

**ETHICAL PRACTICES AND SUPPLY CHAIN
PERFORMANCE AT KENYA REVENUE AUTHORITY**

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other university.

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DEDICATION

This work is dedicated to Almighty God, my kids Cythia, Sharlyn, Neville and friends.

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ABSTRACT

The purpose of this study was to determine ethical practices in supply chain performance at the Kenya Revenue Authority. The study was guided by two objectives; to determine ethical practices in supply chain performance at the Kenya Revenue Authority and to establish the effect of ethical practices on supply chain management performance at the Kenya Revenue authority. The sample size was 51 employees of KRA. The study adopted a case study research design because the unit of analysis was one government agency- the Kenya Revenue Authority. The researcher collected data by use of questionnaires which were first edited for completeness and consistency. The analyzed data was presented through percentages, means, standard deviations and frequencies. Additionally the study used inferential statistics that involved multiple regression analysis to determine the effect of ethical practices on supply chain management performance at Kenya revenue authority. The study established that KRA had adopted and implemented ethical practices within the organization to a great extent and that the ethical practices had affected supply chain performance to a great extent. The study recommends that organizations should adopt and enhance ethical practices in their supply chain management which ensures open and impartial processes. It also recommends that that organizations need to invest in identifying the right way of compensating their employees while remaining ethical in the practice.

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LIST OF ABBREVIATIONS AND ACRONYMS

CSR	:	Corporate Social Responsibility
EACC	:	Ethics and Anti-Corruption Commission
EWASCO:		Embu Water and Sewerage Company
GSCM	:	Global Supply chain Management
IANGOs	:	Aid Non-Government Organisations
KRA	:	Kenya Revenue Authority
PPOA	:	Public Procurement Oversight Authority
SC	:	Supply chain
SCM	:	Supply Chain Management
SCMA:		Supply Chain Management Association
SEM	:	Supplier Ethics Management
SPSS	:	Statistical Package for Social Statistics
UN	:	United Nation

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In a highly competitive business environment, organizations are required to manage their supply chains effectively to ensure efficiency in operations. Companies need to effectively link their operations with their supply chain partners such as suppliers, distributors, wholesalers, retailers and end customers so as to improving the performance of the organization (Rai, Patnayakuni & Seth, 2006). Supply Chain Management (SCM) refers to the integration of key business processes from end use through original suppliers that provide products, services, and information that adds value for customer and other stakeholders (Kroes & Ghosh, 2010). It is a set of three or more entities directly involved in the upstream and downstream flows of products, services, finances, and /or information from a source to a customer. The vision of the supply chain as a holistic construct with close cooperation between the different organizational units has replaced the traditional picture of it as a collection of vertically organized functional units (Stadtler & Kilger, 2005).

Professional ethics is about managing relations which is a crucial part in SCM. Successful companies use supply chains not only to reduce cost and complement the product but also to nurture long-term value added relationships. A wide range of stakeholders are interested in the social, ethical and environmental performance of the government's supply chain (Cao & Zhang, 2011). Ethical decision making occurs when employees make decisions that can be judged as right or wrong, ethical or unethical. Organizational ethics relates to managerial decisions that involve individual ethics, organizational factors like organizational culture, compliance, and codes of ethics

(Burgess, Singh & Koroglu, 2006). The need for strategic coordination of ethical decision making in the supply chain is evolving, and the importance of ethical issues in SCM grows from multiple factors. The first is the extent of cross-functional integration within, between, and among organizations required to successfully manage supply chains. Such integration requires that all members of the supply chain have the same objectives and be aligned to deliver customer value; the relinquishment of control by traditional functional areas; and increased emphasis on relationship management (Van Hoek, Harrison & Christopher, 2001), which may be less formal and more reliant on trust and willingness to collaborate.

1.1.1 Ethics

Ethics are the moral principles that guide officials in all aspects of their work (Queensland Purchasing, Department of Public Works Crime and Misconduct Commission, 2006). Ethical behavior involves the concepts of honesty, integrity, probity, diligence, fairness, trust and respect. It also includes avoiding conflicts of interest, and abuse of an individual's position or office. Supply chain (SC) ethics, like professional ethics in any function, are created to oversee the conduct of SC practitioners. Abela and Murphy (2008) view ethics as an important part of supply chain process which helps overcome the tendency to compartmentalize ethics issues. Adherence to ethics can improve the amount of accountability in ethical decision making as SC has the potential to compartmentalize various activities due to a dense network of relationships.

Supply chain professionals deal with internal and external customers and suppliers. Interaction and treatment between supply professionals and these constituents must be honest and fair-minded (Beamon, 2005). In its Principles and Standards of Ethical Supply

Conduct guideline, the Institute of Supply Management (2014) says that supply management professionals are required to avoid actions that appear to, or actually, diminish ethical conduct. Consequences of a perceived impropriety can be the same as consequences of an actual impropriety. Institute of Supply Management (2014) recommends guidelines for preventing impropriety which are; maintaining business professionalism in all communications, including social media, working to identify situations which, even through unanticipated circumstances, may negatively impact business relationships, discussing an actual or potential impropriety with management and avoiding actions throughout the organization that might create the suspicion of impropriety.

Supply Chain Management Association (SCMA) provides guidance to its affiliated institutes/corporation and their members on the standards of behaviour and ethical conduct with respect to membership (SCMA, 2014). According to SCMA (2014), as professionals in supply chain management, members are obliged to comply with the Code of Ethics (the Code) prescribed by SCMA and adopted by the institutes/corporation to uphold the integrity of the profession, the institutes/corporation and SCMA as a whole.

1.1.2 Supply Chain Performance

To maximize competitive advantage, organizations must have comprehensive visibility into supply chain performance. According to Croom and Johnson (2003) and Presutti (2003) Supply chain performance is the evaluation of supply chain management and includes both tangible (cost) and intangible (capacity utilization) factors. It is the process

of quantifying the effectiveness and efficiency of an action to achieve operational excellence in order to deliver leading customer experience.

To proactively manage the overall performance of supply chains, organization need to know more than inventory positions, deliveries dates, and fill rates. They must understand the impact of supply chain changes on the total cost or cash flow and optimize supply chain effectiveness for better corporate results. This requires end-to-end visibility into factors that drive performance-such as cash-to-cash cycle time, overall supply chain cost, or perfect order fulfillment (Oloruntoba and Gray, 2006). Supply chain performance enables firms to drive rapid change in all aspects of nearly all operations, thus, effective supply chain mastery is a critical factor to achieving high performance.

The Supply Council (Stewart, 1997) provides a useful framework that considers the performance requirements of member firms in a supply chain. The SCOR model views activities in the supply chain as a series of interlocking inter organizational processes with each individual organization comprising four components: plan, source, make, and deliver. The model provides an indication as to how effective a firm uses resources in creating customer value. It considers the performance expectations of member firms on both input and output sides of supply chain activities (Lai and Lee, 2001).

1.1.3 Ethical Practices and Supply Chain Performance

Ethics and competitiveness of supply chain management have been explored by many researchers and practitioners from various perspectives. The transaction cost theory judges the efficiency of the business transactions by production and transaction costs. Business partners that adhere to a clear set of some of these costs or even abolish others. The more certain the business or transaction partners can be of each other's values and

behaviour the lower the transaction costs (Wood's 2002) and thus, the more the supply chain members believe in the same values and adhere to the same fundamental ethical conditions, the lower the transaction costs (Svensson & Wood, 2004). Lack of ethics is an expense.” Bottom line growth and the business ethics would coexist in the long run. Markets impose substantial costs on institutions and individuals that engage in unethical behavior, thus, market forces provide private incentives for ethical behavior (Berenbeim, 2000).

