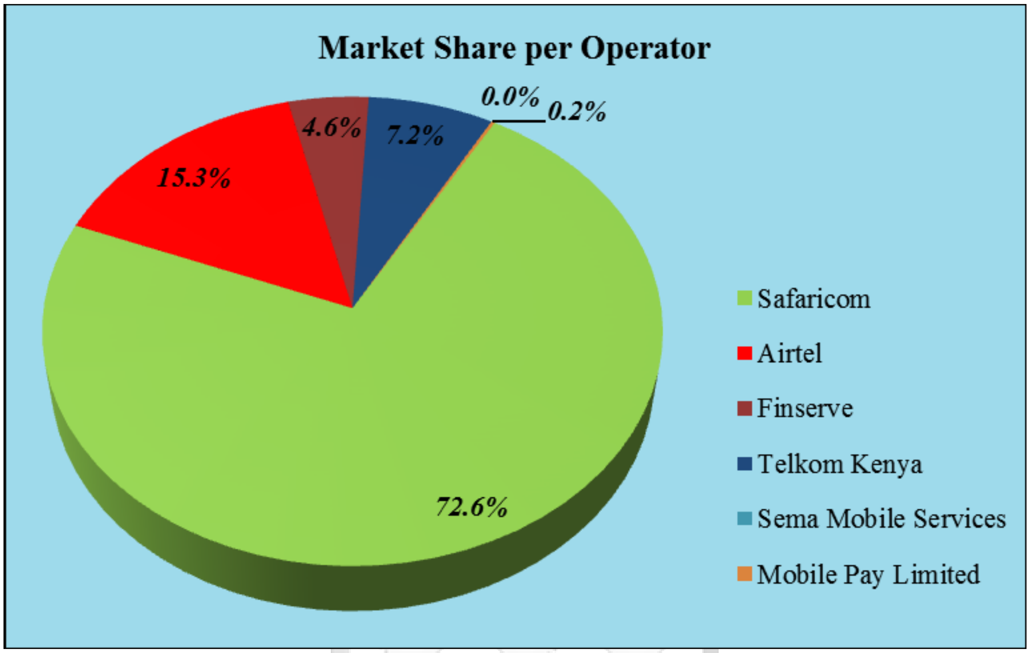


**Figure 1.1 : Market share per operator in the telecommunication sector**

Thus, to maintain this leadership position, Safaricom, must ensure that it operates in the most efficient and optimal manner.

## 1.2 Statement of the problem

For the last 15 years, corporate governance has been an important topic of reform and discussion in Kenya. The corporate governance guidelines issued by the Capital Markets Authority (CMA), have been well supported with the authority introducing new rules and guidelines overtime, the most recent being the capital markets (corporate governance) (market intermediaries) regulations 2011. Despite this, major challenges remain with the country lagging in many international comparative rankings of governance, anti-corruption and competitiveness, (Capital Markets Authority, 2014). In addition, the World economic forum indicates a clear perception that Kenya's investor protection lags (Schwab, 2013) .

Corporate governance has been a subject of concern on the global business scene for a while since the corruption case of Enron and Satyam companies. Tricker and Tricker (2015) established that the existence of governance codes of best practice did not prevent management of many corporate boards from destroying shareholder confidence and missing opportunities to steer their companies to achieve the desired profits. Despite having professionals managing and running the company and heavy investments in technology, Enron still reported capital gains because of malpractices where billions of dollars were hidden.

On the African front, several corporate governance challenges have been reported. For instance, In Nigeria, Uadiale (2012) notes that the practice of corporate governance faced a lot of challenges majorly due to high levels of government ownership of enterprises which led to high failure rate of institutions. However, since the year 2003, there have been several deliberate efforts made to improve the level of corporate governance like the development of code of best practices for public companies in the year 2003 and the Code of Corporate Governance for Banks issued by the Central Bank of Nigeria in the year 2006. Uadiale (2012) also identifies barriers to effective corporate governance as including: abuse of minority shareholders' rights, absence of commitment from board of directors, failure to adhere to set regulatory framework, existence of weak enforcement and monitoring systems, and lack of transparency and disclosure. This created loopholes which the managers of various enterprises used to misappropriate shareholders' wealth in several instances.

According to Alemani, Klein, Koske, Vitale, and Wanner, (2016) Egypt has been known to have good corporate governance in Africa. The Government of Egypt has made several reforms to improve the legal, regulatory and institutional framework for corporate governance. This was achieved through revision of laws relating to company laws, capital market laws and executive regulations which helped in strengthening the operations at the Egypt Securities Exchange. To streamline banking operations in the Country, the Central Bank of Egypt introduced the Corporate Governance regulations in the year 2011 which regulated the way all banking institutions operate. These regulations provide a comprehensive set of corporate governance provisions to strengthen board practices and composition. Despite remarkable efforts in ensuring corporate governance, the developments in information, communication and technology coupled with internationalization of firms and globalization have introduced new challenges in Egypt that call for frequent review.

Kenya as an economy has witnessed several circumstances which bring into focus the corporate governance challenges it faces. For instance, in 1998 the Kenya Finance bank was liquidated after reporting profits the prior year as well as preceding years. The Company was listed at the Nairobi stock exchange with high profits. In 2008, Nyaga stockbrokers lost large amounts of investor money after they were placed under statutory management when they failed to meet their financial obligations leading to many investors losing huge sums of money invested through the stock broker (Al-Moataz & Hussainey, 2012). In 2012, the National Health insurance fund (NHIF) experienced a scandal where the Board of Directors and the CEO were suspended due to poor governance. This move was aimed at rescuing the worker's money which otherwise would have been diverted through fraudulent deals between the Fund and medical service providers. In the year 2003 Eurobank collapsed with Ksh.256 million (US$ 3.37 million of NSSF' contributors'' money, the Charterhouse scam in 2004. After the 1997 elections, one of the country's largest banks National Bank of Kenya (NBK) teetered on the brink of liquidation before the National Social Security Fund (NSSF) and the Government of Kenya injected more capital. The challenges of corporate governance in Kenya have been compounded by the recent closure of Dubai Bank, Imperial Bank Kenya Limited and placing of Chase Bank under receivership, by the Central Bank of Kenya. According to Okioga, (2013), what ails the Kenya's financial sector is poor sectorial and corporate governance that result in weaknesses which make pensioners, creditors, employees and depositors extremely vulnerable.

The telecommunications sector is one of the Key sectors towards achievement of Vision 2030. Towards this end, the companies must make major investments in capital expenditure to strengthen their networks and develop more products and services for their customers. Safaricom has invested heavily in capital expenditure aimed at upgrading its network. An analysis of Capital Expenditure (CAPEX) and Operating expenses (OPEX) at Safaricom indicates that these expenditures together constitute a large fraction of the overall returns recorded by the Company. A five-year analysis shows that the total firm expenditure has grown from Ksh. 41 Billion in the year 2012 to Ksh. 59 Billion by the year 2016 and an estimated Ksh. 63 Billion in the year 2018. These expenditures are way above the total annual profit levels of the Company hence if not well managed could lead to huge loss of value to the shareholders' wealth. This therefore means that high levels of corporate governance are to be practiced if the Company is to continuously increase shareholders' wealth. This study sought to evaluate the relationship between corporate governance practices and procurement compliance at Safaricom, Plc. It sought to establish if corporate governance plays any role in influencing procurement compliance and if that is the case then what more needs to be done in ensuring deeper entrenchment of corporate governance within the firm.

## 1.3 Objectives of the study

### *1.3.1 Main objective*

The main objective of this study was to evaluate the impact of corporate governance practices on procurement compliance at Safaricom, Plc.

### *1.3.2 Specific objectives*

The specific objectives will include:

i. To establish the extent of corporate governance practices adoption at Safaricom, Plc.
ii. To determine the level of procurement compliance at Safaricom, Plc.
iii. To assess the relationship between corporate governance practices and procurement compliance at Safaricom, Plc.

## 1.4 Research questions

i. To what extent has corporate governance practices been adopted by Safaricom, Plc?
ii. What is the level of procurement compliance at Safaricom, Plc?
iii. Is there any relationship between corporate governance and procurement compliance at Safaricom, Plc?

## 1.5 Research Hypothesis

H0: Corporate governance has no significant influence on procurement compliance at Safaricom, Plc.

H1: Corporate governance has significant influence on procurement compliance at Safaricom, Plc.

## 1.6 Significance of the Study

This study is a continuation of the debate that has existed for a while on the effects of corporate governance on organizational performance which mainly covered profitability aspects instead of other components like procurement compliance. The study findings will be beneficial to several stakeholders both in academia and business in that it will test the agency theory application in corporate governance and how it affects other functions within an organization. This will help improve the role of corporate governance in protecting the shareholders' wealth and ensuring existence of a good relationship between the shareholders, management and other key stakeholders of the organization.

Understanding how to minimize conflicts between management and shareholders is relevant for a healthy working relationship between shareholders and company management. It is espoused that the findings of this study will recommend best practices for a healthy shareholder- management relationship. The managers will learn of the best practices that would ensure procurement compliance and better organization performance.

The findings of this study are expected to trigger other corporates to look at ways in which corporate Governance can be enhanced and be used to support procurement compliance. This will in turn ensure that corporate get value for money for every expenditure, hence remaining profitable enough to support the country's GDP. It will also ensure that good relations are maintained with suppliers and other relevant stakeholders.



## 1.7 Value of the study

**i) Policy makers**

Decision makers at the various levels of management will gain value added information on corporate governance as a key enabler of procurement compliance thus promoting fairness, transparency and accountability in the organization. As most Telecommunication companies continue to perform poorly in the country, it is anticipated that policymakers will replicate findings from the study that best suit their organization which will improve governance in procurement.

**ii) Procurement managers**

Supply chain managers will benefit from the findings of this study by adopting findings which will help them enhance responsible governance which lead to sustained productivity and better financial performance.

iii) Academia and research

Those in the academic and research realm will also benefit, they can use the findings of this study as a source for future reference for further research.

### 1.8 Delimitation of the study

The study focused on the telecommunications sector particularly Safaricom Limited and paid specific attention to corporate governance practices adopted and how they have influenced procurement compliance for improved overall performance. The study focused on various laws and ethics set by various regulatory authorities including: Communications Authority of Kenya, Capital Markets Authority, and Public Procurement Oversight Authority among others.



# CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter presents the work of previous studies as carried out by other scholars both on global, regional and local context to help demystify corporate governance practices and how they relate with procurement compliance. This is because procurement plays a big role in ensuring that inputs are available in the right qualities and quantities when required. Through corporate governance practices, the principal agent conflicts are set to be minimized as the management who are viewed as agents will act in the best way possible to ensure higher shareholders' wealth.

## 2.2 Theoretical framework for Corporate Governance

The concept of corporate governance is hinged on several theoretical schools of thought. They help explain how corporate governance is beneficial to organizations by linking several stakeholders in a harmonious way. This study will be anchored on: agency theory, the stewardship theory and the stakeholder theory which are discussed in detail below:

### *2.2.1 Agency Theory*

Agency theory was developed by Jensen & Meckling (1976) to bring to the fore the agency problems that come about because of separation of organizational ownership and control. It provides a useful way of explaining relationships where the parties' interests are at odds and can be brought more into alignment through proper monitoring and a well-planned compensation system (Davis, Schoorman and Donaldson, 1997). This theory is mainly concerned with effective monitoring that is achieved when the Board have majority on the outside and ideally independent directors. With the position of Chairman and CEO held by different persons. The agency framework in corporate governance holds the view that furthering of shareholder interests is a privileged goal pursued by a corporation which is not always the case. Ideally an organization has many goals to pursue.

Corporate governance is based on agency theory, which explains the relationship between agents and principals. According to Kamangue and Ngugi (2013), agency theory explains how best the relationship between agents and principals can be tapped for purposes of governing a corporation to realize its goals. Interest on agency relationships became more prominent with the emergence of the large corporation where there is a clear separation of management from ownership. There are entrepreneurs who have a knack for accumulation of capital, and managers who had a surplus of ideas to effectively use that capital. In an agency relationship, principals and agents have clearly defined responsibilities: Principals select and put in place governors (directors and auditors) to ensure an effective governance system is implemented, while agents are responsible for the day-to-day operations of the enterprise.

