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EFFECT OF STRATEGIC SOURCING ON PERFORMANCE OF RETAIL FIRMS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The Kenyan retail industry is facing major disruption due to increase in globalization, high competition, technological advancement and uncertainty such as COVID-19 pandemic contributing to reduced profitability, market share and customer satisfaction. Hence, firms should adopt strategic sourcing strategies to improve performance. Recent data shows that leading retail chain stores including Tuskys, Uchumi and Nakumatt have recorded declined performance leading to a closure of a number of their stores. The general objective of the study was to investigate the influence of strategic sourcing on performance of retail firms in Nairobi City County. The specific objectives of the study were to evaluate the effect of supplier market assessment on performance of retail firms in Nairobi City County, and to establish the role of supplier relationship management on performance of retail firms in Nairobi City County. The target population for study was drawn from the 116 retail firms in Nairobi City County registered under Retail Trade Association of Kenya. The study employed correlational research design. The unit of analysis included 116 retail firms within Nairobi City County. The research used census method; thus 116 supply chain managers formed the unit of observation. The data obtained was analysed using qualitative data analysis & quantitative data analysis and presented in terms of tables and figures to summarize responses for further analysis and facilitate comparison. The study concluded that an improvement in strategic sourcing practises results to a significant improvement in performance of retail firms in Nairobi City County, Kenya.

Key Words: Strategic Sourcing, Performance, Retail Firms, Supplier Market Assessment, Supplier Relationship Management

Background of the Study

The business environment has become very dynamic with customers demanding better quality, more variety, lower prices, higher responsiveness, customer service and reliability in delivery of goods and services. Thus, supply chain disruptions can be very costly to the productivity and profitability of retail firms. Disruptions in retail industry affects the availability of products thus calling for more strategic and flexible global operations. Scholten & Fynes (2014), conclude that the complexity of managing global supply chains and changing consumer tastes and preferences have made organizations more aware of the need for proper strategies that will cushion against economic and operational vulnerability.

According to Mingu & Xiaobo (2009), strategic sourcing is the adoption of appropriate strategies that will carefully consider potential profit and risk factors. Strategic sourcing is a predetermined process with careful evaluation and selection of a firm’s suppliers based on quality, cost, timeliness and dependability for effectiveness and efficiency. It is the long-term search of markets for potential inputs while securing a continuity of these sources, alternative sources in times of risks and updating the relevant knowledge on sourcing (Vollman, Berry, Whybark, 2004). Generally, sourcing strategy is based on establishment of supplier base, selection of suppliers and number of goods to be ordered from the suppliers selected (Burke, 2005). Some of the fundamental issues in strategic sourcing that are key in management and developing a good relationship with suppliers include supplier relationships, collaborations, and supplier selection and supplier base. According to Hong (2006), successful supply chains is as a result of selection of competent partners that match the firm’s needs and requirements. Therefore, strategy sourcing lowers expenses, boost the firm’s performance and increase efficiency.

Supply chain management is a network that involves collaboration between partners in the network and management of risks (Mingu & Xiaobo, 2009). Collaboration among partners integrates the network and builds a holistic approach in management of risks within the network building supply chain resilience. Thus, for firms to remain competitive in a highly complex and dynamic environment, they should compete as web partners rather than independent single entities. Petronic (2007), further established that firms that work as networks are able to connect their activities and requirements with customers, suppliers and distributors.

Strategic sourcing framework increases the firm’s performance and operational effectiveness in procurement by promoting a value-added procurement through long term relationships, reduced risks, reduced costs and profit focused supply chain (Smock, Rudzki & Rogers, 2007). Value addition in the supply chain process arise from the ability to select the right suppliers that meet the organizational procurement needs and requirements eliminating or minimizing uncertainties around the supply chain. Sustainability of these long-term relationships and collaboration between organization and supplier enforces value cooperation. According to (Su, 2013), a firm that realizes these deliverables gains a competitive advantage.

Statement of the Problem

Despite the key role that retail stores play, the industry is facing supply chain disruptions due to increase in globalization, high competition and uncertainty including the COVID 19 global pandemic (Maina & Ngugi, 2019). According to RETRAK, 2020 retail industry survey outlook, there are three major barriers that hinder growth of retail firms in Kenya. 37.5% of the surveyors named human resource as a major barrier to growth, supplier management at 28.13% and limited financial capacity to handle supply uncertainties and high competition at 28.13% (RETRAK, 2020). Despite the utilization of strategies in retail industry, supply disruption as a result of supplier related challenges and high competition affects the profitability, market share and performance of retail stores in Nairobi City County, Kenya.