Several studies have been conducted which seek to establish the impact of ethical practices on supply chain management. For instance, Levin (2008) studied the ethics problem in the supply chain in order to build an ethical supply chain and identified that most Global companies has no enough infrastructure to quickly contact the members of their supply chain, and communicate with their suppliers on critical issues of ethics and compliance. He reported that many global companies have already initiated the collaboration with the remaining companies to develop technology -powered “Supplier Ethics Management (SEM) platforms”. He suggested using a Web-based SEM platform as the fastest and easiest way to collect and maintain contact information among company suppliers, and communicate mission-critical ethics and compliance information. He stated that SEM platforms are inexpensive and hosted, maintained and administered by third - party vendors who are expert in ethics and compliance risk management.

Zaman (2010) aimed to study the impact of profession and ethics on the firm and all its business. He reported that professional ethics includes Global Sourcing Principles, Partnership with Suppliers, Social Audit and Verification, Continual Improvements and Sanctions. He found that Supplier ethics management (SEM) enhances the relationships

with suppliers and customers, inventory control, demand forecasts and control of every link in the chain. He defined SEM as a relatively new business practice to enhance supply chain management through strategies, programs and metrics by aligning supplier business conduct with purchaser standards in compliance, ethics and corporate responsibility. Therefore, supply chain risks can be reduced. He suggested the rules that must be followed as making ethics and compliance a factor in supplier selection; developing and maintaining important suppliers' profiles; assigning ethics and compliance responsible staff to major supply relationships; assessing regularly supplier ethics; analyzing supplier ethics data regularly; and targeting and classifying suppliers by importance and ethics risk.

Marlatt (2003) searched the role of organization in helping public and their employees to understand the unethical behavior and to fulfill their moral and legal obligations. He aimed to identify the most important ethics considerations by Social responsibility, Investigatory Response, environmental responsibility, financial deception, Defective or deceptive Products/Services/Practices, Board of Directors, etc. He suggested the necessary regulations to be followed in ethics. He found out that companies can have a substantial impact on people's lives and well-being and suggested companies avoiding business with suppliers or partners who perform unfair labor practices such as slave labor or child labor, low payment, unsafe work environments, or ethnic, racial, gender, or sexual discrimination. He furthermore suggested that companies have moral and legal obligations for environmental protection and should ensure that their and supply chain members' operations are environmentally safe. He concluded that companies must develop rules of ethics and present them to employers.

The issue of illegal and unethical actions in the government and corporate world is one that no government agency or business should take lightly. The results of misconduct (intentional and unintentional) in the procurement in both government and the private sector have already had negative effects on society and on corporate performance. The social costs associated with, illegal, unethical and socially irresponsible business decisions were estimated to be 2.5 trillion dollars each year. Today's global business environment is even more heavily impacted by corruption, high taxes, and intense competition making firms vulnerable to unethical or illegal actions and practices (for example, bribery, inappropriate labor practices, In addition, in difficult economic environments, the pressures to survive (individually as well as organizationally) often result in ethical concerns being ignored To address these concerns, increasing numbers of firms are adopting formal measures to regulate themselves by creating corporate codes of ethics.

Corruption is one of the most serious unethical practices that undermine trust and confidence of public officials. Public confidence can only be reclaimed by establishing a reputation of integrity. Both business and society bear the costs of corruption. Competition between potential suppliers is an important foundation in achieving value for money. Value for money is more likely to be achieved when opportunities for government business are open to all potential suppliers and the market is tested regularly. This means that businesses that are capable of supplying goods or services for government should have the opportunity to respond to requests and to be considered on their merits. Open and impartial processes help to ensure that all potential suppliers have equal opportunity to bid and, therefore, maximize competition. The lack of a competitive

field can lead to undesirable consequences, including higher costs to government through suppliers being able to charge premiums for goods or services provided.

1.1.4 The Kenya Revenue Authority

Kenya Revenue Authority is a state corporation established on 1st July 1995 through an act of Parliament Act Cap 469. The Kenya Revenue Authority was established for the purpose of enhancing the mobilization of government revenue, while providing effective tax administration and sustainability in revenue collection. In particular, the functions of the Kenya Revenue Authority are to assess, collect and account for all revenues in accordance with the written laws and the specified provisions of the written laws, advise on matters relating to the administration, and collection of revenue under the written laws or the specified provisions of the written laws, and perform such other functions in relation to revenue as the Minister may direct. In order to achieve these objectives, the organization has been divided into five departments namely; Support services, Customs & Border services, Domestic taxes, Investigations & Enforcement and Strategy Innovation & Risk management departments (Kenya Revenue Authority, 2015).

The Board and Management of KRA have since its inception spent time and resources setting up systems, procedures and adopted new strategies aimed at enhancing the operational efficiency of Kenya Revenue Authority's processes. The board is composed of following: Chairman to be appointed by the President; Commissioner-General, Permanent Secretary, Ministry of Finance or his representative; Attorney-General or his representative; six other persons appointed by the Minister by virtue of their knowledge and experience in accountancy, commerce, law, taxation, business administration or public administration.(Kenya Revenue Authority, 2015).

In the management structure of the entity, the procurement unit is headed by a Deputy Commissioner who reports to the Board Secretary, a Senior Deputy Commissioner. There are 45 procurement and supplies staff who serve both in KRA headquarter and regional offices. Most of the officers were either qualified in procurement or were pursuing professional qualifications in procurement (Public Procurement Oversight Authority, 2014).

In Kenya, the Ethics and Anti-Corruption Commission has the role to instill ethics and prevent corruption in public offices. The Ethics and Anti-Corruption Commission (EACC) Bill was passed into law on 27th August 2011. It took effect on 5th September 2011 (EACC, 2015). The Act was developed in pursuance of the constitutional provisions of Article 79 of the Constitution of Kenya, 2010 which directs Parliament to enact legislation to facilitate the establishment of an independent Ethics and Anti-Corruption Commission. A notable function under the Constitution is the power to oversee the implementation process and compliance with the provisions of chapter six of the Constitution on leadership and integrity (Kenya Law Review, 2013).

According to Ongera (2013), the Kenya Revenue Authority has its own code of conduct when it comes to procurement. The revenue collector requires that tenderers observe the highest standard of ethics during the procurement process and execution of contracts. The Kenya Revenue Authority in its invitation for application of tenders warns that it has the duty to reject a proposal for award if it determines that the tenderer recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question. Further a tenderer who is found to have indulged in corrupt or fraudulent

practices risks being debarred from participating in public procurement in Kenya (KRA, 2014).

1.2 Research Problem

Successful SCM requires a change from managing individual functions to integrating activities into key supply chain processes. Supply chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems and shared information (Larson & Halldorsson, 2004). Operating an integrated supply chain requires continuous information flow among parties involved in the supply chain. As noted by the Institute of Social and Ethical Accountability (2015), the best and most successful organizations recognize that they would only prosper in the long term if they satisfy the aspirations of their stakeholders; including customers, suppliers, employees, local communities, investors, governments, public interest and environment groups.

The government of Kenya has prioritized the role of ethics in supply chain management which led to the establishment of Public Procurement Oversight Authority (PPOA) to regulate the procurement process in Kenya and mainly in Government agencies. In addition, the Government went ahead to pass laws laying down the rules against which the whole supply chain process needs to observe. However, there have been witnessed several cases of malpractices in government agencies leading to massive loss of public funds.

Several studies have been conducted on supply chain management and ethics. For instance, Hassim, Kajewski and Bambang (2010) examined factors contributing to ethical

issues in project procurement planning using a case study in Malaysia. The findings show that there were ethical issues occurring during the pre-stage of project procurement which caused problem to the next phase of the project procurement management. Hamutenya and Mensah (2015) carried out a study on enforcing ethical practices in the public procurement process in Namibia by looking at the impact on socio economic objectives. Study findings confirm weaknesses in the current system which needed to be addressed.

Ndolo and Njagi (2014) examined the role of ethics in procurement process effectiveness in the water sector in Kenya using a case study of EWASCO, Embu County and established that EWASCO procurement process was not effective. LiZhou (2011) studied ethical procurement strategies for International Aid Non-Government Organisations and established that Supply chain strategies are being enacted by IANGOs to explore the formulation of EPDD. Amina (2013) looked at green supply chain practices and operational performance of personal care manufacturing firms in Nairobi, Kenya and established that GSCM practices influenced efficient operational performance of the firms. As evidenced in the studies above, limited studies if any have looked the role of ethics in supply chain management in government agencies especially with reference to the Kenya Revenue Authority. This study therefore sought to fill this research gap by answering one research question: what was the effect of ethics in supply chain performance in at the Kenya Revenue Authority?

