THE EFFECT OF ENVIRONMENTAL IMPACT CONSIDERATION ON PROCUREMENT DECISIONS OF KENYA ELECTRICITY GENERATING COMPANY

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ABSTRACT

Companies are now increasingly facing pressures from the stakeholders to incorporate green practices in their everyday activities. Green purchasing is one area where this effort can achieve considerable benefits. Green purchasing ensures that the purchased items possess desirable ecological attributes; reusability, recyclability and contains nontoxic materials. Green purchasing can also address such issues as waste reduction, material substitution and few natural resource uses. While environmental concerns have not fully achieved the desired attention in the developing countries, they are expected to become major concerns in future due to increasing stringent regulations and increased competition and scarcity of natural resources. This is forcing companies to reevaluate their business processes. The study sought to investigate the effect of environmental impact consideration on the procurement decisions of KenGen. KenGen is a leading power producer which has implemented environmental management system and procurement policy. The objectives of the study were to investigate the effect of pollution control on procurement decision of KenGen, as well as assess the effect of energy saving on procurement. In addition the study sought to determine the influence of natural resource saving on procurement decisions of KenGen. The study used a case study design. The targeted population was 125 staffs of KenGen working in the procurement, environment and production departments. The researcher used stratified random sampling to select the sample size of 48 %

of the population. The sample size of this study was therefore 60 respondents, 41 of whom returned the questionnaires. The study used primary data, which was collected through structured questionnaires. The questionnaires were self-administered through drop and pick later method. The quantitative data in this research was analyzed by use of descriptive and inferential statistics using statistical package for social science (SPSS). Descriptive statistics such as mean, frequency and percentages were used to profile the sample characteristics and major patterns emerging from the data. The data was then presented in tables, pie-charts and bar graphs. The study also used Pearson moment coefficient and structural equation model to establish the relationship between the independent and dependent variables. The study established that pollution control is the most significant factor that influences procurement decision of KenGen. This is followed by Natural resource saving, which has also a notable influence on the decisions. Energy saving is the least significant factor. The study also established that there is a strong positive relationship between pollution control and procurement decisions. The study also established that there is also a positive relationship between energy saving and procurement decisions. This study therefore recommends that KenGen should incorporate environmental concerns in the whole procurement cycle. The study further recommends that KenGen and other government organizations should develop policies that incorporate environmental issues in their activities.

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