A report by the Kenya Retail Sector shows that the Kenya's retail sector is recording a lower growth rate with average yields reducing from 8.6% in 2019 to 7.0% in 2020. The report attributes this reduction to supplier management challenges. A case example is Kenya's leading supermarkets Nakumatt and Uchumi that were closed as a result of loss on market share and profitability. Report by Kenya Economic Survey (2018), indicate that Nakumatt went to receivership because of inefficiencies in their sourcing practices. Nakumatt retail chains breached the 60-day payment agreement of suppliers as per the Public Procurement and Asset Disposal Act (2015). A breach of contract not only indicates a legal challenge but also supplier relationship challenge. Uchumi owes 380 million to Tanzanian suppliers while Nakumatt owes over 700 million to its suppliers (Mwangi, Ragui, & Arani, 2021). A delay in payment of suppliers results to disruption of supply of products. Uchumi has since posted a net sale drop of 60% from 6.42 billion to 2.59 billion (Mwangi, Ragui, & Arani, 2021). A study by Maina & Ngugi, (2019), asserts that an effective supply chain strategy is one that ensures that there are minimal supply chain disruptions, agility and ensures supply chain collaboration. Implementation of strategic sourcing will help in effective management of supply chain disruptions in food retail sector and improve profitability. Recently, Tuskys another leading Kenyan store closed down in 2020 due to supplier related challenges. According to Kingori (2023), the collapse of Tuskys was because of failure of utilization of supply market information tool for better procurement decisions and profit maximization. A major problem of Tuskys management was inefficiencies in sourcing practices such as poor market and pricing forecast and poor supplier relationship.

In addition, a study by Chesula and Nkobe, (2018), shows that the retail industry is experiencing high competition from small players such as *dukas* and online stores such as Kilimall and Jumia. Kenyan consumer shopping habits are influenced by affordability and convenience which are reshaping the dynamics of Kenyan retail market. A consumer will opt to buy from the *dukas* and *kiosks* close to their homes which they perceive to be cheaper thus creating stiff competition for top tier retailers. A majority of the large retail stores focus on high- and middle-class consumers a strategy that is likely to fail due to the highly competitive market. According to the African Development bank, the middle class refers to households that are likely to spend at least half of their income on goods that are not basic necessities. The Bank places Kenyan floating middle class at 44.9% and the real middle class at 16.8%. Thus, a vast majority of the population falls within the lower-class bracket. High competition is part of the reason for closure of supermarkets including Game, Shoprite and Ukwala Supermarkets. Further competition from firms such as Killimall, Jumia and Uber Eats, Glovo increase competition forcing retail firms to rethink their business strategies

The retail industry has a huge untapped potential. A report by PWC shows a potential growth across the region that will yield up to 11.7% returns. African Consumer Insights (2016), shows that the current penetration rate of retail stores is still low at a rate of 25% to 30%. Retail stores should adopt strategic sourcing to foster supply chain collaborations and improve performance. Deloitte's Procurement Performance Survey found that 77% of procurement performance could be improved through innovation and collaboration with suppliers. Several studies have been done on strategic sourcing and procurement performance. Mutua & Juma (2018), argue that strategic sourcing is an integral part of business practise and strategies in the banking institutions. Arani et al, (2016), find that strategic sourcing is a significant predictor of supply chain resilience in manufacturing industries. However, a majority of these studies focus on the manufacturing industry in Kenya and not on strategic sourcing and its influence on the Kenya retail sector. In addition, the Kenyan retail sector is still grappling with the inventory challenges, supply chain disruptions, poor customer services and high competition. Therefore, this study seeks to fill this research gap and need for the study.

Objectives of the Study

The general objective of the study will be to examine the influence of strategic sourcing on performance of retail firms in Nairobi City County.

i. To evaluate the effect of supplier market assessment on performance of retail firms in Nairobi City County.
ii. To establish the role of supplier relationship management on performance of retail firms in Nairobi City County

LITERATURE REVIEW

Theoretical Framework

Dynamic Capabilities Approach Theory

The Dynamic capabilities theory was developed by Teece and Pisano (1994) as a continuation of Resource Based View Theory. The theory retaliates on the company's abilities to quickly align its competencies and resources to the changing business environment for a sustainable long-term competitive advantage (Helfat et al., 2007). The theory aligns with supplier market assessment. The theory re-orients the firm's abilities to reconfigure its internal capabilities and competencies to the external environment changes (Teece, Pisano & Shuen, 1997). (Teece et al., 1997) define dynamic capabilities" as the firm's ability to modify its internal and external competencies in response to the changing business environment. This theory is relevant, the context of the study, where supply market assessment helps in real-time assessment of supplier and business environment. The theory further aligns to the supply decision on supplier assessment. Firms should base their supplier market assessment on strengths and capabilities of suppliers and quickly respond to the needs of the market and its customers.