According to Eisenhardt (1989), agency problem arises whenever the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is doing. The owners entrust the agents who are the management to run the operations of an organization on a day to day basis hence may not have full information on the exact status of the organization at a given point in time thus the need to engage auditors to give their qualified opinion. Agency theory specifies mechanisms which reduce agency loss including incentive schemes for managers which reward them financially for maximizing shareholder interests (Jensen and Meckling 1976). This theory is relevant for this study as it explains how the separation of ownership and management affect transparency and accountability among key parties in an organization. It helps bring out the mechanisms that shareholders can employ to harmonize their interests with those of the management team. The overwhelming emphasis of this research has been on the efficacy of the various mechanisms available to protect shareholders from the self-serving behavior of executives (Shleifer and Vishny 1997).

### *2.2.2 Stewardship Theory*

The stewardship theory has emerged as an addition to the agency theory in literature, which seeks to explain management behavior (Davis, Schoorman, and Donaldson, 1997). Stewardship theory takes exception to agency theory's depiction of individuals as individualistic, opportunistic, and self-serving, requiring a proactive "alignment of interests" at best, and monitoring, at worst. Stewardship theory suggests that, contrary to agency theory's viewpoint, people may be motivated less by individual goals than is commonly believed. According to this framework, individuals serving as directors would be more inclined to embrace and seek to attain the goals of the organization, rather than their own personal goals. Stewardship theory is operationalized by combining the psychological attributes of the director with firm context (Davis et al, 1997).

Stewardship theory looks at directors and managers as stewards of the firm. And presumes them to be trustworthy individuals, hence good stewards of the resources entrusted to them, which makes monitoring redundant. The theory posits superior corporate performance will be linked to most inside directors and in that light, the position of Chairman and CEO should be held by same person to provide clear leadership.

Stewardship theory stresses not on the perspective of individualism, but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. It stresses on the position of employees or executives to act more autonomously so that the shareholders' returns are maximized. Indeed, this can minimize the costs aimed at monitoring and controlling behaviors (Daly et al., 2003).

### *2.2.3 Stakeholder Theory*

Wheeler et al. (2002) argued that stakeholder theory was derived from a combination of the sociological and organizational disciplines. A stakeholder can be defined as any group or individual who can affect or is affected by the achievement of the organization's objectives. Stakeholder theorists suggest that managers in organizations have a network of relationships to serve and these include suppliers, employees and business partners. They argued that this group of networks is more important in contrast to the owner-manager-employee relationship as depicted in the in the agency theory. On the contrary, Sundaram & Inkpen (2004) contend that stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention.

Freeman (1984) defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Freeman observes the emergence of stakeholder groups as important elements to the organization requiring consideration. Freeman further suggests a re-engineering of theoretical perspectives that extends beyond the owner-manager-employee position to recognize the numerous stakeholder groups.  Stakeholder theory offers a framework for determining the structure and operation of the firm that is cognizant of the myriad participants who seek multiple and sometimes diverging goals (Donaldson and Preston 1995). In this sense, companies should design their corporate strategies considering the interests of their stakeholders, that is groups and individuals who can affect or are affected by the organization's purpose.

About corporate governance, stakeholder theory has led to an alternative approach to the conventional shareholder-wealth-maximizing firm. Compared to the singular goal of raising shareholder returns, the stakeholder firm has multiple objectives related with its diverse stakeholders. The shareholder-maximizing model is premised on the notion that owners risk their investment capital and are the sole residual claimants, while other parties for example employees, are compensated based on their marginal products that is they are paid wages set by competitive labor markets (Ayuso and Argandona, 2007). The governance process, therefore, is controlling managers and other organizational participants to ensure that they act in the owners' interests. In contrast, one can argue that multiple firm stakeholders risk their 'investments' to achieve their goals, and thus each of them has a legitimate or moral right to claim a share of the value created or the firm's residual resources (Blair, 1995). Under this view, the governance structure shifts from a principal-agent to a team production problem, and the critical governance tasks come to ensure effective negotiations, coordination, cooperation and conflict resolution to maximize and distribute the joint gains among multiple parties of interest. For a stakeholder firm to be viable over time, it must demonstrate its ability both to achieve the multiple objectives of the different parties and to distribute the value created in ways that maintain their commitment.

In relation to the research objectives, this study will adopt tenets from the agency, and stakeholder theory in assessing the perceived relationship between corporate governance and procurement compliance.

## 2.3 Review of Empirical studies

### *2.3.1 Corporate Governance*

Corporate Governance (CG) has been defined as a system by which companies are directed and controlled to ensure optimal utilization of resources at its disposal (Committee, 1992). It describes how a corporation is governed through a set of processes, customs, policies, laws, and institutions affecting the way an organization is directed, administered and controlled (Cadbury, 1996). It covers key areas of leadership, stewardship, strategic direction and control practiced in organizations to ensure optimal utilization of resources. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed (Zubaidah, 2009). It ensures that the developed organizational goals and objectives are achieved in a more transparent and accountable manner. Corporate Governance was introduced with the aim of synchronizing the goals of managers and organization shareholders (Mallin, 2007). The modern business environment is characterized by separation of management and shareholding which is prone to frequent conflicts of interest (Thomsen & Conyon, 2012).

At the basic level, good management is obviously crucial to economic efficiency, productivity, firm performance and the overall social welfare. Corporate governance aims to ensure proper decision making within institutions (Mallin, 2007). According to the OECD (1999), basic components of good corporate governance include: corporate values, codes of conduct and other standards of appropriate behavior; a well-articulated corporate strategy; clear assignment of responsibilities and decision making authorities, incorporating hierarchy of required approvals from individuals to the board of directors. This entails, hiring the right managers and motivating them well and giving them the freedom to make the necessary decisions but within certain checks and balances to prevent abuse of power. It is also good to note that good corporate governance is essential for good economic performance.

However, there is no universally accepted consensus on what good corporate governance really means. The economics and finance literature is focused on the problems of agency relations between shareholders and managers which result from the separation of ownership and control, particularly in large corporations. A broad contrast is made between shareholder and stakeholder orientations: the former is said to see the firm in terms of relations between shareholder principals and managerial agents and the maximization of shareholder value. In contrast the latter sees the enterprise in terms of broader relations between all stakeholders with an interest in the firm and a broader set of goals to be maximized or satisfied (Freeman 1984; Donaldson 1989; Donaldson and Preston 1995). Attempting to reconcile the two, some writers talk about 'enlightened shareholder value' or 'instrumental stakeholder theory' or 'strategic corporate social responsibility' or 'the good firm' (Parkinson 1995; Jones 1995; Kay and Silberston 1995).

While this debate between shareholder and stakeholder perspectives cannot be resolved here, both perspectives share some common prescription in promoting basic accountability of executive directors for how they use company resources.

In conclusion, the corporate governance problem relates to how to assure that managers remain both honest and dynamic over time (Dore 2005). Consequently, a broad and less normative definition of corporate governance would include "structure of rights and responsibilities among the parties with a stake in the firm" (Aoki 2001a). Any notion of 'good' corporate governance certainly implies mechanisms to ensure executives respect the rights and interests of company stakeholders, moreover, it should ensure that stakeholders act responsibly with regard to the wealth invested in and generated by the enterprise. This definition may also imply significant public interest elements regarding corporate governance that legitimate, but also regulate, the purposes for which managerial power over the corporation may be legitimately exercised (Parkinson 1993).

### *2.3.2 Corporate Governance Practices*

Corporate governance is a practice in organizations through their corporate policies and procedures which clearly spell out activities to be performed by staff given a certain occurrence. These are aimed at creating market confidence in the organization because of the strict business integrity supported by the policies and procedures so developed. According to Malin (2007), the general practices of good corporate governance are applicable to all kinds of organizations without differentiating on size, ownership type or legal nature. Cadbury (1996) identifies four universal corporate governance principles which are also referred to as practices: transparency, fairness, accountability and corporate responsibility. Transparency in reports concerning the state of an organization is important in building public confidence and trust in the organization together with its management. Corporate governance also demands for fair treatment of all stakeholders in an organization. It also demands that various agents of governance in an organization be held accountable for their actions so that they do not just engage in certain acts without bearing their consequences. The last principal corporate responsibility calls upon all stakeholders in an organization to think about sustainability of a given organization in question. The interests of various key stakeholders in an organization need to be taken into consideration and ways of meeting them set to ensure healthy co-existence.

The OECD (2004) also came up with six principles of corporate governance. The first one is ensuring the basis for an effective corporate governance framework. This principle ensures that corporate governance promotes transparent and efficient markets, is consistent with the rule of law and clearly articulates the division of responsibilities among different supervisory, regulatory and enforcement authorities. The second principle is the rights of shareholder and key ownership functions. This principle ensures that the corporate governance framework protects and facilitates the exercise of shareholders rights. The third principle is the equitable treatment of shareholders which ensures that all shareholders including the minority shareholders and foreign shareholders are treated in an equitable manner. They should all have an opportunity to obtain effective redress for violation of their rights The fourth principle covers the role of stakeholders in corporate governance. It postulates that the corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs and the sustainability of sound enterprises. The fifth principle touches on disclosure and transparency, where the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including financial situation, performance, ownership and governance of the company. The sixth and last principle is on the responsibilities of the board. Under this principle, corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and shareholders (OECD, 2004).

This particular study will be anchored on Cadbury's four practices of corporate governance.

### *2.3.3 Transparency in Corporate Governance*

Transparency practice recognizes the need of information by investors and shareholders on the performance of an organization, future investment opportunities and the likely risk exposures that the organization is faced with to inform their decision-making processes.

This explains the reasons behind the shareholder's engagement of external auditors who review the submitted financial statements with the aim of issuing a qualified opinion as to whether the financial statements present a true and fair view of the situation as is in the company. One of the issues investigated is the verification of whether the preparation of the financial statements observed the recommended standards of accounting. This preparation of financial statements in line with internationally accredited accounting standards ensures that the output can be easily compared especially in assessing how well an organization has performed to inform future investment decision making.

In a study by Fung (2014), it is acknowledged that transparency and disclosures in corporate governance play an important role. Organizations are required to adopt accurate accounting methods, make full and prompt disclosure of company information and make disclosure of conflict of interests of the directors or controlling shareholders to the consumers of financial statement information. This is achieved by implementing an accurate system of checks and balances among the board of directors, management, auditors and other stakeholders. The roles of different stakeholders in an organization need to be made clear so that every individual is held accountable.

### *2.3.4 Fairness in Corporate Governance*

The practice of fairness calls for fair treatment of all shareholders and other stakeholders in an organization for sustained future operations. Organizational policies need to ensure that no discrimination attitude is created among stakeholders and clearly spell out the disciplinary measures for any form of discrimination witnessed. Inculcating fairness in an organization is a key ingredient for organizational success. Fung (2014) argues that organizations need to inculcate fairness in their marketing principles, so they fairly influence a customer towards making an informed decision as to whether to purchase a given good or service. There is supposed to be no exaggerations that would negatively influence the reputation of an organization or the repeat purchase of a given commodity by customers.

This principle also demands that organizations exhibit fair competition towards their competitors. Organizations need to put into considerations the status of their competitors and ensure that they do not spark price, quality or other wars that will disadvantage the position of their competitor. Fair competition helps an organization in optimal resource allocation for higher levels of efficiency and growth potential. Organizations also need to exhibit fairness in the utilization of their distribution channel network (Bhasin, 2010).The distribution network plays an important role in ensuring the products and services of an organization are availed at diverse locations as and when required by the final consumer. Any mistreatment of the distribution network members may lead to severe reputational challenge that may negatively affect the operations of an organization.

The practice of fairness also demands that an organization handles its human personnel in a fair manner. This involves the recruitment and selection where the short listing of applicants is done. The screening process needs to be free of biasness and ensure that the short listing is based on merit. There is need to balance diversities in terms of gender, age, race, among other variables as need be (Beeks & Brown, 2006). There needs to fairness in remuneration, task allocation, appraisals among other human resource management practices. These would ensure optimal employee performance to the benefit of the organization. The fairness practice also proceeds to explain the importance of fair distribution of profits made by an organization among its shareholders. The profits need to be shared through a fair and transparent business management models that leaves all stakeholders satisfied (Beeks & Brown, 2006).

