



INFLUENCE OF STRATEGIC PROCUREMENT MANAGEMENT PRACTICES ON PROCUREMENT PERFORMANCE OF TIER ONE COMMERCIAL BANKS IN KENYA

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ABSTRACT

This study sought to examine the influence of strategic procurement management practices on the procurement performance of tier one banks in Kenya. The specific objectives were to; determine the impact of supplier relationship management on procurement management practices among tier-one commercial banks in Kenya, and to examine the effect of strategic sourcing on procurement performance among tier-one commercial banks in Kenya. The theories guiding the study included Agency theory, and contingency theory. The study adopted a descriptive research design. The study was based on tier one commercial banks in Kenya. The target population of this study comprised of procurement staff, warehouse staff, finance staff, ICT staff, administration staff, branch staff and suppliers for the tier one commercial banks in Kenya. The overall accessible population was 175 respondents from the tier one commercial banks in Kenya. Slovin's formula was used to calculate the sample size which gave a total of 122 respondents. Questionnaires were used to collect data. The semi structured questionnaires were used since they are economical and cheap to administer. Pretesting of the research instrument was conducted at Stanbic Bank. The data collected was cleaned, classified and coded to give room for analysis. Descriptive statistics and inferential statistics were used to analyse data. SPSS (Version 24.0) helped to analyse data. Data was presented using tables. The findings also benefit future researchers in the line of strategic procurement management practices. The study found that supplier sourcing has a positive and significant effect on procurement performance among tier-one commercial banks in Kenya. Supplier selection was key to procurement process and represents a major opportunity for an organization to reduce costs, increase effectiveness and enhance customer satisfaction.

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INTRODUCTION

As the business environment keeps changing and becoming more complex, organizations continue searching for new ways to remain relevant and competitive in their operations. This can only be achieved if a firm delivers end product or service to the customers when they are wanted and at a fair price. This is influenced by the firm's economic value which should be more than its rival (Kim, Suresh & Kocabasoglu-Hillmer, 2015). Since virtually every organization purchase goods or services to operate, the supply chain has attracted more attention than before due to the massive potential that exists for improvement in gaining a competitive advantage thus reducing cost and better product or service management practices. Nair, Jayaram and Das, (2015), noted that one of the tools for the firm's competitiveness is strategic procurement which is seen to have a positive effect on the overall management practices of the organization. Unlike traditional purchasing driven by the desire to cut costs of purchase, short-term profit improvement, transactional rather than relationship behavior, and emphasis on price reduction.

Supplier relationship management (SRM) has become a vital tool for achieving sustainable competitive advantage because of proliferating levels of outsourcing surfacing within global supply chains, growing supply uncertainties, diverse customer requirements as well as demand uncertainties that companies face in the competitive environment (Amoako-Gyampah et al., 2019; Zhang & Cao, 2018). Many companies have therefore sought to build strategic relationships with suppliers through supply chain relationships (Shahzad et al., 2018; Kim & Chai, 2017). A firm's ability to have a comprehensive understanding of the buyer-supplier relationship is very important to the organization's competitiveness (Munyimi & Chari, 2018). This growing recognition of inter-firm relationships has been acknowledged in the service sector and particularly in the health sector (Prasad & Shankar, 2018). This is because of the increased concern regarding medical errors, medical safety, delays in delivery, shortage of medical items, and patient safety (Stock et al., 2010). Yadav and Sharma, (2015) noted that a well-functioning supply chains to deliver medicines, vaccines, and other health products form the

backbone of the health system." Tier one banks operate within an extremely regulated market – with a high proportion of governmental investment, high level of regulation, low pressure in regard to efficiency and effectiveness, limited orientation toward customer benefit, and the diverse juxtaposition of private and public providers (Tynkkynen & Vrangbæk, 2018). The impact of SRM on the procurement management practices of tier one banks' management practices differentials is because of the nature of business, support, and management processes for the governance and development of supplier relationships. Earlier studies investigated SRM practices and management practices in the manufacturing sector in the Western world (Amoako-Gyampah et al., 2019; Al-Abdallah et al., 2014), and used different dimensions to measure SRM (Shahzad et al., 2018; Kim & Chai, 2017), at the neglect of SRM dimensions and banking management practices links in the health-care sector in emerging economies. This limits cross-cultural understanding and sectoral validations of the dimensions of SRM and their impact on management practices.