1.3 Research Objectives

- i. To determine ethical practices in supply chain performance at the Kenya Revenue Authority

- ii. To establish the effect of ethical practices on supply chain management performance at the Kenya Revenue authority.

1.4 Value of the Study

This study enhanced the generation of knowledge useful in formulation of policy and a regulatory framework on ethics in supply chain management in government offices. It was hoped that through the findings of this study, the policy makers in Government offices especially Kenya Revenue Authority would find the findings of this study valuable in formulating necessary policies regulating supply chain management to promote professional ethics in employees.

It was also hoped that the findings of this study would be valuable to other public offices in Kenya in as far as ethical practices in procurement is concerned. Through the findings of this study, other managers in other government offices in Kenya would learn the importance of ethics in supply chain management and thus ensure professional ethics in procurement are observed.

The findings of this study were also hoped to be important to future researchers and academicians as it suggested areas for further research besides acting as a source of references. This study would therefore inform their future studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature relevant to the research problem under investigation. The literature is reviewed from books, journals, newspapers, libraries, academic publications, magazines, government statistics and other relevant source.

2.2 Theoretical Review

This section presents theories that govern this study; the stakeholder's theory, agency theory and stewardship theory. These theories are discussed in detail below:

2.2.1 Stakeholders Theory

Stakeholder theory came into focus in the management discipline in 1970 was gradually developed by Freeman (1984) who incorporated corporate accountability to a wide range of stakeholders. The theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organizational science (Wheeler et al., 2002). A Stakeholder can be defined as any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman, 1984). Stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners.

According to Sundaram and Inkpen (2004), stakeholder theory attempts to address the group of stakeholder deserving and requiring management's attention. Whilst, Donaldson & Preston (1995) claimed that all groups participate in a business to obtain benefits. Nevertheless, Clarkson (1995) suggested that the firm is a system, where there are

stakeholders and the purpose of the organization is to create wealth for its stakeholders. Freeman (1984) contends that the network of relationships with many groups can affect decision making processes as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders.

Players in the supply chain are major stake holders in the organization and any decision that affects them should be considered carefully. Developing good relationships and understanding suppliers' operations and offering guidance and support when improvement is necessary or appropriate. The management of the organization should be open with all those involved so that everyone, especially suppliers, understands the elements of the process, that is, the procedures, timescales, expectations, requirements, and criteria for selection among others (Trevino & Weaver, 2003).

2.2.2 Agency Theory

Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Pratt and Zeckhauser, 1985). In agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the residual claimants, the owners, and fall below what they would be if the principals, the owners, exercised direct control of the corporation (Jensen and Meckling, 1976). Agency theory specifies mechanisms which reduce agency loss (Eisenhardt, 1989). These include incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders (Jensen and Meckling, 1976).

The agency framework in corporate governance suggests that the furthering of shareholder interests is a privileged goal; maybe even the only legitimate goal for a corporation to pursue yet this is not the case as an organization has many goals to pursue. This argument has been convincingly challenged by Blair (1995) who has pointed out that the restricted financial rendering of agency theory does not account for this substantive restriction of the description of the goal of any corporation. It just picks out the one relationship between corporate owners and management and treats this a priori as a privileged relationship yet there are many existing relationships in an organization. This predisposition with shareholder interests carries normative implications of the application of the theory. As Perrow (1986) argues these predispositions and the inability to at the same time focus on the interests of the agent in finding solutions, makes the paradigm a dangerous one, specifically because of its ideological connotations.

2.2.3 Stewardship Theory

To the degree that an executive feels their future fortunes are bound to their current corporate employers through an expectation of future employment or pension rights, then the individual executive may perceive their interest as aligned with that of the corporation and its owners, even in the absence of any shareholding by that executive. These theoretical considerations argue a view of managerial motivation alternative to agency theory and which may be termed stewardship theory (Donaldson 1990). The executive manager, under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. Thus, stewardship theory holds that there is no inherent, general problem of executive motivation.

Given the absence of an inner motivational problem among executives, there is the question of how far executives can achieve the good corporate performance to which they aspire. Thus, stewardship theory holds that performance variations arise from whether the structural situation in which the executive is located facilitates effective action by the executive. The issue becomes whether or not the organization structure helps the executive to formulate and implement plans for high corporate performance (Donaldson, 1985). Structures would be facilitative of this goal to the extent that they provide clear, consistent role expectations and authorize and empower senior management.

Stewardship theory directly opposes agency theory where the monitoring role of an independent board and a powerful Chairman, who can represent the interests of shareholders against the self-interest of executive managers, is conceived always to have positive effect on performance. Muth and Donaldson (1998) carried out an empirical study examining the boards of 145 of the largest companies on the Australian Stock Exchange. Stewardship theory provides an interesting challenge to analyses of corporate governance grounded in agency theory, but its full theoretic contribution is yet to be developed (Davis and Donaldson 1997).

2.3 Ethical Practices in Procurement

2.3.1 Confidentiality

Suppliers' confidential information must not be disclosed to any third party or used in any way without the consent of the supplier (Trevino & Weaver, 2003). In particular, it must not be shared with other suppliers. This is particularly important when an output-based specification is being developed. Although it is acceptable business practice to share

ideas amongst suppliers in order to develop the most appropriate solution, suppliers' confidence should be respected. Everybody involved in purchasing and supply management should understand the implications of commercial confidentiality and it is the responsibility of the purchasing and supply management professional to reiterate this to colleagues at the start of each new project (Seshadri & Raghavan, 2007).

2.3.2 Transparency

Purchasing and supply management professionals should encourage colleagues to declare any material personal interest which may affect, or be seen to affect, their impartiality or judgment in respect of their duties. Examples include owning a significant shareholding in a supplier or close family members being employed by a key supplier. Organisations should have a clear policy on accepting business gifts (Trevino & Weaver, 2003). Purchasing and supply management professionals should encourage colleagues to comply with any such policy.

Value for money is the core principle underpinning public procurement, incorporating ethical behavior and the ethical use of resources. The application of the highest ethical standards would help ensure the best achievable procurement outcome. It entails more than just getting price ethics are important when considering value for money (Mlinga, 2004). Ethical behavior and good probity practices enhance the procuring entities reputation in the market place. This increases business confidence in procurement processes, and is likely to maximize the number of suitable responses for future tenders. Equally important ethical behavior on the part of the contractors or tenderers increases their chances of completing the assignment successfully and therefore the possibility of winning more tenders in the future (Public Procurement Regulations, 2005).

Ethics often brings several stakeholders in the global supply chain together, creating informal institutional structures through which a dialogue can be established. This dialogue, and the mutual trust that it helps create, stands in contrast to the adversarial relationships that often existed previously (Blowfield & Jones, 1999). Breaking down these barriers can bring several benefits because regulatory systems based on trust and dialogue seems to outperform those based on confrontation (Minogue, 2001). Flows of information and knowledge can be improved, thus reducing costs, because far more data is shared in situations of trust. Trust also enables the system to be more flexible – it can learn and adapt more readily than system based on more formal organizational boundaries, and it can draw on resources whenever they reside within the system (Lewis, 2000).

2.3.3 CSR Adherence

Ethical issues concerning producers are key considerations in the supply chain management. Manufacturers are confronted with a plethora of ethical subjects such as child labour, fair working conditions, fair wages, the ecological sustainability of their production methods, intellectual property right violations and counterfeits, to name just a few. However, despite the unethical, unjustifiable and degrading nature of child labour the problem is exacerbated when sub-contractors involve children in provision of goods or services to the company. Organizations enter into contracts with companies' not practicing child labour which therefore reduces demand for child labour hence promoting ethical standards among the supplier (Boggan, 2001).