To achieve competitive advantage, retail firms need to constantly review their resources in response to the changing external environment. Dynamic capabilities will allow the firm to respond to the market changes. Winter (2003) explains that dynamic capabilities reflect the degree and speed at which a firm can align its capabilities such as its VRIN (Valuable, Rare, Inimitable, and nonsubstitutable) resources to the business environment requirements. It is the VRIN resources such as supplier market assessment that will help the company achieve sustained competitive advantage. Dynamic Capabilities Approach theory recommends firms to lower the cost of sourcing by choosing not to source from inside but instead establishing partnership with key sourcing suppliers (Schilke, Hu, & Helfat, 2018). Dynamic capabilities allow the firm to sense and seize sourcing opportunities between suppliers and the organization and forces the organization to evolve with the needs of the business environment.

The DCA theory demands firms to be on the lookout on changes in the market and to practice continuous improvement in response to the business environmental changes (Schilke, Hu, & Helfat, 2018). One of the ways that firms can respond to the changes is through supply market assessment activities such as benchmarking and supplier information sharing. This will help ensure that retail firms get information on best suppliers and supplier opportunities out of its capabilities rather than using suppliers that may not be strategic for the company. The retail industry in Kenya is highly competitive and dynamic, hence the need for retail firms in Kenya to adopt the DCA theory to help gather, share and disseminate market intelligence regarding the supply market. They can use this information to reconfigure their strategic sourcing strategies, realign them with external environmental changes, improve the market and improve their competitiveness.

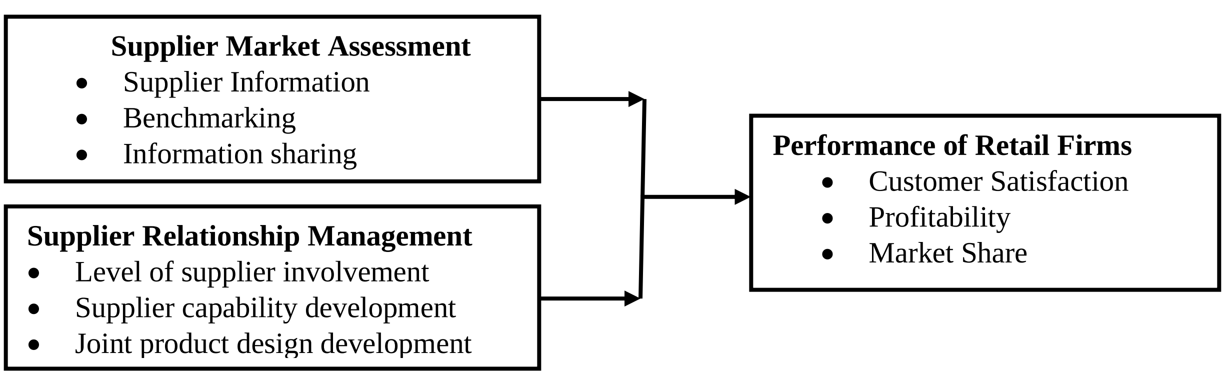
The Network Theory

The Network theory focuses on the concept of cooperation of organizations with various partners within the supply chain including suppliers, buyers and customers. The theory aligns with supplier relationship management. The theory was first introduced between 1970 and 1980 as a result of strategic partnerships between two entities or multiple relationships such as strategic alliances. The theory studies complex interactions of systems while analysing the interactions between organizations and how the interaction influences behavior and performance. According to Harland (1996), the network theory as the relation that links a defined set of organization or persons. Theolli (1986), defines the term network as the long-term relationship between two or more organizations. The network theory describes the relationships that companies' buyers and suppliers are engaged. Chang, Chang & Pai, (2012), further state that although the supply chain model can be complex, the defined set of relationships within the network model improves supply chain performance.

A network within the supply chain leads to competitive advantage as companies exchange and share resources, information and knowledge. In terms of purchasing, the theory suggests that relationship management helps improve decision making. It also helps in demand planning by improving resource allocation that can be achieved through long term relationships. Companies with long term partnerships can negotiate on the best price, negotiate on timely delivery and efficiency. Companies that employ a network chain have the ability to perform market assessment and select the best set of suppliers who will ensure efficiency in supply of critical items (Yee & Platts, 2006). Market assessment and supplier selection will ensure trustworthy suppliers contributing to value addition and competitive advantage for both firms. Network theory analyses the concept of negotiation as one way to improve supply chain (Harland, 1996). Companies in long term relationships and with strong partnership can engage in negotiation helping the firm improve on its performance. The theory will contribute in understanding supplier market assessment.

Conceptual Framework

A concept framework is an analytical tool that organize ideas, variations and contexts that can help make conceptual distinctions (Robinson, 2009).