Strategic sourcing is a key strategic procurement management practice for the successful global supply chain management. As the core challenge of supply chain management is the removal of barriers between the organization and its suppliers and customers in order to maintain customer service excellence, financial position improvement, and operational costs optimization, strategic sourcing emerges as an important factor to support and integrate the suppliers into the supply chain intelligently. It promotes cross-functional, intra- and inter-organizational integration (Chen et al., 2014). Strategic sourcing incorporates all the sourcing activities that are undertaken in alignment to achieving the overall organizational goals and objectives (Kocabasoglu & Suresh, 2006). Strategic sourcing greatly contributes to procurement management practices via the activities such as creation of sourcing strategy, procurement planning, supplier selection, management of supplier relationships and value creation in reduction of total cost of ownership. Su and Gargeya (2012) views strategic sourcing as proactive and having a strategic role in an

organization and therefore it is highly supported by top management.

With globalization broadening the scope of the supply chain, innovation is changing the basis of competition aided by rapid technology and led to sourcing on a worldwide basis in many industries. Companies used to compete on the basis of the assets they owned. But technological developments have made them to realize that it is the control of business capabilities and not the ownership that matters most (Moon, 2017). The inclusion of technology in procurement was originally meant to ease some of the more difficult aspects of the process. Reduce common problems, track data, and generally make it easier for procurement teams to make their purchases and track their progress. Technology had already appeared in other analytical sectors of the business world as a staple of operations in those areas and was increasing its presence in other parts of society. Its inclusion seemed logical and necessary to keep up with the times. Introducing technology into new areas has always been justified as such, regardless of the circumstances (Varma & Khan, 2013). For procurement management, the usage of technology has only grown and become more commonplace. The industry is changing and technology has allowed procurement to quietly keep up with the rest of the business world and society in its success. It's used in managing the multitudes of data that teams need to use in negotiating and decision-making. They track their inventories, orders, strategies, contracts, and finances with software and digital systems. Even smaller procurement teams who do not necessarily have an overwhelming amount of data to navigate through as their larger counterparts will have all of their business practices tied to the usage of technology. It is safe to say that technology in procurement is everywhere and it plays whatever role you want it to play.

Category management is a strategic procurement management practice that helps to organize spend into distinct areas for greater focus and a more detailed analysis. According to Webb (2015), Category Management, centralizes similar items into one contract, a phenomena that has shifted procurement function from managing the individual requirements of the cross functional departments and costs to categorizing similar types

of spend and developing the best strategies to handle them in the prevailing supply markets. It gives procurement professionals a wider view of spend (Heikkilä, Kaipia & Ojala, 2018). O'Brien (2015) and Mitchell (2012) assert that category management can greatly impact the management practices of an organization through low risks in supply chains, economies of scale, improved knowledge, and reduced total cost of ownership and spend management.

Category management is highly proactive and requires the category managers to possess a well-developed understanding of their respective categories, and use that knowledge to optimize processes and engage with suppliers to identify ways to reduce wasted time and resources, eliminate human errors, and assert control over spend through a blend of forward-looking spend strategies and data analysis (Burlakova, Karkh & Ruzhanskaya, 2019) One of the obstacles to the implementation of category management is resistance from internal stakeholders. Top management may not realize the value created by category management, or hold traditional views of procurement as a source of cost savings rather than value.

Statement of the Problem

Strategic procurement is essential for the competitiveness of procurement functions in any organization (Agua, Correia & Frias, 2022). According to Public Procurement and Asset Disposal Act (PPADA) (2015), procurement costs take up to 50%-60% of all costs incurred by public organizations. At the same time, different commercial organizations have reported a plethora of challenges associated with the implementation of strategic procurement management practices. The overall level of customer satisfaction is 60% meaning that nearly 40% of bank customers are not satisfied with the services offered (Kombo, 2018). The banking sector in Kenya has in the recent past performed dismally mainly due to competition from other financial service providers loan defaults. According to the CBK (2021) financial sector stability report; commercial banks have faced increased credit risk, liquidity risk and deteriorating profitability which has eroded the stability of the sector. CBK (2022) indicates that there was 3.1% drop-in asset quality, 2.7% increase in liquidity and

stagnant capital adequacy which was slightly above the minimum required rate of 14.5%. The increase in the non-performing loans under doubtful and loss categories were occasioned by deteriorating asset quality as a result, enhanced reclassification and provisioning of loans, challenges in the business environment and increased default of digital loans.