2.3.4 Better Working Conditions

Concerning healthy and safe working conditions, despite well established regulations on the working conditions, there is a reluctance to implement these laws and regulations among many corporations (Trevino and Weaver, 2003). This is where the issue becomes an ethical problem, namely when companies fail to enforce regulations, such as wearing a safety helmet or passively permit workers to ignore appropriate safety regulations (Crane and Matten, 2007).

2.3.5 Fair Remunerations

The issue of fair remuneration is also debated in industrialized countries. Although most countries have an established a statutory minimum wage, fair management remunerations are a hot topic of discussion, as some top managers earn a multiple of what their employees earn (Crane & Matten, 2007).

2.3.6 Intellectual Property Protection

Another key ethical issue involves the recognition of intellectual property rights such as patents, trademarks and copyrights. Manufacturing and selling counterfeit goods is regarded as unethical, since a manufacturer tries to capitalize on the goodwill of another company that has spent large sums of money and time on branding its product and creating an added value for its consumers (Laczniak & Murphy, 1993). Counterfeit goods have become a severe concern to global industry, as they account for a substantial proportion of world trade.

2.3.7 Fairness

Here, the ethical issues arise from questions of fair purchasing agreements, fair sales prices, fair share on wealth creation and fair treatment / relationship to producers. Fair purchasing agreements such as exclusive dealing whereby a middleman is not allowed to sell a competitor's products, exclusive territories whereby a middleman has the exclusive right to sell a manufacturer's product in an exclusive territory or tying arrangements where a middleman has to buy more products although he might be interested in only one product(Lacziniak & Murphy, 1993).

Discriminatory pricing is of particular importance to middle men because in most cases they more often than not give better prices to the economically empowered parties but give high prices to the regular customers. Ethically, one would ask, why should middlemen offer better prices to economically powerful key accounts than to regular customers? Profit margin is also another issues and one would ask, what constitutes a fair margin for the middleman? And what would be a fair share on wealth creation for middlemen? Fair treatment and relationship to producers and customers is another issue, as dominant middlemen might misuse their bargaining power by switching arbitrarily from one small producer to another or by threatening customers with no or rationed supplies.

2.3.8 Codes of Conduct

Organizations and professions often seek to address standards of conduct through the adoption of codes of conduct (Cocklin, Mautner & Dibden, 2007). Professional codes of

conduct generally are written in broad conceptual terms rather than in specific situational or descriptive terms. They leave room for interpretation and often may seem ambiguous. Procurement professionals cannot abide merely by the letter of the law or the specific words in any code, but rather, they are guided by the spirit of the law or the broader concept that the code is intended to express. According to Breton-Miller and Miller (2009), one reason why many procuring organizations avoid detailed and specific codes is these may give the impression that anything not prohibited is permitted or that anything not specifically addressed is not important. People in other professions who have not been trained in or are not appreciative of procurement ethics may not realize that a situation not specifically identified in the code may still be vitally important. Those who do not understand the foundation of a general requirement may not be able to apply a code in a specific situation (Breton-Miller & Miller, 2009).

No matter how hard policy-makers try, they would never specify in law, code, regulation, rule, or other written requirement everything that a procurement officer needs to know regarding what is allowed or appropriate and what is prohibited or shunned. It is necessary for procurement officers to understand what the law or rule is intended to accomplish (Honnold & Flechtner, 2009). The United Nations Oath of Office clearly expresses the UN's values, principles, rules and regulations and how procurement officers should regulate their conduct and perform their duties within the interests of the UN. The respective FRR guiding the procurement process of the UN organizations also address several ethical values such as fairness, integrity, transparency and equal treatment (Yukins, 2007).

2.3.9 Stewardship

According to Beamon (2005), stewardship is where public officials exercise their responsibilities on behalf of the nation. The resources, which are held in trust, are not accessible by private interests. Officials are therefore stewards of those powers and resources. It is important to govern public sector organizations so that their capacity to serve government and the public interest is maintained or improved over time. This includes financial sustainability, the optimal management of resources and the capabilities of staff, as well as less tangible factors, for example, maintaining the trust placed in the organisation and/or the government as a whole (Cocklin, Mautner & Dibden, 2007).

When the steward is a government or government agency employee, the “person” whose property the steward is managing consists of the entire Kenya’s population, which is an immense responsibility (Cocklin, Mautner & Dibden, 2007). Spending money that comes from all taxpayers pockets is a special kind of stewardship with which government procurement officers are entrusted. They must spend taxpayers’ money only in the way that it is meant to be spent and must not deviate from the procedures to suit their own convenience (Modell, 2001). All government employees are required to its procurement rules and regulations over their respective personal preferences and gains. This requirement is straightforward and unbending. However, exercising the high standards of professional responsibility expected of government employees is not always easy. It requires the employees to exercise clear judgment every day in conforming their professional practices and outside relationships with the spirit and letter of prescribed

rules and regulations as well as broader and harder to define ethical standards (Modell, 2001).

Government procurement officers can face highly competing pressures. The pressure to satisfy the demands for quicker turnarounds, better quality, and lower prices in procurement can compete with the pressure to fulfill their duties with the utmost responsibility and ethical standards (Romzek, 2000). It is therefore the main role of each government procurement officer to execute their procurement function according to the highest standards of professionalism and in the respect of the values, objectives and interests of the organization. This implies the procurement officer must adhere to the principles of fairness, impartiality, transparency, stewardship, to avoid conflict of interest and any impropriety, and to respect and apply the organization's relevant policies, rules and procedures (O'Flynn, 2007).

2.4 Ethical Concepts and Principles

Supply management professionals must subscribe to a set of ethical principles and standards to guide individual and group decisions and actions. Some of the ethical principles are integrity, value and loyalty. From these principles, standards are established to encourage adherence to uncompromising ethical behavior, increase awareness and acceptance of ethical conduct, and emphasize the role of ethics when formulating decisions. These standards are guidelines for use by all who manage or influence the supply chain. The standards do not supplant an organization's policies but are a model for consideration. Every supply management professional is responsible to strive for acceptance and adherence to these ethical standards. Organizations are encouraged to develop, publish and enforce an ethics policy that supports these principles

and standards. Policies and procedures must be clear, transparent and enforceable. The ethics policy should be shared with all employees, including those outside the supply organization, and with suppliers. Training of employees must be continuous and comprehensive.

Procurement transactions and decisions must in all respects be fair, equitable and ensure value for money. Contracting authorities must be able to justify decisions made and actions taken. In organizing the procurement function, management in contracting authorities must ensure appropriate separation of duties within the procurement cycle. For example, insofar as possible, ordering and receiving goods and services should be distinct from payment for goods and services. Accurate written records (including computer records) are essential in demonstrating that proper ethical standards have been observed. Therefore, appropriate records should be maintained throughout the purchasing process. These records should provide an audit trail of the reasons for making a particular procurement decision. The type and detail of information that is recorded should be specified in local procedural guidelines and would depend on the complexity or sensitivity of the particular purchasing issue.

Any form of personal interest which may impinge, or might reasonably be deemed by others to impinge, on a public official's impartiality in any matter relevant to his or her duties should be disclosed in writing to line management. Personal interest includes an interest of a relative or connected person. Line management must then decide if the exercise should be dealt with by another member of staff or seek further advice. The basic rule is that commercially sensitive information must be kept secure and never used for personal gain or to prejudice fair competition. Information on individual contracts

must not be given to the media or any other enquirer (except the individual contractor concerned), without the authority of line management. Disclosure of supplier and tender information relating to the tender process prior to contract award, and in particular to another interested party, is strictly prohibited. Due diligence requires that all activities by procurement officers be pursued in a manner that goes beyond the minimum effort.