Independent Variables

Figure 1 Conceptual Framework

Supplier Market Assessment

Supplier market assessment is a strategic process that enables the collection of real time information, analysis and dissemination of the supply market information to the right stakeholders for the purpose of insight in the making of supply and procurement decisions, (Handfield, 2009). Supply Market intelligence follows a pre-defined cycle as described by Prescott (1999), which encompasses: need analysis, observation and monitoring, data collection from internal and external sources, structuring and eliminating, analysis, dissemination, storing, utilization and feedback.

Supplier market assessment is consistent with the strategic objectives of a firm; attainment of competitive advantages, growth in market share; financial performance; cost reduction; innovativeness, where prior market information (insight) acts as the spring board to attaining the said objectives. The SMI framework aims at transforming competitive supply market information into valuable intelligence, to identify opportunities and threats timely (Guntram, 2013).

Supplier Relationship Management

On the other hand, supply chain relationships are typically long-term and are required to achieve strategic coordination. The anticipation of sharing risks and rewards across the chain affects long-term commitment of channel members (Lambert & Cooper, 2000). There is need for two-way inter-organizational communication for successful supplier relationship. In order to jointly find solutions to material problems and design issues, buyers and suppliers must commit a greater amount of information and be willing to share sensitive design information (Chen & Paulraj, 2013). With recent advances in communications and information technology, firms have an opportunity for significant savings in logistics costs by coordinating the planning the various stages of SCM. Cross-functional teams have been identified as important contributors to the success of such risk management efforts as supplier selection and product design to remain on course to achieving expected performance

Empirical Review of Literature

Supplier Market Assessment

Yang (2010) defines supply market assessment as the systematic process of gathering information, processing and disseminating information on supply market. Handfield (2009) describes supply market the processes of developing unique supply market insights including price, quality, capacity, business combinations, technological trends and delivery requirements, and supplier capabilities that will help inform and improve sourcing strategies (Handfield, 2009). From the two definitions, supply market assessment main objective is to ensure a real time information collection, observation, analysis, examination and dissemination of supply market information, for proper and improved sourcing decisions.

According to Vernaas (2014) supply market assessment should be aligned with the strategic goals and objectives of the organization. Supply market assessment should respond to the goals of the firm such as attainment of competitive advantage, improved profit margins, improved market share, cost reduction, improved competitiveness and innovation. Supply market assessment should provide prior market information (insight) that will act as the spring board and help in attainment of these objectives. The supply market assessment framework goal is to transform the supply market information into valuable information that will help identify external market opportunities and threats and quickly respond to market changes (Guntram, 2013).

The Global Intelligence Alliance (2010) provides the necessary steps of setting up supply market assessment framework. The first step is needs analysis which is the process of specifying the scope of intelligence operation. The second step is definition of intelligence design and process activation that indicates the assessment deliverables using assessment tools and techniques. Lastly, the roll out of program for assessment (Global Intelligence Alliance, 2010).

Once the supply market assessment operation is set up, the process of gathering information will start. Firms gather intelligence from different sources including industry sources, stakeholders, consultants, unpublished information and supply market research. A successful supply market assessment process depends on a number of factors such as knowledge level of supply market. This will help the organization to comprehensively sample and evaluate all suppliers. Second is the strategic structure of procurement function of an organization. This is the decision on the procurement system of the organisation including decisions such as a centralized or a decentralized procurement (Global Intelligence Alliance, 2010). Lastly are logistical arrangements. This involves a strategic look out on inventory management processes, ordering systems to the shipping systems. Supply market assessment operation can help deliver a well-informed sourcing strategy for the firm (Global Intelligence Alliance, 2010).

Supplier Relationship Management

The role of procurement is evolving in response to changes and challenges in the world. Initially, procurement was concern with the timely availability of products and servicing and accurately processing orders. However, the economic developments have forced organizations to view procurement as contributor in meeting cost targets (Verweij, & Peek, 2013). Thus, the development and implementation of strategic sourcing initiatives to improve supplier base, consolidate volumes and reduce prices. One of the strategic sourcing initiatives is supplier relationship management. It is strategic management and planning of interactions with suppliers to maximize on value, (Singh, 2017).

Akamp and Muller (2013), define supplier relationship as the practice of managing, planning, developing, implementing, evaluating and monitoring firm's relationship with current and future suppliers. It is a systematic approach for development and management of partnerships between the buyer and supplier. Supplier relationship management is focused on growth and value addition for both the buyer and supplier based on communication, trust, empathy and win-win orientation (Verweij, & Peek, 2013). Some of the main activities of supplier relationship management include supplier evaluation and selection, supplier monitoring, supplier development and supplier integration.