One-tier commercial Banks in Kenya are increasingly confronted with major procurement challenges in addition to other challenges like global competition, changing markets or business models, cost reduction pressure, or price volatility among others (Kakwezi & Nyeko, 2019). Some respond to these challenges by reducing their cost base, exploring new markets or partnerships, introducing new products and services on the market, or redesigning the organizational structure to become more responsive to new trends and opportunities. While such initiatives impact all functional areas of the commercial Banks including the key functional area that contributes to the realization of these strategic initiatives, there is limited research on the adoption of strategic procurement management practices as a primary intervention toward the improvement of procurement performance among tier-one commercial banks in Kenya. Studies have shown that the application of Strategic Procurement management practices has a great potential to reduce transaction costs associated with procurement practices. The study on the influences of strategic procurement management practices on procurement performance in Nyandarua County highlighted that transaction costs took a downward trend with 2015 registering an average decrease in the transaction cost by 44.37% compared to the previous year (Wanjiru, Mburu & Marendi, 2018).

Unlike manufacturing companies, whose cost structure is dominated by directly linking the cost of goods sold to purchasing, and for whom the procurement function is viewed as crucial to business success, commercial banks in Kenya tend to view procurement as reactionary, which as rule purchases mostly are indirect expense items, as non-critical, and unrelated to the matter at hand (Coviello, Guglielmo & Spagnolo, 2018). Consequently, this attitude relegates the purchasing function to a low-visibility, purely transactional role in banking and therefore not strategic. There is

study limitation on influence of strategic procurement management practices on procurement performance in the banking sector in Kenya. This study hence sought to fill the research gap by examining influence of strategic procurement management practices on the procurement performance of tier one commercial banks in Kenya.

Research Objectives

The general objective was to examine the influence of strategic procurement management practices on procurement performance among tier-one commercial banks in Kenya. The following were the specific objectives;

- (i) To determine the influence of supplier relationship management on procurement performance among tier-one commercial banks in Kenya.
- (ii) To explore the influence of strategic sourcing on procurement performance among tier-one commercial banks in Kenya

LITERATURE REVIEW

Theoretical Review

Agency Theory

The Agency theory was developed by Jensen and Meckling (1976). In the Agency Theory, a contractual relationship is entered by two persons: the principal and the agent to perform some service. This involves delegating some decision-making authority to the agent by the principal (Kimeria & Ngugi, 2013). At the same time, an agent is a person employed for bringing his principal into a contractual relationship with a third party. He does not make a contract on his own behalf. The legal doctrine that applies is *quifacit per aliumfacit per se* (he who does something through another does it himself) (Kanbur, 2009). Agency Theory is concerned with agency relationships. The two parties have an agency relationship where they cooperate and engage in an association wherein one party (the principal) delegates decisions and/or work to another (an agent) to act on its behalf (Eisenhardt, 2009). Although the agency theory has taken principle's point of view in the past, some studies have shown that principle's and agent's perspectives are taken into consideration (Dou & Zhou 2011).

This paper focuses on the principle representing the buying organization while the agent represents the supplier. The research focus on the doctrine of goal of incongruence, which is derived as a result of the assumption that the agent has interests that are not aligned to the interest of the principle. Through the goal incongruence in the buyer supplier relationships, both the buyer and the supplier organizations can develop and achieve compatible objectives, regardless of the differences in preferences where; the buying organization may prefer quality and lower prices while the supplier may prefer profitability and large volumes. Goal incongruence can also work to promote collaboration and long term engagement where there is contractual inflexibility between both the buyer and the supplier (Faria, & Santos, 2010). This theory will therefore, help in developing healthy and long term buyer-supplier relationship by ensuring both parties achieve a common objective hence enhancing the performance in tier one commercial banks in Kenya. This theory anchors the discussion on buyer-supplier relationship management on procurement performance and helps in the evaluation of the relationship between the study variables. It is considered useful in the assessment of the relationship between parties.