2.5 Summary of literature Review

The Literature review sought to introduce ethical practices and Supply Chains performance, which is a sequence organizations are involved in producing and delivering a product or service to customers. In a country with corruption, bloated bureaucracies, declining standards of public morality, the ethical standards and moral impact of Supply Chain practitioners in all sectors of society is of paramount importance. In terms of development and social cohesion, arguably the awareness of the public to matters of ethics is vitally important. SCM ethics is potentially a valuable means of supporting key developmental goals such as good governance, security, peace, democracy, and effective development.

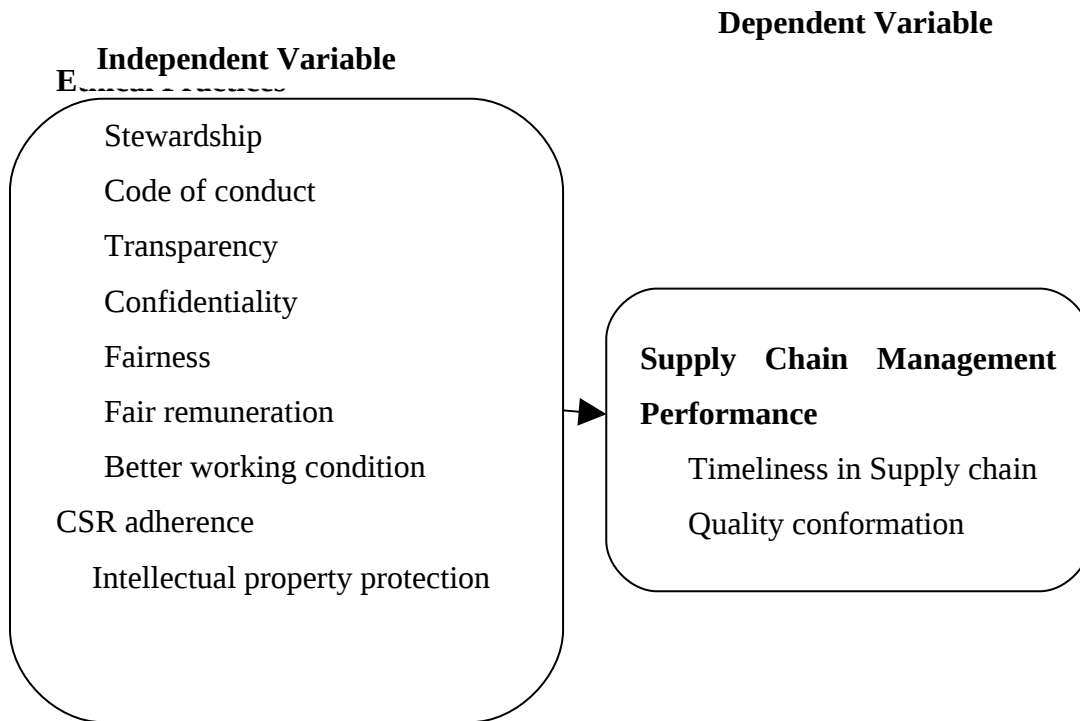
Measurement of the performance of a supply chain is equally important as this would ensure that a supply chain is optimized and is working as it should. Supply Chain Performance is a systematic approach to monitor and evaluate the performance of the supply chain. Measurement is important as it affects the behaviour that impacts on Supply Chain Performance. It provides information necessary for decision making.

Supply chain performance measurement faces a major challenge of heavy reliance on outsourcing by firms making it difficult to sustain efficient and flawless supply chain

activities. The studies took a broad view of Supply Chain Performance Measurement and did not focus on the downstream supply chain performance Measurement. Most of the studies also did not focus on the challenges faced in the measurement of the supply chain performance.

2.6 Conceptual Framework

Figure 2. 1: Conceptual Framework



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research methodology is presented in the following order, research design, target population, data collection methods, instruments of data collection and data analysis and presentation to produce the required information necessary for the study.

3.2 Research Design

The study adopted a case study research design because the unit of analysis was one government agency- the Kenya Revenue Authority. Case study research excels at bringing an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Case studies are preferred where an empirical investigation is carried out on current phenomena in its real context and multiple source evidences are used (Kothari, 2004).

3.3 Population of Study

The population of this study comprises of all the employees of the Procurement and audit departments as well as all departmental heads. The target population for the study was 171 employees of the Kenya Revenue Authority.

3.4 Sampling Procedure

The sampling frame describes the list of all population units from which the sample size was selected (Cooper and Schindler, 2003). The sample size was 51 employees of the Procurement and audit departments.

3.4.1 Sample Size

A sample is a proportion of the population selected by a researcher for the purposes of collecting data (Mugenda & Mugenda, 2003). In order to ensure that all get equal chances the researcher used stratified random sampling where the population was divided into different strata with elements bearing similar characteristics which. According to Creswell (2008) stratified sampling is used when the population has different characteristics. The study applied stratified sampling by selecting 30 % of the target population. Mugenda (2008) argues that is well selected, a sample of between 10-30% provided the sample elements are more than 30 is adequate for generalization of findings to the whole population.

Table 3.1: Sample Size

Population Category	Target	sample proportion 30%	Sample Size
Procurement Department	64	0.3	19
Audit Department	107	0.3	32
Total	171		51

3.5 Data Collection

This study used primary data. Primary data is information gathered directly from respondents (Kombo & Tromp, 2006). A semi structured questionnaire was used to collect data in this study. The open ended questions allowed respondents to provide information which they may deem relevant for the study while closed ended questions were used in order to standardize the responses and save on the respondents' time taken to fill in the questionnaire. The questionnaires were issued to employees working in the procurement and audit department because the researcher deemed that they had knowledge on the subject of study. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received. The questionnaire were

administered using a drop and pick method. The questionnaires sought to identify ethical practices in supply chain management and how these practices have affected the performance of Kenya revenue authorities.

A pilot study was conducted to allow for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measure what was intended.

3.5.1 Validity of Research Instruments

According to Mugenda and Mugenda (1999), validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. It is the degree to which a test measures what it is intended to measure; a test is valid for a particular purpose and for a particular group (Kothari, 2000). According to Berg and Gall (1989) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was employed by this study as a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field.

3.5.2 Reliability of Research Instruments

According to Ngechu (2004) reliability refers to the consistency of measurement and is frequently assessed using the split-half test reliability method. Reliability is increased by

including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher selected a pilot group of five to six of the total of the target population so as to test the reliability of the research instrument. One of the advantages of conducting this piloting study was to give advice and warnings about where the main research project might have failed. The aim was to correct inconsistencies arising from the instruments, which ensured that they measure what was intended. The survey instruments were subjected to overall reliability analysis. A coefficient of 0.70 or more implies that there is a high degree of data reliability.

3.6 Data Analysis

Miller (1991) notes that in order to analyze collected data, a researcher needs to have the following information about the statistical data analysis tools namely: descriptive, inferential and test statistics. The completed questionnaires were checked for completeness to ensure consistency. The data was then coded to enable the responses to be grouped into various categories. Data collected was both qualitative and quantitative. Qualitative data was analyzed by deductive and inductive approaches while quantitative data was analyzed using Statistical Package for Social Statistics (SPSS, V. 21.0). The findings were presented by use of percentages, frequency, means and standard deviation and the results presented in tables and charts.

In addition, the study used inferential statistics that involved multiple regression analysis to determine the effect of ethical practices on supply chain management performance at Kenya revenue authority.

The regression equation was ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + + \beta_5X_5 + \beta_6X_6 + \beta_7X_7+ \beta_8X_8 + \beta_9X_9 + \epsilon$):

Whereby $Y =$ Performance

$X_1 =$ Stewardship

$X_2 =$ Code of conduct

$X_3 =$ Transparency

$X_4 =$ Confidentiality

$X_5 =$ Fairness

$X_6 =$ Fair remuneration

$X_7 =$ Better working condition

$X_8 =$ CSR adherence

$X_9 =$ Intellectual property protection

$\epsilon =$ Error Term

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data collected from the field, its analysis, and finally the interpretation on the ethical practices and supply chain performance at Kenya revenue authority. The objectives of this study were to determine ethical practices in supply chain performance at the Kenya Revenue Authority and to establish the effect of ethical practices on supply chain management performance at the Kenya Revenue authority. The data is presented in form of tables.