According to the report by PWC, the main objective of supplier relationship management is joint value creation while reducing costs (Verweij, & Peek, 2013). Supplier relationship management is focused competent and limited number of suppliers. The goal of the organization should be to leverage on these supplier capabilities as a means to finance their activities and achieve improved firm performance. Supplier relationship management allows access to shared resources, talent and ideas, capabilities and unique knowledge that are key to performance. Further, supplier relationship management helps cut the costs of operations.

Long term relationships create room for negotiation of prices, Akamp and Muller (2013). Relationship management unlike traditional transactional relationship allows both the buyer and supplier their benefits and resources. Through supplier relationship management, firms can perceive procurement as a primary contributor to cost reduction. A buyer-supplier relationship helps the firm develop flexible and adaptable relationships that can result in effective response in changes in supply and demand of products (Akamp and Muller, 2013). Due to globalization and other macro-economic factors, the market is highly volatile. Fluctuations in demand and supply, preferential treatment and material scarcity are more common making difficult for firms to be sure of product availability. Thus, the need for adaptability and security which will help the firm adjust to environmental changes.

This flexibility can be achieved by supplier flexibility and flexible purchasing terms and agreements. Soh et al., (2016), gives seven dimensions that can help improve flexibility and improve buyer-supplier relationship. They include, trust, business understanding, communication, involvement, information sharing and knowledge and commitment. These factors have direct relationship with supplier performance, supplier engagement and supplier infrastructure. Buyer supplier partnerships ensure that firms have security and can get preferential treatment ensuring strong volume and delivery of products (Soh et al., 2016).

According to Chang (2008), transactional relationships within companies differ from collaborative relationships since they offer high level relational links with partners within the supply chain. According to Johnson et al (2004) collaboration consist of four cooperative behavior: flexibility, information exchange, restricted use of power and joint problem solving. They further suggest three cooperative behavior including shared planning, flexibility and shared responsibility, shared planning. In comparison collaborative relationships require more effort and time in consultation and continuity. Collaborative relationships are higher in risks and cost. Despite the risks and cost involved, this type of relationship has the greatest potential for generate competitive advantage (Terpend et al. 2008).

In addition, business relationships have a set structure of governance through which transactions between partners can be controlled during uncertainty. This structure includes sharing of information, joint investment and better coordination of tasks which can lower production costs, improve efficiency and performance. However, this structure requires a highly efficient governance mechanism and trust. The commitment, trust and collaboration between buyers and suppliers are key for successful partnerships (Terpend et al. 2008).

Performance of Retail Firms in Nairobi City County, Kenya

Performance refers to the process of organizations instituting measures that will help reach their organizations goals, mission and vision (Kapsali, Roehrich &Akhtar, 2019). Performance of the retailers can be measured through profit margins, market share, level of responsiveness and ability to keep the business profitable and running (Kapsali, Roehrich &Akhtar, 2019). Profit refers to a financial gain generated when revenue generated is higher than expenses, costs and taxes. Customer satisfaction is a principal factor in ascertaining the success from the view point of a customer which affect customer service. Customers prefer retail stores that are well stocked, responsive to external environment, convenient and reliable. In case of a global pandemic that cause supply chain disruptions in retail supply chains on a global scale, performance is greatly hindered due to delivery issues, material unavailability and logistics disruptions. Retail firms should proactively prepare their operations and supply chains against such disruptions by adopting strategic sourcing initiatives such as supplier market assessment, supplier relationship management, to meet the needs of the customer even under straining circumstances such as a global pandemic (Kapsali, Roehrich &Akhtar, 2019).

According to Lunga and Mbanje (2015), performance measure entails both qualitative and quantitative assessment of the degree to which an organization will achieve the specific or general objectives. Traditional performance measures of firms included financial indicators including cost, market share and profit. Performance measures can vary in supply chain range from business process perspective, non-cost measures to cost measures among other financial indicators, to customer satisfaction, revenues, learning and growth, operational measures such as quality performance or cycle time (Chopra & Meindl, 2015).

Performance measure can be used in different ways in the organization including evaluation and forming basis for reward of individuals, decision making and allocation of scarce resources depending on strategic business targets (Chan & Qi, 2006). Therefore, it is necessary for organizations to implement strategies that will improve supply chain performance. A good performance measurement is key in improving performance within supply chain operations and improving performance for all actors (Chan & Qi, 2006). However, financial and non-financial indicators such as delivery time, quality, customer satisfaction and lead times among others can form the basis for performance measurement. Financial and non-financial indicators are measures of performance that will be used in the study including customer satisfaction, revenue, and market share and customer service.

RESEARCH METHODOLOGY

Research design is a useful strategy that helps researchers collect and analyse data in order to respond to the research question or hypothesis. The research adopted correlational research design. According to Cooper & Schindler (2011), correlational research design is a research method that observes and explains the relationships between variables. The aim of correlational research design is to identify the extent that a change in one variable create some change in the other. The research design is useful in describing causal relationship for the variables in the study.