Contingency Theory

Contingency theory was developed by Fiedler (1964). Contingency means that one thing depends on other things, and for organizations to be effective, there must be a “goodness of fit” between their structure and the conditions in their external environment. As such the correct management approach is contingent on the organization’s situation (Daft, 2001). This study accepts the notion of contingency theory, which suggests that the selected design and use must conform to its contextual factors (Pugh, 2008). However, for the purpose of this study, contingency theory is used and reviewed with a narrower focus in that it represents a rich blend of organizational theory such as organizational decision-making perspectives and organizational structure

Supplier Relationship Management

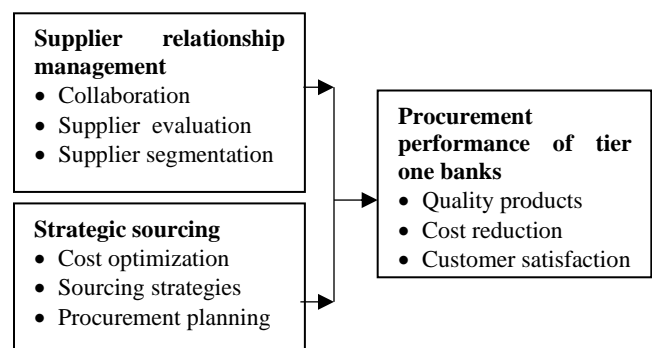
Supplier relationship management (SRM) as defined by Akamp and Müller,(2013) is the practice of planning, implementing, developing, and monitoring a company’s relationship with

(Lawrence & Lorsch, 1969; Donaldson, 2001). The essence of the contingency theory paradigm is that organizational effectiveness results from fitting characteristics of the organization to contingencies that reflect the situation of the organization (Lawrence & Lorsch, 2004).

According to Donaldson (2001), organizations seek to attain the fit of organizational characteristics to contingencies which leads to high performance. Therefore, the organization becomes shaped by the contingencies to avoid loss of performance. This theory is relevant to the study because the performance of an organization would depend on contingencies such as effective strategic sourcing in procurement that incorporates a wide range of operations such as planning, negotiations to enhance cost optimization, acquisition of goods and services, contracting, risk management and management of long-term buyer supplier relationships. This theory anchors the discussion on the extent to which strategic sourcing would influence procurement outcomes among tier one commercial banks. It is useful in drawing the levels and direction of the relationship between the specific variables.

Conceptual Framework

The study is based on a conceptual framework which identifies the relationship between dependent and independent variables (Kothari & Garg, 2014). The independent variables of the study include; supplier relationship management, and strategic sourcing. The dependent variable of the study is procurement function performance.



current and potential suppliers. The main management activities of supplier management are supplier selection and evaluation, supplier monitoring, supplier development, and supplier integration. Supplier selection is regarded as the

cornerstone of successful purchasing and supply management to maintain and enhance the competitive edge (Abdollahi et al., 2015). Articles on Supplier selection show quality as the most popular factor followed by delivery, price, manufacturing capability, service, management, research and development, finance, flexibility, reputation, relationship, risk, and safety and environment (Thakur & Anbanandam, 2015). Moeller et al., (2006) described the benefits of SRM Base as 1) Better Supplier Base, 2) Cope with significant problems easily, 3) Act better coordinated and more consistent, and 4) Enhance value creation for customers. Therefore, SRM is a comprehensive approach that enhances cooperation (business relationship level), coordination (process level), and communication (information systems level) between the company and its suppliers to continuously increase efficiency and efficacy of collaboration and concurrently enhance quality, security, and innovation.

In their contribution, Wieteska Grażyna, (2016), described how companies should develop relationships with suppliers while facing high market volatility. It focused on flexibility and adaptability in the context of Supplier Relationship Management (SRM). Flexibility in the supply chain results in an effective response to the changes in supply, demand, and products. Adaptability is built up in the context of adjusting to significant environmental changes. Flexibility in relations can be achieved through Flexible Purchasing and Supplier Flexibility. Identifying the possible obstacles to SRM integration is the central theme of Oghazi et al., (2016), and he strives to provide solution suggestions to overcome these barriers. In this regard, the survey of the literature and subsequent analyses of the empirical findings represent that the SRM process integration can take place by the integration of its different sub-processes into strategic and operational characteristics. Strategic sub-processes describe the definition and the structure of the entire process whereas operational sub-processes refer to the executive phase of the process. In this context, the lack of goal congruence, commitment, and trust among the manufacturer and its supplier are the main potential barriers to SRM integration.