### *2.3.5 Accountability in Corporate Governance*

This practice of accountability requires that all agents of governance be accountable for their actions by undertaking the full consequences of their acts and omissions. The agents of governance within an organization need to be accountable for business decisions, risk management and various controls they put in place (Solomon & Solomon, 2004). Corporate governance strives to put in place a structure that ensures high levels of accountability and prevents occurrence of fraudulent scenarios (Fung, 2014). It has been noted that majority of the conflicts of interest between the management and the shareholders arise because of self-interests (Beeks & Brown, 2006). All stakeholders ought to ensure that they are accountable in all their deeds.

In a study by Mohamed and Elewa (2016), accountability was established as a key practice in corporate governance. There needs to be high levels of accountability both between management and the shareholders through the elected board of directors. Lack of accountability among stakeholders in an organization results in mistrust which has been described as a recipe for corporate failure (Nwagbara and Ugwoji, 2015). There needs to be accountability both within and outside the organization so that the public can gain confidence in the operations of an organization (Solomon & Solomon, 2004)

### *2.3.6 Corporate Responsibility in Corporate Governance*

The agents of governance should watch over the sustainability of their organizations, to ensure their company's longevity, by observing social and environmental principles when identifying business deals and operations. It is a widely accepted concept that no single organization exists in a vacuum instead, they all exist in a society which means that they get influenced by society in equal measures that they affect it. It is therefore important that due care is taken in the operations of an organization so that the environment is preserved. All corporates owe a duty to other stakeholders if its operations are to be sustainable. For instance, customers expect to receive high quality products that have been competitively priced if they are to continue consuming a company's products in future. This helps in building high levels of loyalty among customers making it difficult for them to switch to other brands. For the suppliers, an organization owes them a duty of paying them on time in a competitive manner. This will ensure that they have the capability to meet the supply requirements of the organization in a timely manner. Good corporate governance practices would ensure that internal customers get quality supplies from suppliers at the right time hence facilitate the delivery of quality products and services to customers for improved shareholders' wealth.

All organizations are required to abide by legal requirements of paying taxes and other monies due to the government. Organizations need to ensure that they adhere to the laid down rules and regulations by the governments of various locations in which they operate. This should be done in a transparent manner so that all dues to the government are settled as and when they fall due. Organizations are also required to take cognizance of its effects on the external environment and assume responsibility for the same. It is important that an organization recognizes its position in the wider society and do its best to protect the ecosystem.

## 2.4 Procurement Compliance

One of the greatest challenges facing both the public and private sector is ensuring compliance to an organization's procurement rules. This involves ensuring that the underlying principles of an organization's supply chain management are fair, equitable, transparent, competitive and cost-effective. Procurement compliance checklists constitute an important element of corruption risk management strategies in procurement processes, both in terms of prevention and detection of fraud and corruption. Compliance checklists reflect good practice in procurement processes by providing a set of indicators to assess adherence to the agency's procurement rules and regulations. The indicators are intended to provide harmonized tools for the assessment of procurement systems. The assessment provides information that can be used to monitor compliance with procurement rules and regulations.

Tukamuhabwa, (2012), revealed that moral obligation and social influence affect compliance. However, it was noted that the willingness to comply because of moral obligation and social influence is based among others on the perceived legitimacy of the authorities charged with implementing the regulations (Sutinen, Olsen, Juda, Hennessey, & Grigalunas, 2006). It was also found out that when top management initiate and support compliance, it would spread in the entire organization.

Procurement compliance checklists are one of the corruption risk management tools that can be used to effectively monitor procurement processes, identify and detect fraud and corruption risks at all stages of the procurement cycle. They typically consist of a comprehensive summary of existing standards and requirements at all stages of the procurement process, with a view of ensuring adherence to procurement policies, guideline and regulations. The overall aim of the checklist is to guide policy makers in instilling a culture of integrity throughout the procurement cycle, from needs assessment to contract management and payment (OECD, 2008).

A good, transparent and accountable procurement system needs to ensure effective control; complaints and review mechanisms to ensure that decision conform to the procurement policies and regulations. With the support of the World Bank OECD development assistance committee (DAC) procurement roundtable initiative, developing countries and bilateral and multilateral donor worked together to develop a set of tools and standards that provide guidance for improvements in procurement systems and the results they produce. The round table culminated into the adoption of baseline indicators tool for the assessment of procurement systems. The Methodology for assessing procurement systems (MAPS) is intended to provide a common tool for assessing the quality and effectiveness of procurement systems.

The working group developed two types of indicators: the baseline indicators (BLI's) and the compliance/performance indicators (CPI's). For this study the CPI's associated with the baseline indicators have been adopted since the intention of the research is to determine the level of procurement compliance.

Explicit supplier relationships oblige both the buying company and the suppliers to share common values and work together to build shared prosperity. Proper corporate governance requires a concerted effort to involve suppliers in the company's processes led by the purchasing team with full support from the board (Davies, 2016).

## 2.5 Conceptual Framework

The conceptual framework in figure 2-1 below forms the main basis of this study. The framework is developed based on corporate governance practices literature and procurement compliance. The level of compliance in procurement is determined by four key corporate governance practices: transparency, fairness, accountability and corporate responsibility. These practices combined will lead to compliance in the various procurement activities at Safaricom Limited.

A lot of empirical evidence beginning with the seminal work of Berle and Means (1932) to more recent work by Leech and Leahy (1991), Prowse (1992), Agrawal and Knoeber (1996), and Cho (1998) exists on the link between corporate governance, firm performance and economic growth. The effect of corporate governance on firm performance is the focus of extensive analysis in majority of the previous studies (Choi *et al.*, 2007; Donaldson and Davis, 1991; Jensen, 1993)

However, there is hardly any work done on the link between corporate governance and procurement compliance. Therefore, this research attempts to extend the understanding of 'good' corporate governance issues beyond the narrow confines of an economics and finance perspective, and embraces issues of procurement compliance.

It is for this research gap that the researcher wished to establish the impact of corporate governance on procurement compliance as illustrated below:

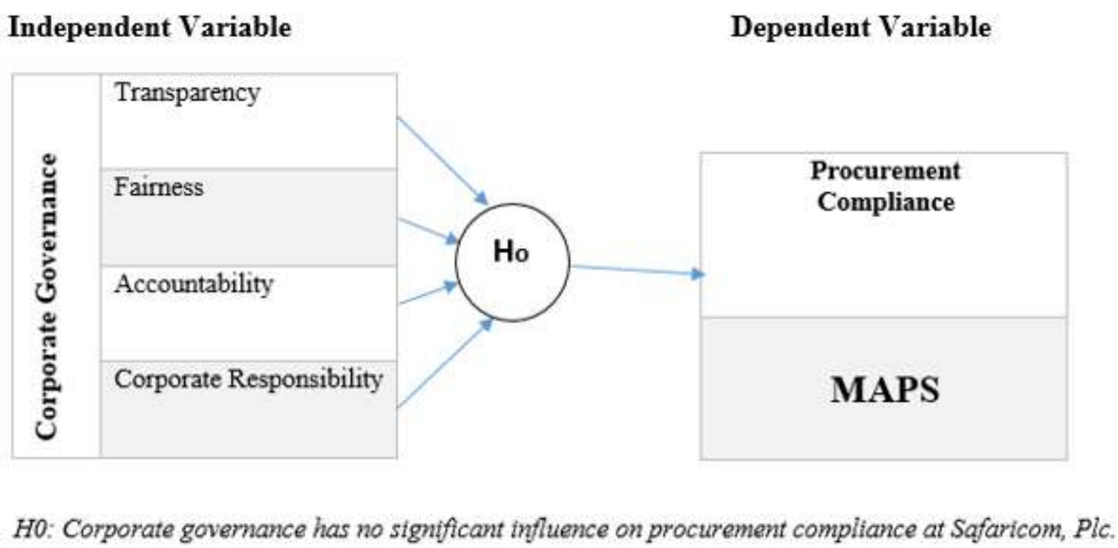


**Figure 2.1: Corporate Governance practices and procurement compliance**

This model hypothesizes that procurement compliance relies on the level of corporate governance measured by transparency, fairness, accountability, accountability and corporate responsibility. It postulates that adherence to all these variables would improve the level of procurement compliance within an organization.

## 2.6 Summary of Literature

From the literature review we see that many authors have carried out research on the concepts and theories of corporate governance.

From the studies reviewed, good corporate governance is about recognition on the part of the company that stakeholders constitute a valuable resource for building competitive and profitable companies (OECD, 2004; Zollinger, 2009). Good corporate governance is responsible for the good and long-term relations with the stakeholders including suppliers.

Corporate Governance ensures that those who manufacture and assemble goods share equitably in the procuring company's benefits. It is about creating an environment in which small and medium sized equity enterprises can participate in supply chains, without being shut out by costly regulation, poor administration or exclusionary behavior (Fung, 2013).

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.0 Introduction

This chapter presents the methodology and procedures followed by the researcher to ensure exhaustive achievement of study objectives. It provides more information on research design, study population, sample and sampling technique and the research instrument that was applied. It also provides more information on the data analysis procedure and data presentation before discussing the ethical concerns.

## 3.1 Research Design

The study used descriptive survey research design. It was cross sectional; the respondents were sampled from different departments of the company and different characteristic of the respondents considered. This design was appropriate because the study required the respondents to provide more information on the phenomenon (procurement compliance) as it was without manipulation. This design was appropriate because it enabled the researcher collect data from a large sample size with relative ease and within a short period. The study was interested in collecting information that touches on the what, when, whom, where, and of how corporate governance affects procurement compliance.

## 3.3 Population and Sampling

The sampling frame of this study comprised of 282 employees of Safaricom Limited at senior management level and above because of their understanding of both governance and procurement requirements of the company. This population was not static as the company employs more and more staff on a continuous basis as others leave the organization through normal attrition for one reason or another.

Using Krejcie and Morgan (1970) sample size table for determining the sample size of known population (see table 3-2); the following sample size was used (table 3-1). The confidence level was set at 95% with a 5% margin of error. The numbers were then proportionately distributed among the targeted divisions.

**Table 3.1: Sample distribution**

| Division | Population | Sample size |
|---|---|---|
| CEO's Office | 7 | 4 |
| Consumer Business Unit | 11 | 7 |
| Corporate Affairs | 17 | 10 |
| Customer Operations | 16 | 10 |
| Enterprise Business Unit | 25 | 15 |
| Finance | 36 | 22 |
| Financial Services | 13 | 8 |
| Internal Audit | 5 | 3 |
| Regional Sales and Operations | 29 | 15 |
| Resources | 22 | 13 |
| Risk Management | 18 | 11 |
| Strategy and innovation | 15 | 10 |
| Technology | 68 | 40 |
| **Total number of staffs** | **282** | **169** |

**Source: Research data (2019)**

**Table 3.2: Determination of sample size for a known population where N is population size, S is Sample size**

| *N* | *S* | *N* | *S* | *N* | *S* |
|---|---|---|---|---|---|
| 10 | 10 | 220 | 140 | 1200 | 291 |
| 15 | 14 | 230 | 144 | 1300 | 297 |
| 20 | 19 | 240 | 148 | 1400 | 302 |
| 25 | 24 | 250 | 152 | 1500 | 306 |
| 30 | 28 | 260 | 155 | 1600 | 310 |
| 35 | 32 | 270 | 159 | 1700 | 313 |
| 40 | 36 | 280 | 162 | 1800 | 317 |
| 45 | 40 | 290 | 165 | 1900 | 320 |
| 50 | 44 | 300 | 169 | 2000 | 322 |
| 55 | 48 | 320 | 175 | 2200 | 327 |
| 60 | 52 | 340 | 181 | 2400 | 331 |
| 65 | 56 | 360 | 186 | 2600 | 335 |
| 70 | 59 | 380 | 191 | 2800 | 338 |
| 75 | 63 | 400 | 196 | 3000 | 341 |
| 80 | 66 | 420 | 201 | 3500 | 346 |
| 85 | 70 | 440 | 205 | 4000 | 351 |
| 90 | 73 | 460 | 210 | 4500 | 354 |
| 95 | 76 | 480 | 214 | 5000 | 357 |
| 100 | 80 | 500 | 217 | 6000 | 361 |
| 110 | 86 | 550 | 226 | 7000 | 364 |
| 120 | 92 | 600 | 234 | 8000 | 367 |
| 130 | 97 | 650 | 242 | 9000 | 368 |
| 140 | 103 | 700 | 248 | 10000 | 370 |
| 150 | 108 | 750 | 254 | 15000 | 375 |
| 160 | 113 | 800 | 260 | 20000 | 377 |
| 170 | 118 | 850 | 265 | 30000 | 379 |
| 180 | 123 | 900 | 269 | 40000 | 380 |
| 190 | 127 | 950 | 274 | 50000 | 381 |
| 200 | 132 | 1000 | 278 | 75000 | 382 |
| 210 | 136 | 1100 | 285 | 1000000 | 384 |

**Source: Krejcie and Morgan (1970)**

### 3.3.1 *Sampling Procedure*

Sampling design is concerned with a research plan developed by a researcher to indicate how elements are to be selected as respondents in a given study (Descomber, 2007). This study adopted Krejcie and Morgan (1970) Table on sample size determination (Appendix I) which gave a sample size of 169 for a population of 282. The study applied stratified random sampling whereby the basis of stratification was by department. The sample was then distributed proportionately across all departments' senior management. The reason for segmentation was to engage staff with knowledge in institutional governance issues and run with implementation of policies which includes the procurement policies and guidelines.