4.2 General information

The study targeted a sample size of 51 employees was selected. Out of 51 questionnaires administered, a total of 42 filled questionnaires were returned. This translates to a response rate of 82% which is excellent according to Mugenda and Mugenda (2003) who stipulate that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The researcher achieved this percentage of response through putting in extra effort to call, drop and pick the questionnaires. This section further presents general information on the respondents which include department, duration of employment, job grade and involvement in procurement.

A pilot study was conducted to allow for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. Cronbach's Alpha was used to measure the internal consistency by establishing if certain item within a scale measures the same construct. Reliability refers to the extent to which a measuring instrument contains variable errors

that appear inconsistent from observation during any one measurement attempt or that vary each time a given unit is measured by the same instrument. Construct validity is established by relating measuring instruments to a general theoretical framework in order to determine whether the instrument is tied to the concepts and theoretical assumptions they are employing (Nachmias & Nachmias, 2008).

Easy Reg International a statistical programme was used as the tool of analysis to test the relationship between the dependent variable and the four independent variables. Cronbach's alpha of well above 0.7 implies that the instruments were sufficiently reliable for the measurement. As most item total correlations were reasonably high, the construct validity of the instruments was considered reasonable (Brown, 2000).

On the departments in which the respondents were working, findings indicate that 64% of the respondents worked in the audit department while 36% of the respondents worked in the procurement department. On the length of time that the respondents had worked for KRA, 33 % of the respondents had worked for KRA for 11-15 years, 26% for 6-10 while 22% had worked for 16-20 years. This is an indication that the respondents were knowledgeable enough to provide reliable information for the study.

On the respondents' job grade at KRA, a majority 52% of the respondents were in job grade KRA 5-6, followed by 33% in Job grade KRA 3-4 while 12% were in grade KRA 1-2. These finding show that the respondents were distributed across all job grades at KRA although majority were in the job grade 3-6. Therefore they clearly understood how KRA operated and were thus conversant with the information sought by this study.

The respondents were asked to indicate if they were involved in procurement at any level in KRA. From the findings 25 of the respondents which translate to 59 % said they had been involved while 41% said that they were not involved in procurement. This shows that majority were involved in procurement hence were more conversant with issues to do with ethical practices in procurement.

Regarding the areas of procurement that the respondents were involved in. Findings indicate that out of the 25 respondents that were involved in procurement, 24% were in tender evaluation, 20% in requisition at the user department, 16% in monitoring goods/service provider, 12% were in reception of tenders while 12% were in contract awarding. These findings show that the respondents were involved in almost all the process of procurement starting from requisition to contract award and monitoring of the service providers. This shows that they were conversant with the procurement procedures.

4.3 Ethical Practices in Supply Chain Management

This section presents findings on the respondents' views on ethical practices applied in supply chain management among organizations. The practices addressed include stewardship, code of conduct, transparency, fairness, fair remuneration, better working condition, CSR adherence and intellectual protection. The findings are discussed below:

4.3.1 Stewardship

This section presented the extent that stewardship had been practiced at KRA. The findings are presented on 4.1 below.

Table 4.1: Stewardship

	Mean	Std. Deviation
Procurement staff always to declare any material personal interest which may affect their impartiality	3.034	1.321
Procurement staff encourage one another to observe procurement ethics	3.031	1.383
A clear audit trail is made for all procurement processes at KRA	3.662	1.149

Results on Table 4.1 indicate that a clear audit trail is made for all procurement processes with a mean of 3.662. This practice is in accordance to literature ethical Concepts and principles which states that appropriate records should be maintained throughout the purchasing process. These records should provide an audit trail of the reasons for making a particular procurement decision. The respondents further agreed that procurement staff always declared any material personal interest which may have affected their impartiality with a mean of 3.034. According to Trevino and Weaver (2003) purchasing and supply management professionals should encourage colleagues to declare any material personal interest which may affect, or be seen to affect, their impartiality or judgment in respect of their duties

4.3.2 Code of Conduct

On the extent to which asset rationalization had on performance of Kenya revenue authority, the findings are presented on Table 4.2 below.

Table 4.2: Code of conduct

	Mean	Std. Deviation
KRA has a code of conduct guiding its procurement process	4.20	1.077
KRA code of ethics encourages adherence to uncompromising ethical behavior in procurement.	3.15	1.064

Findings on Table 4.2 indicate that KRA had a code of conduct that guided its procurement process with a mean of 4.20. Organizations and professions often seek to address standards of conduct through the adoption of codes of conduct (Cocklin, Mautner & Dibden, 2007). They also agreed that to a great extent KRA code of ethics encouraged adherence to uncompromising ethical behavior with a mean of 3.15. Standards were established to encourage adherence to uncompromising ethical behavior, increase awareness and acceptance of ethical conduct, and emphasize the role of ethics when formulating decisions.

4.3.3 Transparency

On the extent that transparency was practiced at KRA, the findings are presented on Table 4.3 below.

Table 4.3: Transparency

	Mean	Std. deviation
Purchasing and supply management process at KRA is transparent	2.662	1.241
An independent tender evaluation committee is always formed for each tender	3.431	1.185
Procurement process has a standardized process at KRA	3.172	1.398

Results on Table 4.3 below indicate that an independent tender evaluation committee was always formed for each tender with a mean 3.431 and that procurement process is standardized process at KRA. This implies the procurement officer must adhere to the

principles of fairness, impartiality and transparency to avoid conflict of interest and any impropriety, and to respect and apply the organization’s relevant policies, rules and procedures (O’Flynn, 2007).

4.3.4 Confidentiality

The study sought to find out whether the extent to which confidentiality has been practiced at KRA in regard to supply chain. A mean of 4.362 of the respondents said that no suppliers' confidential information had ever been disclosed to any third party without prior consent from suppliers. This indicate that KRA has adhered to this ethical practice, Trevino and Weaver (2003) asserts that suppliers' confidential information must not be disclosed to any third party or used in any way without the consent of the supplier.

4.3.5 Fairness

Regarding the extent to which fairness as an ethical principle had been practiced at KRA, the results are presented on Table 4.4 below.

Table 4.4: Fairness

	Mean	Std. deviation
Procurement transactions and decisions at KRA are won fairly and equitably by tenderers	3.362	0.283
Procurement staff always look for value for money in evaluating tenders	3.156	1.064
KRA looks for optimal gains in all its procurement processes	3.436	0.251

Findings on Table 4.4 above indicate that KRA looked for optimal gains in all its procurement processes with a mean of 3.436 and that procurement transactions and decisions at KRA were won fairly and equitably by tenderers. Procurement transactions and decisions must in all respects be fair, equitable and ensure value for money. The

respondents also indicated that procurement staff always looked for value for money in evaluating tenders with a mean of 3.156. This finding concurs with Mlinga (2004) who states that value for money is the core principle underpinning public procurement, incorporating ethical behavior and the ethical use of resources. The application of the highest ethical standards would help ensure the best achievable procurement outcome. It entails more than just getting price ethics are important when considering value for money (Mlinga, 2004).

4.3.6 Fair Remunerations

The study sought to establish to what extent fair remuneration as an ethical practice at KRA. Findings are presented on the Table 4.5 below.

Table 4.5: Fair Remuneration

	Mean	Std. deviation
Staff remuneration at KRA is fair across the different levels	2.438	1.318
Employees' salaries match their contribution to the organization.	2.945	1.273

As indicated on Table 4.5, the respondent indicated that employees' salaries matched their contribution to the organization to a moderate extent at a mean of 2.945 and that the staff remuneration at KRA was fair across different levels to a moderate extent at a mean of 2.438. The mixed response to this question may be explained by the fact that the issue of remuneration has been a hot topic of discussion in many countries. Crane and Matten (2007) asserts that although most countries have an established a statutory minimum wage, fair management remunerations are a hot topic of discussion, as some top managers earn a multiple of what their employees earn.