Strategic Sourcing

Like any other management terms, experts differ in

defining Strategic sourcing. Some of the important definitions are given below: Kim, Suresh and Kocabasoglu-Hillmer, (2015), defined as “the collaborative and structured process of critically analyzing an organization’s spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently”. According to Vitasek, (2016), strategic sourcing can be defined as a sequence of actions to be performed in order to acquire goods or services that are of strategic importance to a company. For Jensen, (2017), strategic sourcing is a management process used to systematically assess purchasing requirements across a company and identify opportunities, both internal and external, for total cost reductions. Frederico, Kumar & Garza-Reyes, (2021) saw strategic sourcing consisting of processes of planning, evaluating, implementing, and controlling all sourcing activities undertaken by an organization to achieve its long-term goals. For Apte, Rendon and Salmeron, (2011) it is the practice as “a fact-based, rigorous process that involves substantial internal data gathering and evaluation, and extensive external data gathering and interactions, in order to select the most appropriate strategy and negotiations approach and ultimately select the right supplier. Strategic Sourcing can be thus seen as a disciplined, systematic process for reducing the total costs of externally purchased materials, products and services while maintaining or improving levels of quality, service, and technology. It incorporates customer needs, organizational goals, company culture and philosophy, department bandwidth, and market conditions.

Organized Strategic Sourcing is part of an ongoing enterprise process covering all spending categories for materials and services. It is systematic and suppliers are invited to be part of the process. Systematic Strategic Sourcing is fact-based and analytically rigorous. Organization has an agreed-upon process for pursuing strategic sourcing (Neely, 2015). They are tracked in terms of cost savings and non-cost performance metrics as well. Further, the process is regularly reviewed to incorporate new sourcing tools and approaches, new supplier market opportunities and developments in benchmarking and best practices. Collaborative Strategic sourcing teams are cross-

functional, so suppliers must meet with a group that is armed with facts and looking at more than price. According to Apte, Rendon and Salmeron, (2011), supply managers collaborate internally, with department managers who use the materials and services purchases, with senior executives on key spend categories, and externally, with key suppliers, incumbent or potential, on major new supply opportunities.

Though interlinked closely, both the procurement process and sourcing strategy are not one and the same. Sourcing strategy deals with planning, designing, and building a reliable and competitive supplier base, determining the strategy for procurement, and defining pricing strategies and supply chain requirements. The strategy involves the integration of its objectives in line with or confirming the objectives of stakeholders in operations, and finance. Marketing and distribution. Lastly, a sourcing strategy involves planning competitive buying sources for its raw materials, components, and services along with alternative variables (Neely, 2015). The procurement Process as described above deals with the operational zing business process of the procurement function and ensuring performance.

Having realized that suppliers play a key important role in the supply chain network of the business, there has been a change in the way organizations perceive and approach supplier relationships. Several factors have contributed to the shifting of the perceived value of supplier partnerships. Complex business models at global scales coupled with market demands have necessitated companies to set up manufacturing or assembly facilities closer to markets as well as in locations where conversion costs are relatively cheaper (Kakwezi & Nyeko, 2019). This necessitates that the business is supported by a solid vendor base that is able to ensure supplies at all locations. Advancement in technology and R & D capability enhancement is leading to shorter product life cycles. New versions and product innovation mean products become obsolete faster. Besides new introductions of products depend upon speedy development of new design supplier parts and the suppliers having to keep pace with changing designs and requirements. Lean Manufacturing and cost per unit concept is demanding that the managers keep looking to reduce the procurement cost as well as procurement

logistics cost. By developing a relationship with suppliers in a collaborative mode, buyers are able to get supplier companies to hold inventories for them at the buyer locations and postpone taking inventory ownership up to the point of consumption (Kim, Suresh & Kocabasoglu-Hillmer, 2015).

Today preferred suppliers follow the buyer into countries where the buyer is setting up facilities and taking on value-added services including managing warehousing in the spirit of customer relationship management. Therefore, managements have realized the fact that to be able to develop a global business model, they have to develop supplier partnerships and work with a collaborative spirit and invest in developing the supplier capabilities as well as invest into building the relationship. Supplier management is no longer transactional. The reviewed literatures have not focused on the specific components of strategic sourcing that would in turn have a direct impact on the performances of strategic procurement processes. While the reviewed literatures were more definitive and gave a generalized view of strategic sourcing, the current study is focused on determining the specific components of strategic sourcing that would be relevant in the context of procurement performances in tier one banks. The main areas of focus would include, cost optimization, procurement planning and sourcing strategies.