The target population of the study was 116 retailers registered under The Retail Trade Association of Kenya, which will form the unit of analysis for the study. The unit of analysis refers to the entity that the researcher wishes to study and is considered the focus of the study. The unit of analysis for the study was 116 retail firms in Nairobi City County, Kenya registered under The Retail Trade Association of Kenya. On the other hand, the unit of observation is the items that the researcher observes, collects and measures. The unit of observation was the supply chain managers from the retail firms within Nairobi County.

The study used census method where all the members of the population will be analyzed. Census method is a statistical method where the total population are studied (Cooper & Schindler, 2006). In this study, the research made observations on all the retail firms within Nairobi City County. The sample size was 116 retailers in Nairobi City County. The Retail Trade Association of Kenya has a membership of 160 retailers with over 600 outlets across the country including major and medium size supermarkets (Cytonn, 2020). The study focused on 116 retail firms within Nairobi City County, Kenya. The study will use 116 supply chain managers of the retail firms within the Nairobi City County as the sample size for the study.

The research used a combination of qualitative and quantitative method. The main collection instrument was the use of questionnaires that comprised of both open and close ended questions. In comparison to other research methods, questionnaires offer a wide coverage allowing researcher to gather information from a large audience in an economical way (Saunders, Lewis, & Thornhill, 2009).

Pilot testing is the preliminary study that is used to test the proposed research methods planned for the research project. Pilot study helps to determine the feasibility of the research design. Mugenda and Mugenda (2013), argue that pilot testing should be done to 10% of the sample frame. In this research study, 10% entailed 11 respondents drawn from the sample size of the study. Pilot testing will be carried out to allow evaluation of different aspects of the project ahead of time.

The study used qualitative and quantitative method. Qualitative data was gathered using questionnaires and interviews. Quantitative data analysis is the process of analysing numerical data using various computational and statistical techniques. Quantitative data analyses describe and interprets objects statistically with the aim of interpreting the data collected through statistics and numeric variables. The quantitative data obtained was analysed by statistical package for social science (SPSS). Descriptive analysis was used and findings presented using frequency tables and tabulation of percentages. Regression analysis was used to establish the relationship between strategic sourcing and performance in retail firms.

RESEARCH FINDINGS AND DISCUSSION

The study targeted 116 respondents who included supply chain managers of various retail firms in Nairobi City County, Kenya. The number of questionnaires administered was therefore 116 of which were properly responded to without blank spaces. This represents an overall response rate of 78% as shown in Figure 4.1. A response rate of 70% was very good according to an argument by Glesne (2015) that a response rate above 50% is satisfactory for a descriptive study. Mugenda (2012) further states that a 50% is considered adequate, 60% good and 70% very well.

Descriptive Findings

In this section, descriptive findings were used to establish the mean and standard deviation of the responses on Likert scales used in the study. The findings were presented as per the objectives of the study. A scale of **1 to 5 will be used in the study with 5 being strongly agree, 4 agree, 3 neutral, 2 disagree and 1 strongly disagree.**

Descriptive Findings of Supplier Market Assessment

This study sought to analyze the effects of supplier market assessment on performance of retail firms in Nairobi City County. The findings were presented in Table 1

Table 1: Descriptive Findings of Supplier Market Assessment

Statement	Mean	Std. Dev.
At what rate do the suppliers of retail organization match the needs and requirements of the organization	3.48	1.20
Does the retail organization perform supplier market assessment before award of tenders to suppliers	4.12	0.86
Effect of benchmarking on the best suppliers in the market on performance of retail firms	3.01	0.52
Transparency and trust in sharing information between suppliers and retail firm	3.51	0.45
We rely on suppliers' market information to increase our performance in retail firms	3.53	0.61
Average	**3.60**	**0.73**

The results in Table 1 revealed that supplier market assessment was important tool in improving strategic levels decisions and eventually an improvement in the general performance of retail firms. The findings indicated that the respondents agreed that their firms considers the needs of the firm as the main criterion in selecting right suppliers (Mean = 3.48), strongly agree that the firm conducts supplier market assessments before an award of tender (Mean = 4.12) and agree that there is transparency between the suppliers capabilities and retail firms (Mean = 3.88).The respondents were however neutral on the statement that their firms regularly solve perform benchmarking of suppliers (Mean = 3.01). These findings collaborated well with earlier findings in the literature review where Sue, (2013) established that supplier market assessment creates value addition through strategic decisions that arise from information collected that help in the selection of suppliers that meet the organization's procurement priorities so as to eliminate or minimize uncertainties around the supply chain thus improving the performance of the firm.