## 3.4 Data collection methods

The study made use of primary data collected using a questionnaire which was close ended in nature (Appendix II). Kothari (2004) defined primary data as one collected a fresh for the first time while secondary data one that had already been collected and passed through statistical process. One set of questionnaires was prepared containing questions on the corporate governance practices and their influence on procurement compliance. The questionnaire contained six sections based on study variables and demographics section. The questionnaires were administered through a monkey survey.

**Table 3.3: Operationalization of variables**

| Objective | Variables | Indicators | Measurement | Scale | Data collection | Data Analysis |
|---|---|---|---|---|---|---|
| To establish the extent of corporate governance practices adoption at Safaricom, Plc | Procurement compliance | • Transparency<br>• Fairness<br>• Accountability<br>• Corporate<br>• Responsibility | (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. | Ordinal | Survey | Descriptive and quantitative |
| To assess the relationship between corporate governance practices and procurement compliance at Safaricom, Plc. | Procurement compliance | • Transparency<br>• Fairness<br>• Accountability<br>• Corporate<br>• Responsibility<br>(1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. Ordinal Survey Descriptive and quantitative | (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. | Ordinal | Survey | Descriptive and quantitative |
| To assess the relationship between corporate governance practices and procurement compliance at Safaricom, Plc. | Procurement compliance | • Transparency<br>• Fairness<br>• Accountability<br>• Corporate<br>• Responsibility | (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree. | Ordinal | Survey | Descriptive and quantitative |

## 3.5 Research Quality

### *3.5.1 Validity*

To ensure that the research instruments are valid and relevant for the study at hand, it was important that a validity check be conducted to ascertain if their measure was valid. Validity describes the ability of a scale or measuring instrument to measure what is exactly intended to. It is normally based on the reliability of the facts presented and the rightness in the variable being measured. In this regard, the study conducted a pretest at Telkom Kenya because of the unique issues affecting the telecommunication sector which may invalidate pre-testing the instrument outside the industry.

### *3.5.2 Reliability*

Reliability refers to the degree to which data collection method or methods yield consistent findings, similar observations and conclusions if carried out by other researchers (Saunders, Lewis, & Thornhill, 2012). It reflects the transparency in which raw data was interpreted to answer the research question (hypothesis). Reliability contributes to validity, but it is not enough condition for the same.

Reliability was ensured by retesting, administering the questionnaires to the management staff at Telkom Kenya. Reliability of data was tested by use of Cronbach's Alpha of above 0.7 threshold (Gliem and Gliem, 2003). Consistency was maintained in such a way that if another study was to be carried by a different researcher they should end up with similar outcome.



## 3.6 Data Analysis and Presentation

Once the data was collected, the questionnaires were checked for completeness, edited for accuracy, consistency and completeness. This was followed by the data clean up exercise to eliminate discrepancies after which the data was classified and then tabulated. The data collected was analyzed using descriptive statistical measures including: mean, standard deviations, frequencies and percentages. The analyzed data was presented in the form of tables, pie charts, percentages, mean and standard deviations to summarize the respondent answers and answer the four research questions. The study also made use of inferential statistics to establish the relationship between corporate governance practices and procurement compliance at Safaricom Limited. Specifically, the study used the Spearman correlation to establish this relationship.

The following regression equation was used;

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + €$

Where Y= Procurement Compliance

$X_1$= Transparency
$X_2$ = Fairness
$X_3$ = Accountability Levels
$X_4$= Corporate Responsibility
€= Error

### 3.7 Ethical consideration

As a requisite of research ethics, authorization to conduct research was requested from Strathmore University. Given the sensitivity of the research topic, there was an endeavor to protect the information obtained from the respondents and ensure that it is only used for the intended purpose.

The researcher also sought permission from Safaricom Limited which was the case study. The researcher also requested informed consent from the participants by providing adequate information on the reason for the study.

Research permit was obtained from the National Commission for Science Technology and Innovation to conduct the study.

# CHAPTER FOUR: RESULTS AND DISCUSSIONS

## 4.1 Introduction

In this chapter, the data analysis findings are presented. The data of the sampled schemes was collected and analyzed in response to the objective of the study. The objective of the study was to evaluate the impact of corporate governance practices and its impact on procurement compliance at Safaricom, Plc.

This study hypothesized that Corporate governance has no significant influence on procurement compliance at Safaricom, Plc., however after analysis of the data at the 5% significance level, there is sufficient evidence to support the claim that Corporate governance has significant influence on procurement compliance at Safaricom, Plc. The findings presented in this chapter demonstrate the extent of adoption of corporate governance practices within Safaricom PLC and the extent of procurement compliance measured on different aspect.

## 4.2 Results of Pilot Test

Reliability of the study instrument was evaluated through Cronbach's Alpha which measures the internal consistency. Cronbach's Alpha value is widely used to verify the reliability of the construct. The results are presented in Table 4-1.

**Table 4.1: Reliability Coefficient**

| Variable | Cronbach's Alpha | Number of items |
|---|---|---|
| Transparency | 0.873 | 14 |
| Fairness | 0.967 | 10 |
| Accountability | 0.972 | 5 |
| Corporate Responsibility | 0.953 | 6 |
| Procurement Compliance | 0.943 | 7 |

**Source: Research data 2019**

The findings indicate that Transparency, Fairness, Accountability, Corporate Responsibility, Procurement Compliance had Cronbach's alpha's values greater than 0.7.

This represented a high level of reliability (Kothari, 2004), and on this basis it was supposed that scales used in this study were reliable to capture the variables.

## 4.3 Response Rate

The targeted sample size for this study was 169 out of a population of 282 Safaricom employees at senior level when this study was conducted.

**Table 4.2: Questionnaire response rate in the study area**

| Response | Frequency | Percent |
|---|---|---|
| Filled | 141 | 83.4% |
| Unfilled | 28 | 16.6% |
| Total | 169 | 100% |

**Source: Research data 2019**

The number of questionnaires that were administered was 169. A total of 141 questionnaires were properly filled and returned. This represented an overall successful response rate of 83.40% as shown on Table 4.2, which according to Babbie (2004) is rated as very good. The respondents were asked to indicate their departments. The distribution of responses was as presented in Figure 4-1.

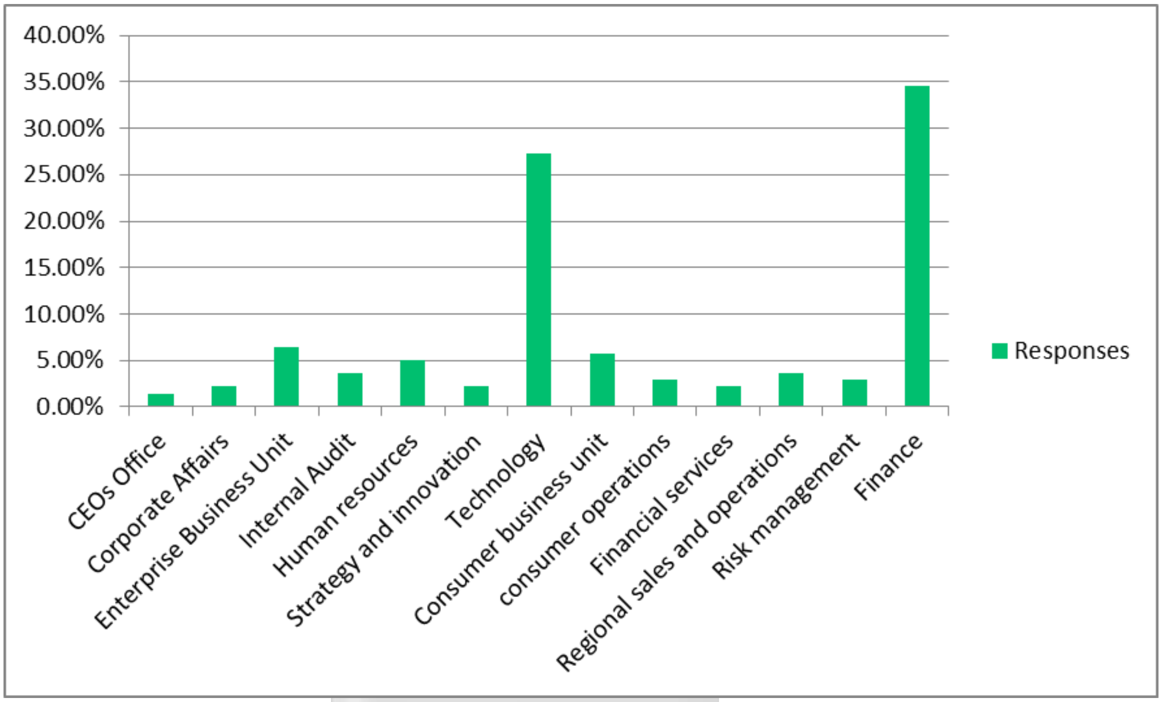


**Figure 4.1: The distribution of responses by departments**

**Source: Research data 2019**

The response rate was proportionate to the population distribution of the company; which has also been reported (see table 3-1 in the previous chapter). Results in Figure 4-1 reveal that 34% of the respondents were from finance department followed by technology, which follows as the organization under study is a Fin-Tech Company.

The position held by the respondent in the organization was important to demonstrate that the respondents had knowledge and are involved in the day to day implementation of the policies in the organization. The responses distribution of the positions held is as presented in table 4-3. On these item 9 respondents did not fill in their position.

**Table 4.3: The positions held by the respondents in the organization**

| Answer choices | Responses | |
|---|---|---|
| Director | 0.76% | 1 |
| Head of Department (HOD) | 7.58% | 10 |
| Senior manager | 34.85% | 46 |
| Principal Officer / manager | 56.82% | 75 |
| **Total** | | **132** |

**Source: Research data 2019**

## 4.4 Demographics

### *4.4.1 Experience in the organization*

The results (Figure 4-2) indicate that over 95% of the respondents had worked in the organization for more than 2 years with majority among them having worked for more than 5 years, a good indication of knowledge of the policies.