Empirical review

Supplier Relationship Management and Procurement Performance

Ji et al., (2015) studied the changing of cooperation tendency among multi-stakeholders (buyers and suppliers). The Evolutionary Game Theory (EGT) is adopted to describe the phase of further evaluation by analysing green costs and its benefits to players. Results implied that recycling capability is a crucial factor for the cooperation tendency among multi-stakeholders in the long-run. Green purchasing relationships among multi-stakeholders will influence the payoffs of the suppliers and manufacturers (buyers) in a two-tier supply chain.

The article by Anni-Kaisa Kähkönen et al., (2015) empirically examines the relationships between value-creating activities and buyer dependence and determines what kind of supplier relationship management activities might decrease or increase the dependence. The results of the study indicate

that the value-creating activities of inter-firm learning and early supplier involvement in buyer-supplier relationships improve the buyer's dependence on its suppliers, whereas a supplier orientation does not. From this study, it could be implied that the firms should weigh the pros (value creation) and cons (dependence) and develop management practices and relationship strategies based on those.

Strategic Sourcing and Procurement Performance

Westhuizen, and Ntshingila (2020) examined influence of supplier selection, supplier development and information sharing on firm performance in South Africa. The study adopted a descriptive survey design. The study sample included 300 business owners/managers. Questionnaires were used for data collection. Findings showed that there is a strong significant relationship between supplier selection and business performance. The ability of business owners/managers to select the right supplier influenced business performance to a very great extent. Waleligne (2018) researched on effect of supplier sourcing on NGO performance. Findings showed that supplier sourcing requires significant improvement to fulfill the organization's goals. Single sourcing as a technique of products and services sourcing promotes the acquisition of high-quality commodities, saves time, and lowers costs.

Ojwang et al. (2018) analyzed how sourcing affected the performance of NGOs in Kisumu. Their target population consisted of 35 respondents, involving managers and staff from the 5 Non-Governmental Organizations. According to the research, single sourcing as a technique of products and services sourcing promotes the acquisition of high-quality commodities, saves time, and lowers costs. The report proposed that NGOs implement measures to address the risks associated with single sourcing. The Non-Governmental Organizations in Kisumu Town fully embrace e-procurement by funding a robust system and engaging skilled personnel to manage the system.

Agunda et al. (2019) examined impact of SCM on the SC performance of One Acre Fund, Kenya. This study focused on the management staff of One Acre Fund, which included 340 management

personnel. According to the findings, strategic supplier management significantly influences SC performance. However, the organization has failed to recognize the critical role of suppliers in enhancing SC performance, as seen by late delivery, donors/beneficiaries complaints, and sub-standard goods. Many firms have failed to manage and improve supplier relationships, resulting in low-quality supplies, excessive pricing, delays in delivery, and ultimately disgruntled end-users and stakeholders.

RESEARCH METHODOLOGY

Descriptive research design was used in this study. This research design is applied to offer replies to queries of who, what, where, when and how (Sreevidya & Sunitha, 2011). The study target population was Kenya's tier one banking institutions. The classification of tier one commercial in Kenya was done based on the weighted index of net assets, capital, reserves, customer deposits, ranges of loans and deposit accounts. ICT department staff, Administration staff, branch staff and the suppliers of tier one banks in Kenya. The overall accessible population is 175 employees from the selected tier one banks in Kenya. The sample size was calculated using the Slovin's formula with a 95% confidence level with $P=.5$. The sample size was 122 Respondents. This study employed stratified random sampling to select the 122 respondents from the accessible population. Semi-structured questionnaire was used to gather primary data. A pilot study was carried out to test validity and reliability of the questionnaire. 10% of the sample size will be used for pilot, which represents 12 respondents.

The data collected was cleaned, classified and coded. The data analysis was done using descriptive and inferential statistics. SPSS (Version 24.0) was used to help with the data analysis. Descriptive statistical methods include Percentages, means, variances, frequencies and standard deviations. Inferential statistics include regression model and Pearson correlation

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

The researcher sampled 122 respondents who were each administered with the questionnaires. From the 122 questionnaires 111 were completely filled and returned hence a response rate of 91%. The

response rate was considered as suitable for making inferences from the data collected.

Descriptive Statistics

Procurement Performance among Tier-One Commercial Banks in Kenya

The respondents were requested to indicate their level of agreement on various statements relating to procurement performance among tier-one commercial banks in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1.