4.3.7 Better Working Condition

On the extent that KRA had practiced better working conditions as an ethical practice, the findings are presented on Table 4.6 below.

Table 4.6: Better Working Condition

	Mean	Std. deviation
KRA only transacts with companies observing health working environment for its staff	3.502	0.241
There is separation of duties in procurement and reporting roles	3.436	0.251
The employees in procurement clearly understand suppliers' operations	3.367	0.283

Findings on Table 4.6 above indicate that KRA only transacted with companies that observed healthy working environment for its staff to a very great extent with a mean of 3.502, the employees in procurement clearly understood suppliers' operations with a mean of 3.436 and that there was separation of duties in procurement and reporting roles. This indicates that the organization had made efforts to provide its employees with better working conditions. This is unlike the case in many organizations where despite having well established regulations on the working conditions, there is a reluctance to implement these laws and regulations (Trevino and Weaver, 2003). In organizing the procurement function, management in contracting authorities must ensure appropriate separation of duties within the procurement cycle. For example, insofar as possible, ordering and receiving goods and services should be distinct from payment for goods and services.

4.3.8 CSR Adherence

On the extent CSR adherence had been practiced at KRA, the findings are presented below on Table 4.7.

Table 4.7: CSR Adherence

	Mean	Std. deviation
KRA only transacts with companies that are socially responsible	2.837	1.232
KRA does not transact business with companies engaged in malpractices like child labor/ Tax evasion/avoidance	3.151	1.064

Results on Table 4.7 indicate that KRA did not transact business with companies engaged in malpractices like child labor/ Tax evasion/avoidance to a great extent with a mean of 3.151. Marlatt (2003) found out that companies can have a substantial impact on people's lives and well-being and suggested companies avoiding business with suppliers or partners who perform unfair labor practices such as slave labor or child labor, low payment, unsafe work environments, or ethnic, racial, gender, or sexual discrimination.

The results further indicated that KRA only transacted with companies that are socially responsible to a moderate extent with a mean of 2.837. Operating an integrated supply chain requires continuous information flow among parties involved in the supply chain. As noted by the Institute of Social and Ethical Accountability (2015), the best and most successful organizations recognize that they would only prosper in the long term if they satisfy the aspirations of their stakeholders; including customers, suppliers, employees, local communities, investors, governments, public interest and environment groups.

4.3.9 Intellectual Protection

On the extent that intellectual protection had been practiced at KRA, the findings are presented on Table 4.8 below.

Table 4.8: Intellectual Protection

	Mean	Std. deviation
KRA only transacts business with registered and patented businesses	3.458	1.132
KRA transacts businesses with original trademark owners and no imitations	3.433	1.185

Results on Table 4.8 indicate that KRA only transacted business with registered and patented businesses to a great extent with a mean of 3.458 and that KRA transacted businesses with original trademark owners and no imitations. This indicates that KRA recognized intellectual property rights such as patents and trademarks. The practice of manufacturing and selling counterfeit goods is regarded as unethical, since a manufacturer tries to capitalize on the goodwill of another company that has spent large sums of money and time on branding its product and creating an added value for its consumers (Laczniak & Murphy, 1993).

4.3.10: Other Ethical Practices

On whether there were other ethical practices that are observed at KRA, the respondents indicated that the corporation had established rules that govern accepting gifts from suppliers and other associates, KRA had made arrangements for insurance coverage adequate to protect the corporation and employees and that there were clear rules that discouraged discrimination in all aspects e.g. tribe, colour, gender and religion

4.4 Effect of Ethical Practices on Supply Chain Performance of KRA

The study further sought to identify the effect of ethical practices on the supply chain performance of KRA. The findings are presented on Table 4.9 below.

Table 4.9: Effect of Ethical Practices on Performance of KRA

	Mean	Std. Deviation
Improved the competitiveness among suppliers	3.502	0.241
Improved the quality of goods and services supplied to KRA	4.512	0.114
Increased value for money spent by KRA	3.436	0.251
Increased the level of efficiency at KRA	4.312	0.283
Improved supplier ethics management at KRA	3.145	1.008
Reduced the level of corruption at KRA	3.362	0.283
Led to timeliness in supplier delivery	2.632	1.611

Findings on Table 4.9 above indicate that ethical practices had improved the quality of goods and services supplied to KRA with a mean of 4.512 and that it had also increased efficiency at KRA with a mean of 4.312. This concurs with findings on study done by Amina (2013) who looked at green supply chain practices and operational performance of personal care manufacturing firms in Nairobi, Kenya and established that GSCM practices influenced efficient operational performance of the firms. According to Oloruntoba and Gray (2006) supply chain performance enables firms to drive rapid change in all aspects of nearly all operations, thus, effective supply chain mastery is a critical factor to achieving high performance.

The study further sought to establish other ways in which ethical procurement practices had affected the supply chain performance at KRA. The respondents indicated that it had helped in achieving public confidence. They also indicated that it had led to the adoption of good practices and equal treatment of all parties. Additionally, it had enhanced open and effective competition among suppliers and also helped in effective resource utilization.

4.5 The Relationship between Ethical Practices and Supply Chain Performance

The researcher conducted a multiple regression analysis so as to find out the extent to which the ethical practices had affected performance. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. The study results are presented below:

Table 4.10: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.046	0.658		3.109	0.000
Stewardship	0.272	0.146	0.291	1.863	0.021
Code of Conduct	0.053	0.104	0.070	0.509	0.001
Transparency	0.617	0.177	0.571	3.483	0.091
Confidentiality	0.160	0.150	0.156	1.066	0.037
Fairness	0.58	0.278	0.234	2.089	0.040
Fair remuneration	0.081	0.098	0.146	0.824	0.006
Better working condition	0.088	0.069	0.144	1.274	0.080
CSR adherence	0.062	0.124	0.001	0.004	0.077
Intellectual protection	0.071	0.11	0.129	0.648	0.019

From the regression findings, the substitution of the equation:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \epsilon)$$

$$Y = 2.046 + .291X_1 + .070X_2 + .571X_3 + .156X_4 + .234X_5 + .146X_6 + .144X_7 + .001X_8 + .129X_9 + \epsilon$$

Where Y is the organizational performance, X₁ is stewardship, X₂ is code of conduct, X₃ transparency, X₄ is confidentiality, X₅ is fairness, X₆ is fair remuneration, X₇ is better working condition X₈ is CSR adherence and X₉ is intellectual protection. From the findings of the regression analysis if all factors (stewardship, code of conduct, transparency, fairness, fair remuneration, better working condition, CSR adherence and intellectual protection) were held constant, organization performance of the firms would be at 5.046. An increase in stewardship would lead to an increase in the supply chain performance by 0.291, an increase in code of conduct would lead to an increase in the supply chain performance by 0.070. An increase in transparency would lead to an increase in supply chain performance by 0.571, an increase in fairness would lead to an increase in supply chain performance by 0.156, an increase in fair remuneration would lead to an increase in supply chain performance by 0.234, an increase in better working condition would lead to an increase in supply chain performance by 0.146, an increase in CSR adherence would lead to an increase in supply chain performance by 0.144 while an increase in intellectual protection would lead to an increase in supply chain performance by 0.129.

At 5% level of significance and 95% level of confidence, Stewardship had a significance level of 0.021, Code of Conduct had a level of significance of 0.001, transparency had a level of significance of 0.091, Confidentiality had a level of significance of 0.037, Fairness had a level of significance of 0.040, Fair remuneration had a level of significance of 0.006, better working condition had a level of significance of 0.080, CSR adherence had a level of significance of 0.077, while Intellectual protection had a level of significance of 0.019. These findings identify significant variables as including:

stewardship, code of conduct, confidentiality, fairness, fair remuneration and intellectual protection. On the other hand, insignificant variables included: Transparency, better working condition and CSR adherence as their significant values were more than 0.05. However, a look at the t-distribution shows that all the variables were significant in explaining the effects of ethical practices on supply chain Performance.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.992	0.974	0.916	0.818

In order to explain the percentage of variation in the dependent variable (Performance) that is explained by the independent variable, the researcher used coefficient of determination obtained from the model summary in Table 4.13(a). Coefficient of determination explains the extent to which changes in the dependent variable (Performance) can be explained by the change in the independent variable or the percentage of variation in the dependent variable that is explained by the independent variable (ethical practices). From the analysis, the independent variable (ethical practices) in this study contributed to 97.4% of the variation in performance as explained by a R2 of 0.974.