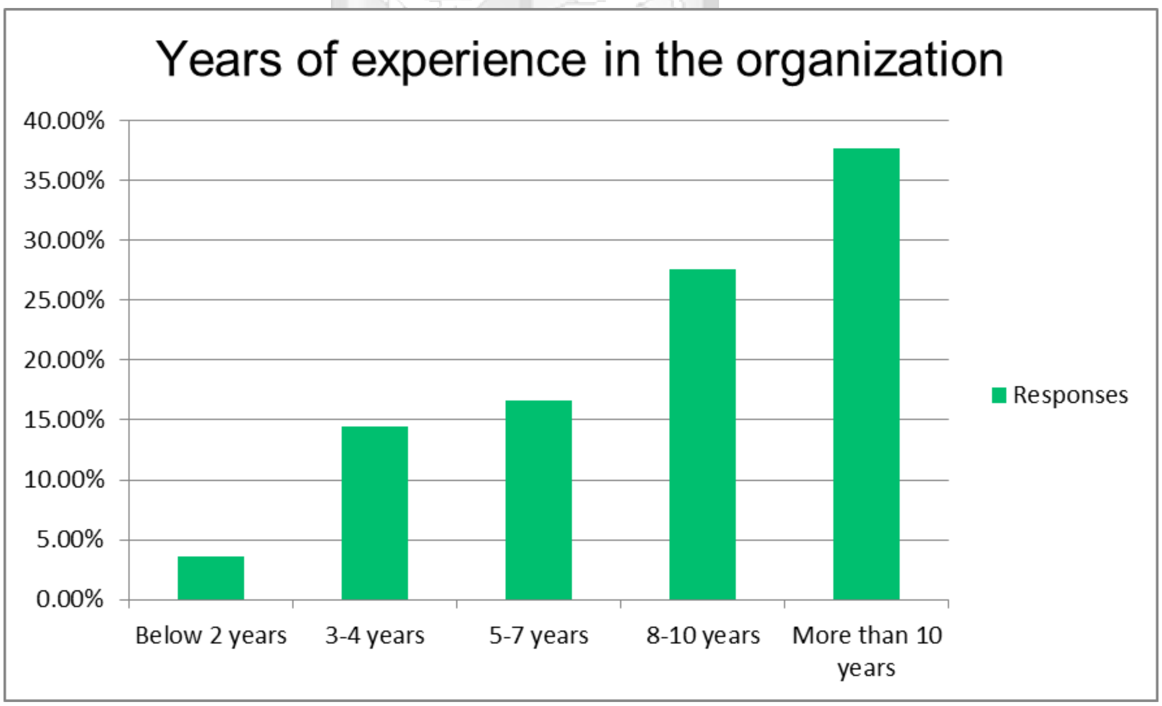


**Figure 4.2: Years of experience of respondents in the organization**

**Source: Research data 2019**

The findings imply that majority of the respondents had worked in the organization for long period indicating that they had much experience and information concerning the organization. Coupled with this the education levels of the respondents were high with over 50% having postgraduate degree and the others having at least an undergraduate degree (Figure 4-3). Education level was important in this study because it was an indicator that the respondent had the capacity to understand what the subject matter of the study was.

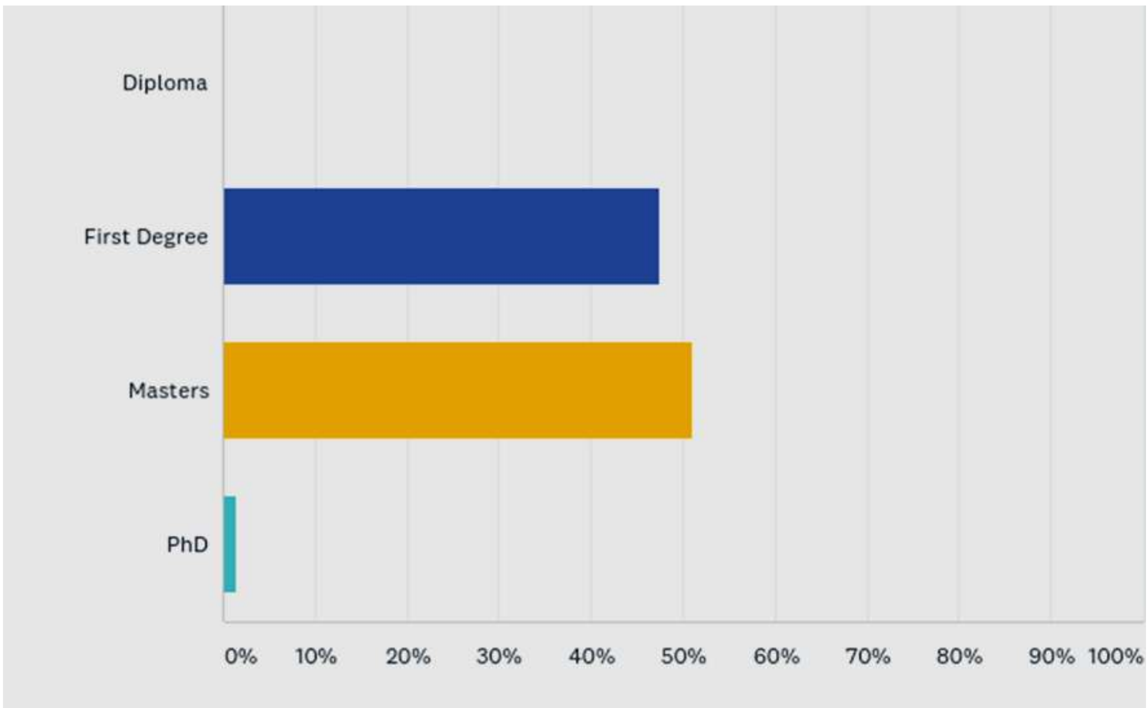


**Figure 4.3: Respondents level of education**

**Source: Research data 2019**

## 4.5 Transparency

To evaluate whether procurement and tendering was conducted in a fair, open and transparent manner. The respondents were given several statements to assess on the level of concurrence. The most important and broadly accepted principles underlying a modern procurement system(s) like open competition – unrestricted, universal access to the procurement market were considered. In addition, the procurement process – the selection of bidders, tendering procedures and the award of contracts were also assessed to get the perception on whether they were done in a transparent process.

The overall perception of the respondents was that operations in the organization are conducted in a transparent manner with over 80% in agreement, and 6% disagreeing.

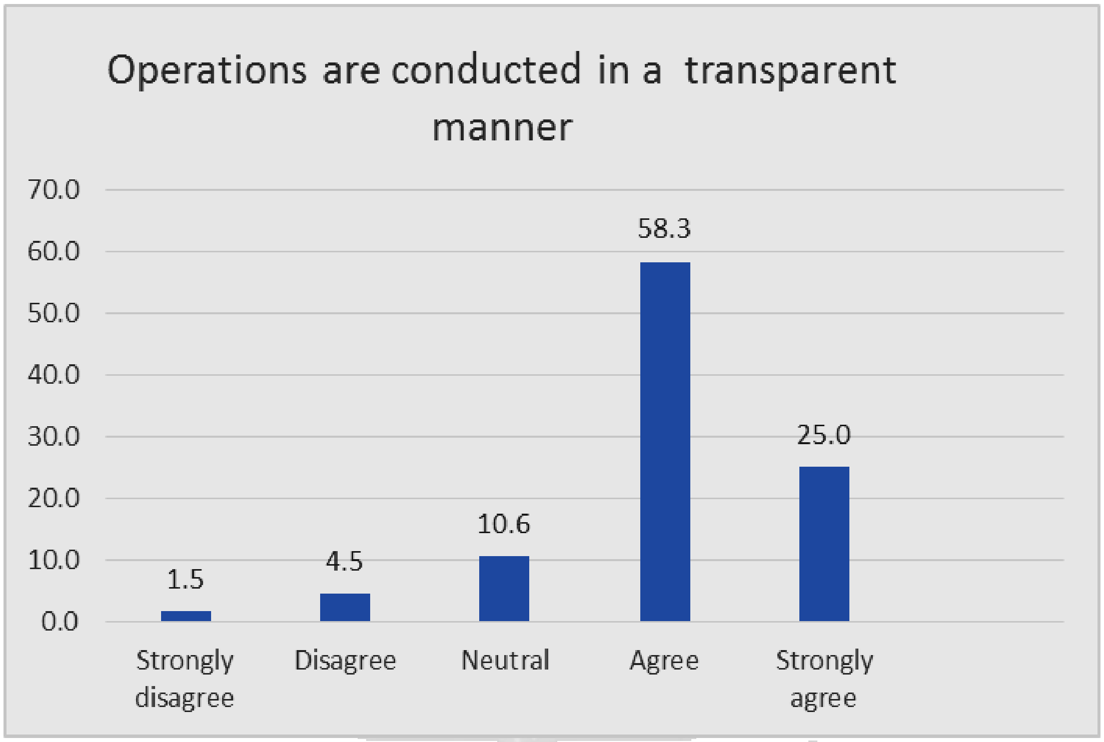


**Figure 4.4: level of transparency in the procurement operations**

**Source: Research data 2019**

Statements on transparency factors were rated on a Likert scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree with 14 Likert items. The findings are presented in table 4-4 and Figure 4-5.

**Table 4.4: Level of transparency in the organization**

| Statement | Mean | Std. Deviation |
|---|---|---|
| Operations are conducted in a more transparent manner | 4.01 | 0.82 |
| The management always puts into consideration the needs of different stakeholders in all decision-making processes | 3.71 | 0.98 |
| All procurement orders are done in an open and standard way | 3.79 | 0.97 |
| Only necessary goods and services are procured by the organization | 2.98 | 1.14 |
| Financial reports are prepared in accordance with Generally Accepted Accounting Principles | 4.43 | 0.65 |
| The organization puts into considerations the needs of their customers in procurement | 3.89 | 0.82 |
| The organization engages with transparent suppliers in its procurement | 3.86 | 0.91 |
| The organization holds different officers accountable for their action | 3.99 | 0.97 |
| The organization makes available pertinent information to all stakeholders for decision making | 3.83 | 0.93 |
| The organization makes full and prompt disclosure of company information | 3.69 | 0.94 |
| The organization makes disclosure of conflict of interests of the director's status | 3.48 | 1.09 |
| The organization has an accurate system of checks and balances among the board of directors | 3.64 | 0.86 |
| The organization has an accurate system of checks and balances among the Management | 3.73 | 0.82 |
| The organization has an accurate system of checks and balances among the auditors | 3.82 | 0.87 |
| **Overall mean** | **3.77** | |

**Source: Research data 2019**

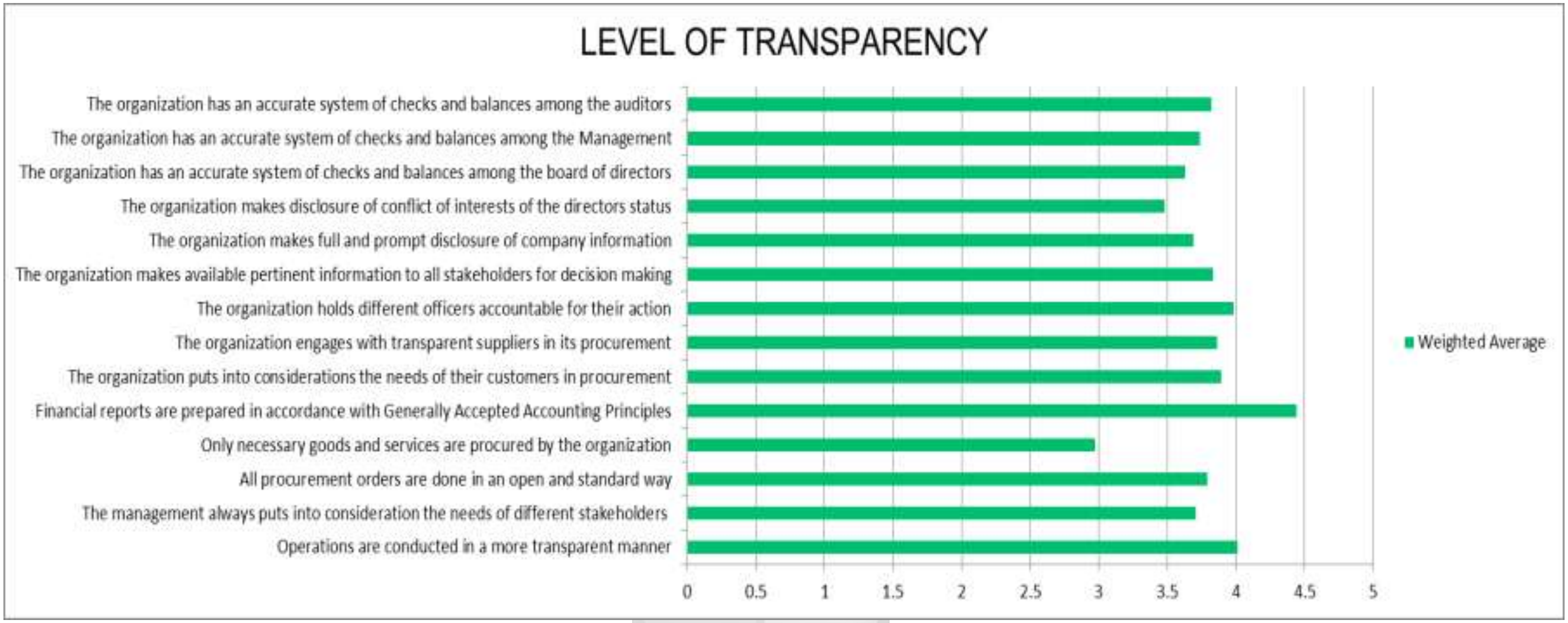


**Figure 4.5: Perceived level of transparency in the procurement operations**

**Source: Research data 2019**

From the ranking of the statements in Table 4-4; the respondents interviewed in the organization agreed that procurement processes in the organization were conducted in a transparent manner and the management always puts into consideration the needs of different stakeholders, including customers in all decision-making processes (mean = 3.92 SD= 0.90) This ensured that the organization engages with suppliers in a transparent manner. On the other hand, majority were neutral when asked whether only the necessary supplies are procured (mean = 3.86 SD= 0.91). It is also noted that they believed that financial reports were being prepared in accordance with generally accepted accounting principles, with disclosure of conflict of interests of the directors and status (mean = 3.48 SD= 1.09) response being neutral; which would be assumed ensures an accurate checks and balances among managers, directors and the board of directors. This is partially enforced with the existence of a functional audit system.