Table 1: Procurement Performance among Tier-One Commercial Banks in Kenya

	Mean	Std. Deviation
The procurement function has put in place strategies to improve the quality of goods and services procured	3.858	0.636
Effective procurement process has led to reduction of unnecessary costs	3.612	1.005
Good performance of procurement function has led to customer satisfaction.	3.552	0.608
Aggregate	3.754	0.786

From the results, the respondents agreed that the implementation of procurement strategies has contributed to the improved quality of products and services. This is supported by a mean of 3.858 (std. dv = 0.636). The respondents also agreed that effective procurement process has led to reduction of unnecessary costs. This is shown by a mean of 3.612 (std. dv = 1.005). With a mean of 3.552 (std. dv = 0.608), the respondents agreed that good performance of procurement function has led to customer satisfaction.

Supplier Relationship Management and Procurement Performance

The first specific objective of the study was to determine the influence of supplier relationship management on procurement performance among tier-one commercial banks in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to supplier relationship management and procurement performance among tier-one commercial banks in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree

and 5 symbolized strongly agree. The results were as presented in Table 2.

Table 2: Supplier Relationship Management and Procurement Performance

	Mean	Std. Deviation
Collaboration leads to improvement of procurement performance	3.968	0.636
The organization undertakes proper evaluation to ascertain suppliers' capabilities before the award decision	3.830	0.972
Supplier segmentation has contributed to proper management of supplier relationships within the organization	3.712	1.005
The organization undertakes supplier advancement techniques in order to create competitive advantage	3.710	0.608
Aggregate	3.798	0.873

From the results, the respondents agreed that collaboration leads to improvement of procurement performance. This is supported by a mean of 3.968 (std. dv = 0.636). In addition, as shown by a mean of 3.830 (std. dv = 0.972), the respondents agreed that the organization undertakes proper evaluation to ascertain suppliers' capabilities before the award decision. Further, the respondents agreed that supplier segmentation has contributed to proper management of supplier relationships within the organization. This is shown by a mean of 3.712 (std. dv = 1.005). The respondents also agreed that the organization undertakes supplier advancement techniques in order to create competitive advantage. This is shown by a mean of 3.710 (std. dv = 0.608).

Strategic Sourcing and Procurement Performance

The second specific objective of the study was to examine the influence of strategic sourcing on procurement performance among tier-one commercial banks in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to strategic sourcing and procurement performance among tier-one commercial banks in Kenya.. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3.

Table 3: Strategic Sourcing and Procurement Performance

	Mean	Std. Deviation
Strategic sourcing has led to cost reduction for the organization	3.818	1.064
Strategic sourcing has enhanced creation of sourcing strategies to improve efficiency of the procurement function	3.779	0.858
The procurement function undertakes procurement planning in order to achieve growth	3.755	0.902
The procurement function has implemented proper measures for risk mitigation	3.688	0.910
Aggregate	3.762	0.841

From the results, the respondents agreed that strategic sourcing has led to cost reduction for the organization. This is supported by a mean of 3.818 (std. dv = 1.064). In addition, as shown by a mean of 3.779 (std. dv = 0.858), the respondents agreed that strategic sourcing has enhanced creation of sourcing strategies to improve efficiency of the procurement function. Further, the respondents agreed that the procurement function undertakes procurement planning in order to achieve growth. This is shown by a mean of 3.755 (std. dv = 0.902). With a mean of 3.688 (std. dv = 0.910), the respondents agreed that the procurement function has implemented proper measures for risk mitigation.

Inferential Statistics

Correlation Analysis

Table 4: Correlation Coefficients

		Procurement Performance	Supplier Relationship Management	Strategic Sourcing
Procurement Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	111		
Supplier Relationship Management	Pearson Correlation	.820**	1	
	Sig. (2-tailed)	.000		
	N	111	111	
Strategic Sourcing	Pearson Correlation	.830**	.297	1
	Sig. (2-tailed)	.001	.060	
	N	111	111	111

From the results, there was a very strong relationship between supplier relationship management and procurement performance among

tier-one commercial banks in Kenya ($r = 0.820$, p value = 0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the findings of Anni-Kaisa *et al.*, (2015) who indicated that there is a very strong relationship between supplier relationship management and procurement performance.