Table 4.12: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.779	9	0.087	58.983	.061
Residual	0.472	32	0.015		
Total	0.890	42	0.1075		

For a 5% level of significance, the numerator df=9, the critical F value is 2.189. The above results show the computed F value as 58.983. These findings imply that regression

model is significant since the computed F- value exceeds the critical value that is $58.983 > 2.189$. Hence the regression model is significant in that all the independent variables considered together provide a good level of explanations of the effects of Ethical Practices and Supply Chain Performance at KRA. This implies that there is 95% chance that the relationship among variables is not due to chance but can be replicated.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the main findings of the study and conclusions based on the objectives of the study. It further explores the limitations of the study, provides recommendations and suggestions for further research.

5.2 Summary of the Findings

The objectives of this study were to determine ethical practices in supply chain performance at the Kenya Revenue Authority and to establish the effect of ethical practices on supply chain management performance at the Kenya Revenue authority. It was found that KRA had adopted ethical practices which included; stewardship, code of conduct, transparency, fairness, fair remuneration, better working condition, CSR adherence and intellectual protection.

The study revealed that KRA had a code of conduct that guided its procurement process as indicated by a majority of the respondents who indicated great extent. The code sets the standards of conduct in the organization through its adoption (Cocklin, Mautner & Dibden, 2007). It was further revealed that supplier's information was kept confidentially and never revealed to a third party without the suppliers consent as indicated by a majority of the respondents to a great extent which was an indication that KRA had adhered to this ethical practice. This practice was in agreement with Trevino and Weaver (2003) who asserts that suppliers' confidential information must not be disclosed to any third party or used in any way without the consent of the supplier.

The study further revealed that KRA looked for optimal gains in all its procurement processes as majority of the respondents indicated moderate extent and that procurement transactions and decisions at KRA were won fairly and equitably by tenderers. It was also established that KRA only transacted with companies who observed healthy working environment for its staff and that employees in procurement clearly understood suppliers' operations. This indicated that the organization had made efforts to provide its employees with better working conditions unlike the case in many organizations where despite having well established regulations on the working conditions, there is a reluctance to implement these laws and regulations (Trevino and Weaver, 2003).

According to Oloruntoba and Gray (2006) supply chain performance enables firms to drive rapid change in all aspects of nearly all operations, thus, effective supply chain mastery is a critical factor to achieving high performance.

5.3 Conclusion

KRA had adopted and implemented ethical practices within the organization to a great extent. The ethical practices that the organization had put in place include stewardship, code of conduct, transparency, fairness, fair remuneration, better working condition, CSR adherence and intellectual protection. Other practice that the organization had put in place include establishment of rules that govern accepting gifts from suppliers and other associates, arrangements for insurance coverage adequate to protect the corporation and employees and that there were clear rules that discourage discrimination in all aspects e.g. tribe, colour, gender and religion.

The ethical practices had affected supply chain performance to a great extent. Ethical practices had improved the quality of goods and services supplied to KRA and it had also led in increase in efficiency within the organization.

5.4 Recommendation

This section presents recommendations for policy and practice besides suggestions for further studies. These are presented below:

5.4.1 Recommendations for Policy and Practice

Foremost, the study found that the supply chain performance at KRA had been influenced to great extent by the ethical practises that the organization had adopted. It therefore recommends that organizations should adopt and enhance ethical practices in their supply chain management which ensures open and impartial processes that help to ensure that all potential suppliers have equal opportunity to bid and, therefore, maximize competition.

Secondly, the study found that fair remuneration practice had received mixed response which indicates lack of clarity on how remuneration are determined. Further, the same issues appears to be a hot topic of discussion in many countries from the reviewed literature and therefore the study recommends that organizations need to invest in identifying the right way of compensating their employees while remaining ethical in the practice.

5.4.2 Recommendations for Further Studies

The study established ethical practices had been adopted at KRA and the same had led to improved supply chain performance. The study recommends that similar studies are

conducted in other government parastatals to establish the extent to which other government bodies had adopted the practice.

5.5 Limitations of the Study

The respondents faced time constraint in responding to the research questionnaire. To counter this researcher ensured that the questions were clear and simple which enable the respondents answer the questions in the shortest time possible.

There was reluctance among the respondents in providing information with the fear that the information provided may be used for other purposes other than academic. The researcher countered this by assuring the respondents that the information obtained would be used for academic study purposes.

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Appendix I: Questionnaire

SECTION A: GENERAL INFORMATION

1) Please indicate the Department your are currently working

2) How long have you been employed at KRA?

Less than 1 year [] 1-5 years []
6-10 years [] 11- 15 years []
16-20 years [] Over 21 years []

3) Please indicate your Job Grade at KRA

KRA 1-2 [] KRA 3-4 [] KRA 5-6 []
KRA 7-8 []

4) Are you involved in procurement at any level in KRA?

Yes [] No []

5) If Yes, please identify by ticking all areas where your are involved in procurement

Requisition at the user department []
Compilation of departmental orders []
Placement of advertisements for the public []
Reception of tenders []
Tender evaluation []
Contract awarding []
Monitoring goods/service provider []
Other (Please Explain) []

SECTION B: ETHICAL PRACTICES IN SUPPLY CHAIN MANAGEMENT

6) Below are several ethical practices applied in supply chain management among organizations? Kindly indicate the extent to which each of these practices have been applied at KRA. Use the scale below

5 = very great extent 4 = great extent 3 = Moderate extent 2 = Little extent 1 = No extent

	1	2	3	4	5
Stewardship					
Procurement staff always to declare any material personal interest which may affect their impartiality					
Procurement staff encourage one another to observe procurement ethics					
A clear audit trail is made for all procurement processes at KRA					
Code of conduct					
KRA has a code of conduct guiding its procurement process					
KRA code of ethics encourages adherence to uncompromising ethical behavior in procurement					
Transparency					
purchasing and supply management process at KRA is transparent					
An independent tender evaluation committee is always formed for each tender					
Procurement process has a standardized process at KRA					
Confidentiality					
No suppliers' confidential information has ever been disclosed to any third party with prior consent from suppliers					
Fairness					
Procurement transactions and decisions at KRA are won fairly and equitably by tenderers					
Procurement staff always look for value for money in evaluating tenders					
KRA looks for optimal gains in all its procurement processes					
Fair remuneration					
Staff remuneration at KRA is fair across the different levels					
Employees' salaries match their contribution to the organization.					
Better working condition					
KRA only transacts with companies observing health working environment for its staff					
There is separation of duties in procurement and reporting roles					
The employees in procurement clearly understand suppliers' operations					

CSR adherence					
KRA only transacts with companies that are socially responsible					
KRA does not transact business with companies engaged in malpractices like child labor/ Tax evasion/avoidance					
Intellectual protection					
KRA only transacts business with registered and patented businesses					
KRA transacts businesses with original trademark owners and no imitations					

7) What other ethical practices are observed at KRA?

8) In what ways have these ethical practices affected the performance of KRA?
Please indicate using the scale below on the measures of performance identified. Use the scale below

5 = very great extent 4 = great extent 3 = Moderate extent 2 = Little extent 1 = No extent

	1	2	3	4	5
Improved the competitiveness among suppliers					
Improved the quality of goods and services supplied to KRA					
Increased value for money spent by KRA					
Increased the level of efficiency at KRA					
Improved supplier ethics management at KRA					
Reduced the level of corruption at KRA					
Led to timeliness in supplier delivery					

9) In what other ways has ethical procurement practices affected the supply chain performance at KRA?