According to Transparency International annual report (2014), Transparency in procurement has been advocated for as a key to ensuring accountability, which promotes competition and minimizes opportunities for fraud and corruption. The report also gave some indicators that can be used to access transparency in procurement which include among others publishing procurement policies, giving access to procurement plans, advertising tender notices, disclosing evaluation criteria in solicitation documents, publishing contract awards and prices paid, establishing clear protest mechanism, implementing financial and conflict of interest disclosure requirements and publishing supplier-sanction lists.

## 4.6 Fairness in corporate Governance

Fairness in a corporate means treating all stakeholders or people with equity. It entails avoiding of bias towards one or more entities as compared to the other(s). Fairness in procurement procedure envisages equal opportunity and treatment for service providers or contractors (Bidders, Proposers and Consultants); equitable distribution of rights and obligations between the organization and contractors; credible mechanisms for addressing procurement-related complaints and providing recourse (World Bank Group, 2000).

In this study these constructs were tested using ten statements on a Likert scale that the respondents were requested to rank on their level of agreement. Statements on fairness were also rated on a scale of 1 to 5 where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree. The findings are presented in Figure 4-6.

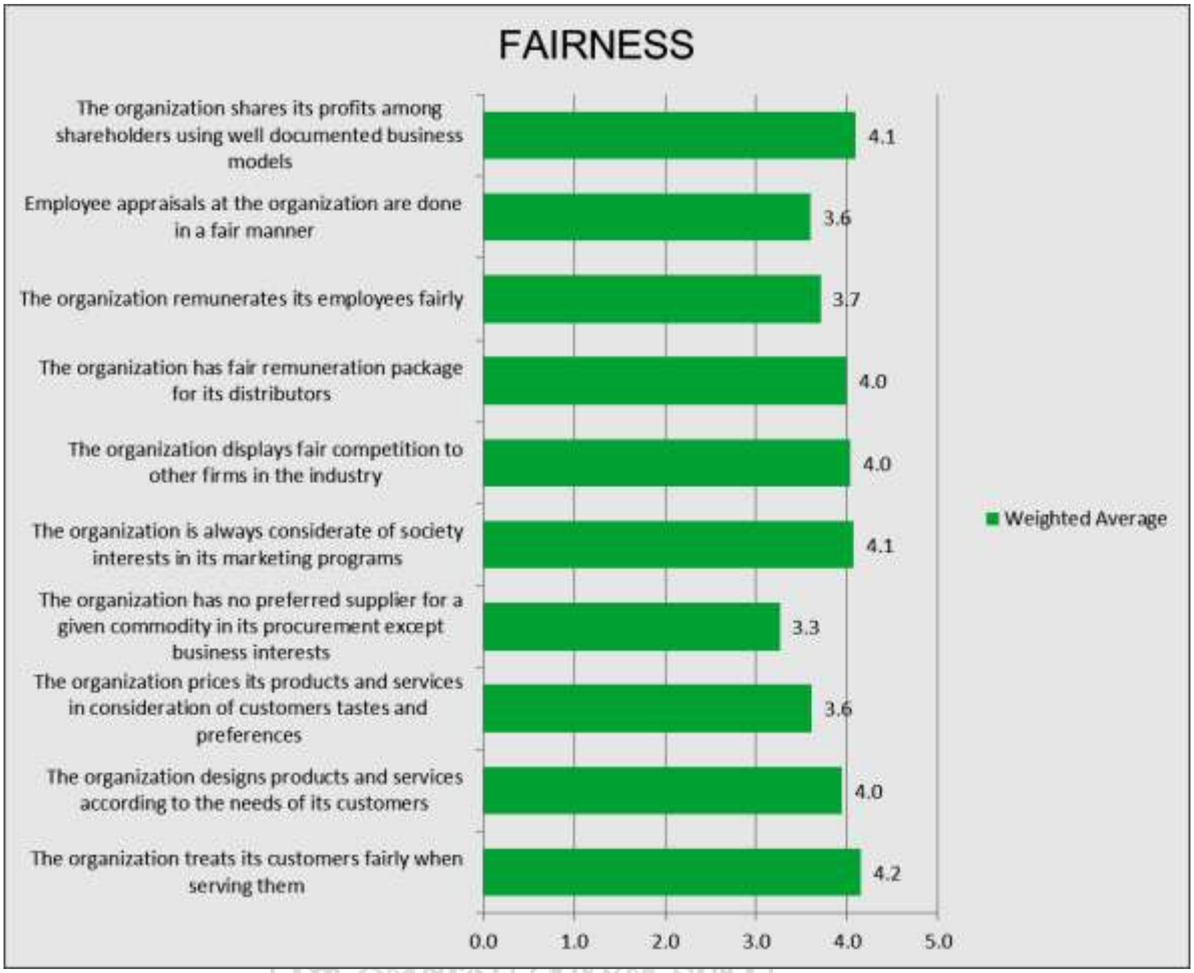


**Figure 4.6: Ranked Level of fairness in the organization as perceived by the respondents**

**Source: Research data 2019**

The prism of fairness in this study focused on possible avenues for negative energy. Workplace negativity can hurt stakeholders' morale and have a deep impact on performance within the organization. An environment that simmers with unresolved conflict among stakeholders, and excessive politics is often an ideal ground for organization tensions.

**Table 4.5: Fairness levels in the organization**

| Statement | Mean | Std. Deviation |
|---|---|---|
| The organization treats its customers fairly when serving them | 4.14 | 0.75 |
| The organization designs products and services according to the needs of its customers | 3.96 | 0.76 |
| The organization prices its products and services in consideration of customers tastes and preferences | 3.61 | 0.94 |
| The organization has no preferred supplier for a given commodity in its procurement except business interests | 3.26 | 1.14 |
| The organization is always considerate of society interests in its marketing programs | 4.07 | 0.80 |
| The organization displays fair competition to other firms in the industry | 4.05 | 0.87 |
| The organization has fair remuneration package for its distributors | 3.99 | 0.80 |
| The organization remunerates its employees fairly | 3.71 | 0.95 |
| Employee appraisals at the organization are done in a fair manner | 3.59 | 1.03 |
| The organization shares its profits among shareholders using well documented business models | 4.09 | 0.91 |
| **Overall mean** | **3.85** | |

**Source: Research data 2019**

From figure 4.6 and table 4.5 the respondents agreed that the organization rewards the employees and shares profits using well documented business models that promote fairness (mean =4.09 SD =0.91). Overall the general opinion was that the fairness aspects of corporate governance were being complied with and there was agreement that stakeholders including suppliers, customers, and even competing firms are treated fairly (mean4.05 SD=0.87). The respondents were neutral on whether the organization has no preferred supplier for a given commodity in its procurement except business interests (mean =3.26 SD=1.14).Fairness being a question of equal application of rules or policies that are there to govern an organization, the perceived level of compliance on existing rules to govern selection of preferred suppliers for given commodity and pricing of products according to customers taste and preference was not salient to the respondents as they remained neutral to this question.

## 4.7 Accountability

There are very many divergent views and school of thoughts of what accountability really means. The academicians, politicians, public and business people all push for different concepts. This study looked at accountability as accounts and financial reporting, compliance to certain efficiency indicators and stakeholders' interests including moral values, their roles for various groups of stakeholders. These include how the accounting principles are adhered to, efficiency in decision making, risk management, and people taking responsibility for their actions (Figure 4.7 and Table 4-6).

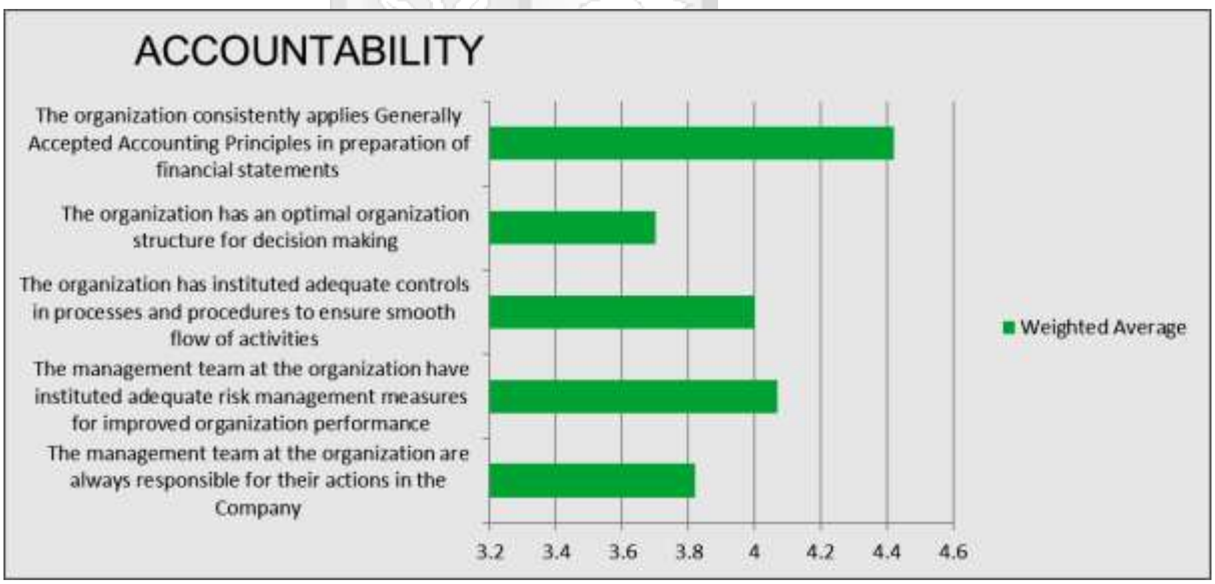


**Figure 4.7: level of accountability in the organization**

**Source: Research data 2019**

On accounts and financial reporting, there was a general feeling that the organization has instituted generally acceptable accounting principles in preparation of accounting statements (mean=4.41SD=0.65). Efficiency as was assessed through existence of decision-making structures and controls in processes and procedures to ensure smooth flow of activities was not so clear to the respondents (mean= 3.70 SD=0.96) most of them were neutral on this statement.

**Table 4.6: level of accountability in the organization**

| Statement | Mean | Std. Deviation |
|---|---|---|
| The management team at the organization are always responsible for their actions in the Company | 3.82 | 0.96 |
| The management team at the organization have instituted adequate risk management measures for improved organization performance | 4.06 | 0.84 |
| The organization has instituted adequate controls in processes and procedures to ensure smooth flow of activities | 3.99 | 0.80 |
| The organization has an optimal organization structure for decision making | 3.70 | 0.96 |
| The organization consistently applies Generally Accepted Accounting Principles in preparation of financial statements | 4.41 | 0.65 |
| **Overall mean** | **4.00** | |

The results (figure 4.7) show that most of the respondents were not clear about how efficient the organization was as indicated by the neutral rank. The level of management taking responsibility for their action was also perceived to be consistent with the expectations of good corporate governance; majority of the respondents were positive or agreed.

## 4.8 Corporate responsibility

Corporate responsibility is the way a company takes responsibility for its actions and their impact on employees, stakeholders and communities. This study used six spheres (see table 4-7 and Figure 4-7) to measure the level to which corporate responsibility is adhered to at the organization.