Moreover, there was a very strong relationship between strategic sourcing and procurement performance among tier-one commercial banks in Kenya ($r = 0.830$, p value = 0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Westhuizen and Ntshingila (2020) who indicated that there is a very strong relationship between strategic sourcing and procurement performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables and the dependent variable (procurement performance among tier-one commercial banks in Kenya). The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.923 ^a	.851	.853	.10482

The r-squared for the relationship between the independent variables and the dependent variable was 0.851. This implied that 85.1% of the variation in the dependent variable (procurement performance among tier-one commercial banks in Kenya) could be explained by independent variables (supplier relationship management, strategic sourcing).

Table 6: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	102.028	4	25.507	197.73	.002 ^b
Residual	13.668	106	.129		
Total	115.695	110			

a. Dependent Variable: Procurement Performance

b. Predictors: (Constant), supplier relationship management, strategic sourcing, application of Information Technology systems and category management practices.

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was

197.73 while the F critical was 2.419. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of supplier relationship management, strategic sourcing, application of Information Technology systems and category management practices on procurement performance among tier-one commercial banks in Kenya

Table 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	0.342	0.089		3.843	0.002
Supplier Relationship Management	0.397	0.097	0.398	4.093	0.000
Strategic Sourcing	0.387	0.097	0.389	3.990	0.001

The regression model was as follows:

$$Y = 0.342 + 0.397X_1 + 0.387X_2 + \varepsilon$$

According to the results, supplier relationship management has a significant effect on procurement performance among tier-one commercial banks in Kenya ($\beta_1=0.397$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Anni-Kaisa *et al.*, (2015) who indicated that there is a very strong relationship between supplier relationship management and procurement performance.

The results also revealed that strategic sourcing has a significant effect on procurement performance among tier-one commercial banks in Kenya, ($\beta_1=0.387$, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the findings of Westhuizen and Ntshingila (2020) who indicated that there is a very strong relationship between strategic sourcing and procurement performance.

Conclusions

The study concludes that supplier relationship management has a positive and significant effect on procurement performance among tier-one

commercial banks in Kenya. Findings revealed that collaboration, supplier evaluation and supplier segmentation influence procurement performance among tier-one commercial banks in Kenya. Mutual relationship between the supplier and an organization is very important as through the organization is able to engage and a continuous competitive growth. In addition, the study concludes that supplier sourcing has a positive and significant effect on procurement performance among tier-one commercial banks in Kenya.

Strategic Sourcing and Procurement Performance

Findings revealed that cost optimization, sourcing strategies and procurement planning influence procurement performance among tier-one commercial banks in Kenya. Effective supplier sourcing provides an improved quality by utilizing a supplier who has more knowledge, experience and expertise. In selecting the right suppliers, an organization establishes a set of evaluation criteria to be used for comparison of potential suppliers. Supplier selection is key to procurement process and represents a major opportunity for an organization to reduce costs, increase effectiveness and enhance customer satisfaction.

Recommendations

Procurement departments should ensure there is efficient collaboration between the organization and the buyer. Collaboration between buyers and suppliers should aim at building long terms relationships and mutual trust. Healthy relationship could lead to initiatives such as early supplier involvement, which could lead to improved quality of goods and services, reduced cost of production and improved production processes for the organization. Healthy relationship could also lead to supplier development through CSR and ethical procurement activities, hence a good reputation for the organization. The banks should aim at developing and maintaining long-term relationships with the suppliers to enhanced improved processes.

The banks should carry out comprehensive supply sourcing. This will ensure that the shortlisted suppliers are committed, reliable, and delivery within the agreeable delivery schedules and service level agreements. The organization should adopt supplier optimization policies that will enable them

to select suppliers based on their capabilities and not just based on the price and the quality of service or product. These procurement policies will ensure that delays resulting from the procurement process are corrected and the organization is able to positively influence its performance through the procurement department and not lose money through the same department.

Suggestions for Further Studies

This study focused on examining the influence of strategic procurement management practices on the procurement performance of tier one banks in Kenya. Having been limited to tier one banks in Kenya, the findings of this study cannot be generalized to other financial institutions in Kenya. The study therefore suggests further studies on the influence of strategic procurement management practices on the procurement performance of other financial institutions in Kenya.

Further, the study found that the independent variables (supplier relationship management, strategic sourcing, application of Information Technology information systems and category management practices) could only explain 86.1% of procurement performance among tier-one commercial banks in Kenya. This study therefore suggests research on other factors affecting procurement performance among tier-one commercial banks in Kenya.

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