Descriptive Findings of Supplier Relationship Management

The study further sought to analyze the effects of supplier relationship management on performance of retail firms in Nairobi City County. The findings were presented in Table 2

Table 2. Descriptive Findings of Supplier Relationship Management

Statement	Mean	Std. Dev.
Sharing of information and competences with suppliers to achieve the Performance of retail firms.	3.89	0.75
Direct involvement of the firm, suppliers and customers in planning and forecasting to achieve performance of retail firms	4.17	0.56
We rely on suppliers to increase our performance	3.97	0.68
We develop capabilities of supply partners to achieve the Performance of retail firms.	3.88	0.71
Joint product development and design to achieve Performance of retail firms	3.51	0.61
Average	**3.88**	**0.66**

The second objective of the study was to examine the influence of supplier relationship management on performance of retail firms in Nairobi City, Kenya. The respondents were asked to rate statements on supplier relationship management on a scale of 1 to 5. The findings indicated that an improvement of supplier relationship management leads to improved performance of the retail firms. The respondents agreed that their firms consider quality as the main criterion in sharing information (Mean = 3.89), help direct involvement and including key suppliers in our planning and goal setting activities (Mean = 4.17) and developing suppliers capabilities through partnerships (Mean = 3.88).The respondents were however neutral on the statement that their firms regularly solve problems and joint product development of products with suppliers (Mean = 3.51).However, on average, there was agreement that supplier partnerships exist and practices such as supplier improvement programs and joint planning for improvement of performance in the retail firms in Nairobi City (Average Mean = 3.88). The findings are consistent with the findings of a study by Vivek, Sen, Savitskie, Ranganathan and Ravindran (2011) who indicated that organizations are considering supplier relationship management as the first crucial step towards improvement in organisational performance.

Descriptive Findings of Performance of Retail Firms in Nairobi City County, Kenya

The study analysed the performance of retail firms in Nairobi City County. The findings were presented in Table 3

Table 3: Performance of Retail Firms in Nairobi City County, Kenya

Statement	Mean	Std. Dev.
There has been increased profit margins	3.47	0.51
There has been improvement in stock price and firm ratings in retail industry	3.77	1.3
There has been reduced stock outs	4.2	1.07
Return on investment has improved	4.4	1.16
Improved customer satisfaction index	3.6	1.35
Average	**3.89**	**1.08**

The findings in Table 3 revealed that the respondents agreed that there has been an improvement of firm stock price and ratings in retail industry (Mean = 3.77), return on investment (Mean = 4.40), profit margin (Mean = 3.47), reduced stock outs (Mean = 4.20) and customer satisfaction index (Mean = 3.60). On average, there was an agreement on improvement of the performance of retail firms in Nairobi City County. The results in further revealed that all the respondents agreed that performance is strongly affected by the factors under consideration. This relates well with earlier studies where Weele (2006) indicated that purchasing performance is the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organisation to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. This means that strategic sourcing is not an end in itself but a means to efficiency of the purchasing function and improvement of performance within the retail industry (Lardenoije, Raaij, & Weele, 2005).

Correlation Analysis

The association among the variables used in the study was examined using the correlation analysis whose results are presented in table 4 below

Table 4: Correlation Analysis

		Supplier Market Assessment	Supplier Relationship Management
Supplier Market Assessment	Correlation Coefficient	1	
	Sig. (2-tailed)		
Supplier Relationship Management	Correlation Coefficient	.348*	1
	Sig. (2-tailed)	0.014	
Performance	Correlation Coefficient	.408*	.986*
	Sig. (2-tailed)	0.000	0.000
	N	120	120

A Pearson moment correlation was deployed. The results indicate that effective supplier market assessment have a positive and significant effect on performance of retail firms in Nairobi City County which were positively correlated as indicated by the value 0.408. The correlation was significant as indicated by the value 0.000 as it was below 0.05. This means that an enforcement of strategic sourcing strategies such as supplier information, information sharing and benchmarking are associated with improvement of performance of retail firms in Nairobi City Country, Kenya.

The findings showed that supplier relationship management were positively correlated with performance of retail firms in Nairobi City County as given by the value0.986, significance value was 0.000 which is below 0.05. This means that an increase in enforcement of supplier relationship management techniques such as joint product design, improvement of levels of supplier engagement and supplier capability improvement can result in improved performance of retail firms in Nairobi City County.

Regression Analysis

Regression analysis was used to determine the effect of strategic sourcing on performance of retail firms. Under this section, the coefficient of determination was explained, the model significance and model coefficients. The sections are discussed as indicated below:

Model Summary

The regression findings indicated the extent to which strategic sourcing investigated in the study affect retail firms in Nairobi City County registered under RETRAK. The findings revealed that supplier market assessment and supplier relationship management explain up to 83.1% of the variation in performance of retail firms in Nairobi City County registered under RETRAK as shown by an R square value of 83.1. This indicates that the four factors are significant in determining performance of the firms. Only 16.9% of the variation in performance of retail firms in Nairobi City County registered under RETRAK are influenced by other factors other than integrated supply chain practices and not indicated in the study. The findings are presented in Table 5.