**Table 4.7: Corporate responsibility**

| Statement | Mean | Std. Deviation |
|---|---|---|
| The organization always considers the environmental aspects in its procurement | 4.25 | 0.67 |
| The organization evaluates the effect of their activities on different stakeholders it transacts with | 4.10 | 0.71 |
| The organization has initiated several projects for the benefit of the community in which it operates | 4.65 | 0.61 |
| The organization has ensured customers access high quality goods and services through proper procurement | 4.08 | 0.72 |
| The organization pays its suppliers in a timely manner | 3.68 | 0.99 |
| The organization always ensures adherence to laid down rules and regulations by the Government of Kenya | 4.52 | 0.59 |
| **Overall mean** | **4.21** | |

**Source: Research data 2019**

The results show that the organization always considers the environmental aspects in its procurement (mean =4.25 SD=0.67), and there was general agreement that the organization evaluates the effect of their activities on different stakeholders it transacts with, the organization has initiated several projects for the benefit of the community in which it operates and the organization has ensured customers access high quality goods and services through proper procurement. On the other hand, when it comes to timely payment of suppliers the respondent agreed though not strongly (mean=3.68 SD=0.99).


**Figure 4.8: Assessed level of corporate responsibility**

**Source: Research data 2019**

### 4.9 Procurement compliance

Procurement compliance generally means doing what you're supposed to do based on the set rule and guidelines. There is no one definition of compliance, or even one group of compliance issues, common across all procurement departments. This study tried to investigate the relationship between well-known corporate governance principles and procurement compliance.


**Figure 4.9: Procurement compliance**

Figure 4-9 presents the overall procurement compliance in the organization measured from the following aspects : procurement department observes proper record keeping, procurement department adherence the corporate values, procurement department compliance with the code of conduct, procurement department staff competency level, existence of proper payment system in place for every contract, compliance with ethics and regulatory framework and existence of adequate policies governing submission, opening and evaluation of bids.

The results in table 4-8 show the Likert scale result of the respondent's opinion. The procurement department was believed to observe proper records keeping (mean=4.07 SD=0.78).

**Table 4.8: Procurement Compliance**

| Statement | Mean | Std. Deviation |
|---|---|---|
| The Procurement department observes proper record keeping | 4.07 | 0.78 |
| The Procurement department ensures compliance with the corporate values | 4.16 | 0.68 |
| The Procurement department ensures compliance with the code of conduct | 4.17 | 0.74 |
| The Procurement department staff are highly competent | 4.11 | 0.73 |
| There is existence of proper payment system in place for every contract | 4.18 | 0.75 |
| The organization ensures compliance with ethics and regulatory framework | 4.19 | 0.81 |
| The organization has adequate policies governing submission, opening and evaluation of bids | 4.37 | 0.73 |
| **Overall mean** | **4.18** | |

**Source: Research data 2019**

The respondents agreed that in the procurement department, procurement followed the corporate values and code of conduct (mean = 4.17 SD=0.74). This has seen the department hire highly competent staff (mean=4.11 SD=0.73). Other policies governing submission opening and evaluation of bids, payment system for every contract are all complied with by the department (table 4-8).

## 4.10 Correlation and Regression analysis

Regression analysis was done to establish the relationship between corporate governance practices (measured by the constructs of Transparency, Fairness, Accountability Levels, and Corporate Responsibility) and procurement compliance. Specifically, the study used the Spearman rank correlation to establish this relationship.

**Table 4.9: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| | .487[a] | .238 | .233 | .640 |

a. Predictors: (Constant), Transparency, Fairness, Accountability Levels, Corporate Responsibility.

b. Dependent variable: Procurement Compliance

In this regression model, coefficient of determination was used to gauge the fitness of the model. The adjusted $R^2$ or multiple coefficient of determination, is the percentage change in the outcome variable clarified jointly or uniquely by the predictor variables. The model had an average adjusted coefficient of determination ($R^2$) of 0.233 which imply that 23.3% of procurement compliance can be explained by corporate governance practices.



### *4.10.1 ANOVA*

The analysis of variance (ANOVA) shows that the combined effect of corporate governance was statistically significant in explaining changes in the level of procurement compliance in the organization. The results are presented in table 4-10

**Table 4.10: ANOVA**

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 83.12 | 4 | 20.78 | 50.70 | <0.0001[a] |
| Residual | 265.56 | 648 | 0.41 | | |
| **Total** | **348.68** | **652** | | | |

a. Predictors: (Constant), Transparency, Fairness, Accountability Levels, Corporate Responsibility

b. Dependent Variable: Procurement Compliance

Table 4.10 shows the statistics computed on the analysis of variance shows high significance level of < 0.0001 which imply that the variation observed is not by chance but can be used to explain the relationship based on the parameter of the population as the significance value (p-value) is less than 5%, an indication that the model was statistically significant.

From the regression coefficient table 4.11, it can be deduced that apart from fairness, all the other three predictor variables were significant at 5% level of significance. This implies that the variables influence procurement compliance.

**Table 4.11: Coefficients of Correlation**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| | (Constant) | 1.862 | .165 | | 11.26 | <.0001 |
| | Transparency | .088 | .029 | 0.125 | 2.99 | 0.0029 |
| | Fairness | .049 | .031 | 0.062 | 1.58 | 0.1143 |
| | Accountability | .125 | .034 | 0.150 | 3.63 | 0.0003 |
| | Corporate responsibility | 0.306 | .032 | 0.340 | 9.6 | <.0001 |

a. Dependent Variable: Procurement compliance

The overall equation model for dependent and independent variables is presented by the following regression equation;

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + €$

Therefore, substituting the coefficient values, it translates to;

Y = 1.862 + .088X1 + .049X2 + .125X3+0.306X4+€

Where Y= Procurement Compliance

X1= Transparency

X2 = Fairness

X3 = Accountability Levels

X4= Corporate Responsibility

€= Error

These regression results imply that when Transparency, Fairness, Accountability Corporate responsibility are zero, Procurement compliance stand at 1.862. A unit increase in transparency would lead to an increase in procurement compliance by .088, unit increase in accountability levels will lead to an increase in procurement compliance by 0.125. Similarly, a unit increase in corporate responsibility would lead to an overall improvement in procurement compliance by 0.306. However, fairness was not statistically significant.

# CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The objective of the study was to assess the employee perception on the impact of corporate governance on procurement compliance at Safaricom, Plc. The chapter seeks to highlight the major findings which contains the summary of research findings, conclusions and recommendations for further research.

## 5.2 Summary

This study established that the Likert scales used were reliable to capture the variables as measured by Cronbach's reliability coefficient. The responses received also cut across the organization in terms of sections and across different levels of management, depicting a fair representation of perceptions across the organization. In addition, the respondents had been with the organization for a reasonable duration which enabled them to have a fair grasp of the organization's policies and processes. It is also good to note that the bulk of the respondents that is greater than 50% had a postgraduate degree or higher with the rest being holders of at least an undergraduate degree a good indication of the fact that they had the capacity to understand what the subject matter of the study was.

In this study, corporate governance was measured by four tenets of transparency, fairness, accountability and corporate responsibility. The overall mean for the four tenets was 3.96 meaning that the respondents generally agreed that there was a substantial adoption of the tenets.

The study also sought to measure the extent of procurement compliance using the MAPS. The Methodology for assessing procurement systems (MAPS) is intended to provide a common tool for assessing the quality and effectiveness of procurement systems. The CPI's associated with the baseline indicators were adopted since the intention of the research was to determine the level of procurement compliance. The overall mean for this baseline indicators which were measured individually was 4.18 meaning that the respondents generally agreed that there was a significant level of procurement compliance.

Regression analysis reveal that corporate governance has a positive effect on procurement compliance with all three of the variables that is accountability, corporate responsibility and transparency indicating a positive effect. Moreover, all these variables have a statistically significant effect on procurement compliance (the dependent variable). Although fairness had positive effect on procurement compliance, it was not significant statistically.

## 5.3 Conclusion

The study concluded that indeed corporate governance has a positive effect on procurement compliance, the overall perception was that operations in the organization were conducted in transparent manner with management always putting the needs of the stakeholders including that of their customers into decision making process. There was also a general opinion that the fairness construct of corporate governance was being complied with.

The research also established that there was a general feeling that the organization had instituted generally acceptable accounting principles in the preparation of tits accounting statements.

On Corporate responsibility, the general feeling was that the organization evaluates and takes into consideration the effects of its activities on different stakeholders.

The study reveals that corporate governance has a positive effect on procurement compliance with all three of the variables that is accountability, corporate responsibility and transparency indicating a positive effect. Fairness though had positive effect on procurement compliance was not significant statistically.

## 5.4 Recommendations

Based on the conclusion, this study recommends all organizations to adopt corporate governance practices that is transparency, fairness, accountability and corporate responsibility this is because the practices improve procurement compliance which in turn ensures that organizational resources are put to proper use.

Akdogan & Boyacioglu, (2014), concluded that compliance with corporate governance principles decreases capital costs, thus having positive impact on the company's economic activities.

## 5.5 Recommendation for Further Studies

This study opens the field for interested researchers to probe further into the area of governance and its effect on procurement compliance. The study is limited, because it studies only one organization, further research should be conducted across different organizations to create benchmarks for governance and general improvement areas on procurement compliance across organizations. According to Maria and Anderson (1999) industries characterized by high asset specificity (for example high-tech industries), monitoring of corporate governance is more difficult and different mechanisms may be required. This underpins the need for institutionalization of proper governance structures for a firm of Safaricom's size.

This will enable organizations striving to succeed especially the small-scale firms to borrow appropriate governance structures, rules and policies from the successful companies.

.

# REFERENCE


Akdogan, Y., & Boyacioglu, M. (2014). The effect of corporate governance on firm performance: a case of Turkey. *Int. J. Critical Accounting, Vol. 6*(No. 2), pp.187–210.

Akicho, J. O., Oloko, M., & Kihoro, J. M. (2016). European Journal of Business Management. *European Journal of Business Management., 5*(1).

Alemani, E., Klein, C., Koske, I., Vitale, C., & Wanner, I. (2016). New Indicators of Competition Law and Policy in 2013 for OECD and non-OECD Countries In Competition Law Enforcement in the BRICS and in Developing Countries. *Springer Internat*, 59-102.

Al-Moataz, E., & Hussainey, K. (2012). Determinants of corporate governance disclosure in Saudi companies. *Journal of Economics and Management*, *5*(1), 52-84.

Beeks, W., & Brown, P. (2006). Do better-governed Australian firms make more informative disclosures? *Journal of Business Finance and Accounting,, 33*, 3-4, 422 - 450 .

Bhasin, M. L. (2010). Corporate Governance and Transparency: An Overview of the Asian Markets. *International Journal of Business and Management,, 5*(6), 56 - 73 .

CAK. (2018). *Fourth quarter sector statistics report for the final year 2016/17, April-June 2017.* Nairobi: CAK.

Capital Markets Authority. (2014, February). *Corporate Governance blue print for Kenya. Capital Markets Authority.* (Capital Markets Authority) Retrieved from http://www.cma.or.ke/index.php?view=download&alias=448-kenya-corporate-governance-blueprint-.

Chahal, H., & Kumari, A. (2011). The ethics of corporate governance practices in Jammu & Kashmir Bank Limited. *Indian Journal of Corporate Governance, ,* *4*(1), 47-61.

Committee, C. (1992). *The final report of the Committee on the Financial Aspects of Corporate Governance.*

Davies, A. (2016). *Best Practice in Corporate Governance.* New York USA: Routledge.

Deloitte. (2011). *What is the impact of mobile telephony on economic growth.* GSM Association.

Fung, V. (2013). *Governance through partnership in a changing.* edited by Elms, P., P. Law, WTO, 2013.

Githui, D. M. (2012). *Responsible Purchasing and Supply Chain Management in Kenya: A Critical Analysis of the Ethical Considerations in Procurement Management.* Nairobi.

Githui, D. M. (2012). *Responsible Purchasing and Supply Chain Management in Kenya: A Critical Analysis of the Ethical Considerations in Procurement Management.* Nairobi.

Harford, J., Mansi, S. A., & Maxwell, W. F. (2012). Corporate governance and firm cash holdings in the US. *In Corporate Governance*, 107-138.

Holm Andreasen, P. (2012). The Dynamics of Procurement Management: A Complexity Approach. *Copenhagen Business SchoolCopenhagen Business School, .*

Hong, P., & Kwon, H. B. (2012). Emerging issues of procurement management: a review and prospect. *International Journal of Procurement Management 4,, 5*(4), 452-469.

Letangule, S. L., Letting, D., & Nicholas, K. (2012). Effect of Innovation Strategies on Performance of Firms in the Telecommunication Sector in Kenya. *International Journal of Management & Business Studies*, *2*(3), 75-78.

Magdi, R. I., & Nadereh, C. (1999). *Corporate governance: Aframework for implementation.* Washington: The World Bank Group.

Mallin, C. (2007). *Corporate Governance(2nd Ed.).* Oxford: Oxford University Press.

Maria Maher ; Thomas Andersson. (4-5 November 1999). *Convergence and Diversity in Corporate Governance Regimes and Capital Markets.* OECD Secretariat. the Netherlands: Eindhoven.

Mwikali, R., & Kavale, S. (2012). Factors affecting the selection of optimal suppliers in procurement management. . *International Journal of Humanities and Social Science, 2*(14), 189-193.

OECD. (1999). *The OECD principles of corporate governance.*

OECD. (2004). *ORGANISATION FOR ECONOMIC CO-OPERATIONAND DEVELOPMENT.* Paris France: OECD Publications .

OECD. (2008). *Enhancing integrity in public procurement: A checklist.* .

OGCIO. (2017). *Governance Framework.* Dublin, Ireland: Department of Public Expenditure and Reform.

Okioga, C. K. (2013). The Capital Market Authority Effectiveness in the Regulation of Financial Markets perspectives from the financial sector actors. *Australian Journal of Business and Management Research,, 2*(11), 15.

Schwab, K. (2013). The global competitiveness report, 2013-14 (full data edition). *In World Economic Forum.*

Shukla, H. (2014). Perspective Corporate Social Responsibility: An Understanding . *The journal of Desicion Science, 6*(1).

Solomon, J., & Solomon, A. (2004). *Corporate governance and accountability.* London: John Wiley & Sons Ltd.

Tricker, R. B., & Tricker, R. I. (2015). *Corporate governance: Principles, policies, and practices.* USA.: Oxford University Press.

Uadiale, O. M. (2012). Earnings management and corporate governance in Nigeria. *Research Journal of Finance and Accounting, 3*(3), 1-10.

World Bank Group. (2000). *Corporate Governance: A framework for Implementation.* Washington DC: WBG.

# APPENDICES

## APPENDIX I: DETERMINING SAMPLE SIZE

Table for determining sample size for a known population

Note: N is population size, S is Sample size

| N | S | N | S | N | S |
|---|---|---|---|---|---|
| 10 | 10 | 220 | 140 | 1200 | 291 |
| 15 | 14 | 230 | 144 | 1300 | 297 |
| 20 | 19 | 240 | 148 | 1400 | 302 |
| 25 | 24 | 250 | 152 | 1500 | 306 |
| 30 | 28 | 260 | 155 | 1600 | 310 |
| 35 | 32 | 270 | 159 | 1700 | 313 |
| 40 | 36 | 280 | 162 | 1800 | 317 |
| 45 | 40 | 290 | 165 | 1900 | 320 |
| 50 | 44 | 300 | 169 | 2000 | 322 |
| 55 | 48 | 320 | 175 | 2200 | 327 |
| 60 | 52 | 340 | 181 | 2400 | 331 |
| 65 | 56 | 360 | 186 | 2600 | 335 |
| 70 | 59 | 380 | 191 | 2800 | 338 |
| 75 | 63 | 400 | 196 | 3000 | 341 |
| 80 | 66 | 420 | 201 | 3500 | 346 |
| 85 | 70 | 440 | 205 | 4000 | 351 |
| 90 | 73 | 460 | 210 | 4500 | 354 |
| 95 | 76 | 480 | 214 | 5000 | 357 |
| 100 | 80 | 500 | 217 | 6000 | 361 |
| 110 | 86 | 550 | 226 | 7000 | 364 |
| 120 | 92 | 600 | 234 | 8000 | 367 |
| 130 | 97 | 650 | 242 | 9000 | 368 |
| 140 | 103 | 700 | 248 | 10000 | 370 |
| 150 | 108 | 750 | 254 | 15000 | 375 |
| 160 | 113 | 800 | 260 | 20000 | 377 |
| 170 | 118 | 850 | 265 | 30000 | 379 |
| 180 | 123 | 900 | 269 | 40000 | 380 |
| 190 | 127 | 950 | 274 | 50000 | 381 |
| 200 | 132 | 1000 | 278 | 75000 | 382 |
| 210 | 136 | 1100 | 285 | 1000000 | 384 |

**Source: Krejcie and Morgan (1970)**

## APPENDIX II: QUESTIONNAIRE

**THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES AND PROCUREMENT COMPLIANCE: A CASE OF SAFARICOM, PLC**

My name is ________________________________________ and I am collecting data on behalf of Grace Luchiri Otera who is pursuing a Master of Business Administration (MBA) from Strathmore Business School, Strathmore University.

This questionnaire is to be used to collect information on the above topic, for research purposes only and will be kept confidential. The survey will take only 15 to 20 minutes to complete and the responses are voluntary. Thank you for agreeing to take part in the survey, your cooperation is highly appreciated.

**SECTION A: DEMOGRAPHIC INFORMATION**

1. Which division do you work in?

| | | | |
|---|---|---|---|
| CEO’S Office | [ ] | Consumer Business Unit | [ ] |
| Corporate Affairs | [ ] | Customer Operations | [ ] |
| Enterprise Business Unit | [ ] | Financial services | [ ] |
| Internal Audit | [ ] | Regional Sales and Operations | [ ] |
| Resources | [ ] | Risk Management | [ ] |
| Strategy and Innovation | [ ] | Finance | [ ] |
| Technology | [ ] | | |

2. What is your position in this organization?

| | | | |
|---|---|---|---|
| Director | [ ] | Head of Department (HOD) | [ ] |
| Senior Manager | [ ] | | |

3. How many years have you worked for this organization?

| | | | |
|---|---|---|---|
| Below 2 years | [ ] | 3-4 years | [ ] |
| 5-7 years | [ ] | 8-10 years | [ ] |
| More than 10 years | [ ] | | |

4. Please indicate the highest level of education attained

| | |
|---|---|
| Diploma | [ ] |
| First Degree | [ ] |
| Masters | [ ] |
| PhD | [ ] |

**SECTION B: TRANSPARENCY**

5. Below are several statements on transparency in organizations and how they relate with their compliance on laid down procurement rules and guidelines. Kindly indicate the extent to which each of these statements applies to your organization. Use a scale of 1-5 where: **1= strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree and 5 = strongly agree.**

| | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Operations are conducted in a more transparent manner | | | | | |
| The management always puts into consideration the needs of different stakeholders in all decision-making processes | | | | | |
| All procurement orders are done in an open and standard way | | | | | |
| Only necessary goods and services are procured by the organization | | | | | |
| Financial reports are prepared in accordance with Generally Accepted Accounting Principles | | | | | |
| The organization puts into considerations the needs of their customers in procurement | | | | | |
| The organization engages with transparent suppliers in its procurement | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The organization holds different officers accountable for their action | | | | | |
| The organization makes available pertinent information to all stakeholders for decision making | | | | | |
| The organization makes full and prompt disclosure of company information | | | | | |
| The organization makes disclosure of conflict of interests of the director's status | | | | | |
| The organization has an accurate system of checks and balances among the board of directors | | | | | |
| The organization has an accurate system of checks and balances among the Management | | | | | |
| The organization has an accurate system of checks and balances among the auditors | | | | | |

**SECTION C: FAIRNESS**

6. Below are several statements on fairness in organizations and how they relate with their compliance on laid down procurement rules and guidelines. Kindly indicate the extent to which each of these statements applies to the organization. Use a scale of 1-5 where: **1= strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree and 5 = strongly** agree.

| | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The organization treats its customers fairly when serving them | | | | | |
| The organization designs products and services according to the needs of its customers | | | | | |
| The organization prices its products and services in consideration of customers tastes and preferences | | | | | |
| The organization has no preferred supplier for a given commodity in its procurement except business interests | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The organization is always considerate of society interests in its marketing programs | | | | | |
| The organization displays fair competition to other firms in the industry | | | | | |
| The organization has fair remuneration package for its distributors | | | | | |
| The organization remunerates its employees fairly | | | | | |
| Employee appraisals at the organization are done in a fair manner | | | | | |
| The organization shares its profits among shareholders using well documented business models | | | | | |

**SECTION D: ACCOUNTABILITY**

7. Below are several statements on accountability in organizations and how they relate with their compliance on laid down procurement rules and guidelines. Kindly indicate the extent to which each of these statements applies to the organization. Use a scale of 1-5 where: 1= strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree and 5 = strongly agree.

| | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The management team at the organization are always responsible for their actions in the Company | | | | | |
| The management team at the organization have instituted adequate risk management measures for improved organization performance | | | | | |
| The organization has instituted adequate controls in processes and procedures to ensure smooth flow of activities | | | | | |
| The organization has an optimal organization structure for decision making | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| The organization consistently applies Generally Accepted Accounting Principles in preparation of financial statements | | | | | |

**SECTION E: CORPORATE RESPONSIBILITY**

8. Below are several statements on corporate responsibility in organizations and how they relate with their compliance on laid down procurement rules and guidelines. Kindly indicate the extent to which each of these statements applies to the organization Limited. Use a scale of 1-5 where: 1= strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree and 5 = strongly agree.

| | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| The organization always considers the environmental aspects in its procurement | | | | | |
| The organization evaluates the effect of their activities on different stakeholders it transacts with | | | | | |
| The organization has initiated several projects for the benefit of the community in which it operates | | | | | |
| The organization has ensured customers access high quality goods and services through proper procurement | | | | | |
| The organization pays its suppliers in a timely manner | | | | | |
| The organization always ensures adherence to laid down rules and regulations by the Government of Kenya | | | | | |

**SECTION F: PROCUREMENT COMPLIANCE**

9. Kindly indicate the extent to which the organization has adhered to internationally recognized procurement principles below: Use a scale of 1-5 where: 1= No extent, 2 = little extent, 3 = Neutral, 4 = great extent and 5 = Very great extent.

| | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Procurement observes proper record keeping | | | | | |
| Procurement ensures compliance with the corporate values | | | | | |
| Procurement ensures compliance with the code of conduct | | | | | |
| Procurement staff are highly competent | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| There is existence of proper payment system in place for every contract | | | | | |
| The organization ensures compliance with ethics and regulatory framework | | | | | |
| The organization has adequate policies governing submission, opening and evaluation of bids | | | | | |

## APPENDIX III: SCHOOL APPROVAL LETTER

**Strathmore**
UNIVERSITY

16th July 2019

Ms Otera Grace,
P.O. Box 52089-00100,
oterag@gmail.com

Dear Ms Otera,

**RE: EVALUATION OF PERCEIVED IMPACT OF CORPORATE GOVERNANCE PRACTICES ON PROCUREMENT COMPLIANCE: A CASE OF SAFARICOM PLC**

This is to inform you that SU-IERC has reviewed and **approved** your above research proposal. Your application approval number is **SU-IERC0519/19**. The approval period is **16th July, 2019 to 15th July, 2020.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 72 hours
v. Clearance for export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://oris.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

for: Prof Florence Oloo
**Secretary; SU-IERC**

Cc: Prof Fred Were
**Chairperson; SU-IERC**

STRATHMORE UNIVERSITY INSTITUTIONAL ETHICS REVIEW COMMITTEE (SU-IERC)
TEL: +254 (0)703 034 000
P. O. Box 59857 - 00200
NAIROBI - KENYA

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email info@strathmore.edu www.strathmore.edu

## APPENDIX IV: NACOSTI RESEARCH LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **906826**

Date of Issue: **25/September/2019**

**RESEARCH LICENSE**

**This is to Certify that Miss.. Grace Otera of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EVALUATION OF PERCEIVED IMPACT OF CORPORATE GOVERNANCE PRACTICES ON PROCUREMENT COMPLIANCE: A CASE OF SAFARICOM PLC for the period ending : 25/September/2020.**

License No: **NACOSTI/P/19/1754**

**906826**

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.