Table 5 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.912	0.831	0.823	0.2976
Predictors: (Constant), Supplier Market Assessment, Supplier Relationship Management,			

Model Significance

The study also established whether the regression model linking supplier market assessment, and supplier relationship management were significant. The findings presented in Table 6 indicated that the F statistic was significant (Sig = .000, < .05) which implies that the regression model was fit / significant. This, therefore, implies that strategic sourcing can be used to significantly predict performance. These findings are consistent with those of Le, Hai, Sun and Chen (2014) who indicated that integrated assessment, supplier management and collaboration lead to cost reduction and greater value enhancement thus improving company performance.

Table 6: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	31.724	6	8.181	69.566	.0002
Residual	6.082	80	0.080		
Total	37.806	86			
Dependent Variable: Performance					
Predictors: (Constant), Supplier Market Assessment, Supplier Relationship Management,					

Model Coefficients

According to the model, an additional unit in supplier market assessment would lead to an increase in performance by 0.301. A change in a increase of supplier relationship management would result to a rise in performance by a factor of 0.540.

Table 7: Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig.
(Constant)	0.386	0.425		0.908	0.380
Supplier Market Assessment	0.301	0.095	0.182	3.168	0.002
Supplier Relationship Management	0.540	0.051	0.673	10.588	0.001

From the SPSS generated output:

Performance of retail firms in Nairobi City County =0.386 + 0.301(supplier market assessment) + + 0.540(supplier relationship management)

Revised Regression Equation

The revised regression equation indicates that all the strategic sourcing techniques have a positive and significant influence on performance of retail firms in Nairobi City County registered under RETRAK. However, the most significant variable was supplier relationship management (t = 10.588), then supplier market assessment (t = 3.168)

Interpretation

From the above regression model top management in the procurement departments should first enhance supplier relationship management between the suppliers and the retail firms within the procurement department. Further, supplier market assessment should be enhanced to ensure there is adequate and accurate information between the supplier and buyer and to ensure that there is effective internal controls. Supplier market assessment helps the retail firms in selection of the right supplier and quotations of the right prices and right quality of products. It also helps to identify loopholes left in the procurement process and come up with strategies to curb any eventuality that might arise out of the gaps left.

It was also revealed that supplier relationship management has a positive and significant effect on performance of retail firms in Nairobi City County (Beta = .673, Sig = .00, < .05). The findings imply that there is a significant improvement in performance retail firms in Nairobi City County by 0.673 units given an increase in supplier relationship management by one unit. The findings agree with that of Kamau (2013) on supplier relationship management and organizational performance among large manufacturing firms and established that there is a positive and significant association between supplier relationship and performance.

Conclusion

The findings led to the conclusion that an increase in strategic sourcing and purchasing practices such supplier market assessment including supplier information sharing and benchmarking increase in performance of retail firms in Nairobi City County registered under RETRAK

The study findings also led to the conclusion that an increase in supplier relationship management through joint planning and goal setting activities, joint product design development, increased level of supplier involvement and supplier capability development leads to an increase in performance of retail firms in Nairobi City County registered under RETRAK.

Recommendation

The study recommended that since strategic sourcing practices have a positive and significant influence on performance of retail firms in Nairobi City County registered under RETRAK, there is a need for the retail firms to increase adoption of strategic sourcing practices such as supplier market assessment including supplier information, benchmarking and information sharing.

The study also recommended that since supplier relationship management have a positive and significant influence on performance of retail firms in Nairobi City County, there is a need for the retail firms to increase adoption of supplier relationship management by increasing the level of supplier involvement, supplier capability development and joint product design development.

Areas for Further Research

The study focused on the effect of strategic sourcing on performance retail firms in Nairobi City County, Kenya. Even though the study filled knowledge gaps in the previous studies, a number of knowledge gaps arose which can be filled by future studies on the topic. The study focused on retail firms in Nairobi City County registered under RETRAK. This creates a contextual knowledge gap since the registered under RETRAK are under 5 sub sectors. This study focused on FMCG sub sector with retail firms falling under the Nairobi County category. For comparison purposes, other studies can focus on the other sub sectors. The study findings also showed that supplier market assessment, supplier relationship management explain up to 83.1% of the variation in performance of retail firms in Nairobi City County registered under RETRAK indicating that the remaining 16.9% of the variation in performance retail firms in Nairobi City County registered under RETRAK is explained by other factors other than strategic sourcing practices. There is hence a need for future studies to establish these other factors not investigated in this study.

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