

RELATIONSHIP BETWEEN STRATEGIC PARTNERSHIP SOURCING AND PROCUREMENT PERFORMANCE OF JAMES FINLAY KENYA LIMITED IN BOMET COUNTY KENYA

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Abstract: Procurement practice is charged with adoption of sourcing strategies to radically improve performance in organizations. Despite the importance of sourcing strategies, a culture of noncompliance by some organizations and lack of sound procurement systems has contributed to poor procurement performance. James Finlay Kenya Limited continues to face major challenges in managing its overall operating cost due to increase of sourcing cost as indicated in a survey report of 2015. The purpose of this study was to establish the relationship between strategic partnership sourcing and procurement performance in James Finlay Limited Kenya. The location of the study was James Finlays Limited, Bomet County Kenya. Correlation and cross-sectional research design was utilized in conducting the study. The target population for the study was 200 officials from procurement department in James Finlay Kenya Ltd. A sample size of 133 respondents was selected using stratified sampling technique. A structured questionnaire was the main data collection instrument. Validity of the research instruments was achieved by consulting supervisors and expert opinion in the field of procurement. To ascertain reliability of the research instrument, a pilot study was done in Unilever Tea Company where employees in their central stores were involved. The data from the pilot study was analyzed and findings compared with Cronbach alpha coefficient value of 0.7 where a value of 0.874 was achieved hence was deemed to be is reliable. The findings of the study may be significant to industry players, policy makers and other scholars to realize the appropriate sourcing strategies that will enable to reduce cost of operations and improve on their profitability. The study recommends that the organization should invest much on partnership sourcing since it has positive influence on the overall performance even though the influence is not significant.

Keywords: Strategic Partnership Sourcing, Procurement Performance.

1. INTRODUCTION

Sourcing strategies is broadly described as a process that directs all sourcing activities toward opportunities that enable an organization to achieve its long-term operational and organizational performance goals (Kocabasoglu & Suresh, 2006; Lawson, Cousins, Handfield & Petersen, 2009). It includes a wide range of activities namely creating an overall strategy for sourcing, evaluating and selecting suppliers, procuring materials/services and managing supplier relationships. If properly structured, sourcing strategies can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers.

Eltantawy, Giunipero and Handfield, (2014) pointed out that sourcing strategies differs from traditional purchasing in several important ways; traditional purchasing focuses on purchase price while strategic sourcing focuses on the total cost of ownership; traditional purchasing is transactional while strategic sourcing is collaborative and focused on the management of an ongoing relationship between buyer and supplier. According to Rogers, (2019) sourcing strategy is an approach that an organization adopt in order to reduce value of spending, manage procurement risk and supply market character. There are a number of strategies such as; crowd sourcing, dual sourcing, ethical sourcing, insourcing, low cost country sourcing, multiple sourcing, single sourcing and global sourcing. He argued that sourcing strategies are dependent on technology, for instant crowd sourcing uses internet technology and allows a group of people to purchase goods easily.

Sourcing strategies aims at improving how companies purchase their goods, materials and services so as to remain competitive and profitable. It is one of the procurement processes that can rapidly improve procurement performance through exerting pressure on sourcing costs. The value of strategic sourcing is to enable organizations to obtain high quality goods and services at the lowest possible total cost (Krause, 2000). Companies that often practice sourcing strategies are believed to reduce operation cost rapidly. Sourcing has changed from purchasing approach to a more need based on futuristic plans and strategies. Traditional sourcing was more based on haggling for the best price where purchases were based on transactions agreed upon. While strategic sourcing on the other side is associated with long-term purchasing policies, supply based, sourcing partnership and intra-company training, globalization for better quality (Kihanya, Wafula, Onditi, & Munene, 2015).

Around 1980s in the USA, France and the UK, material cost contributed about 60% of the cost of goods and services sold. Sourcing strategies reduce cost by 50% , this has geared companies in North America and Europe to enter into a purchasing contract with a company that is 8,000 miles away in the Far East, rather than their domestic supplier 100 miles away (Jiang, 2010).

In Africa, online buying and sourcing of goods and services has increased rapidly, managers, purchasing officials, and industry leaders spend time and also resources in attempt to improve the process of identifying and selecting suppliers. Furthermore, there is risk of purchasing low quality goods if evaluation of suppliers is not done carefully. This can cause major impact and ripple throughout the organization (Daniel, 2005). Consequences vary from late delivery, poor quality among others. Additionally when the selected suppliers are not able to provide advantage of costs reduction, improved product/service delivery, then an organization can quickly lose market share (Daniel, 2005).

In Kenya, sourcing strategies has not thrived well though many companies at present practice strategic sourcing in their business activities with an aim of improving the organization's performance. As a result the company ends up with goods of the right quality and quantity hence achieving maximum profits (Carr, 2000). Several companies still have continued to use traditional procurement procedures which maintain high sourcing costs signifying roughly 40% to 80% of total goods traded and 30% to 50% of total revenue (Chopra & Meindl, 2003). Failure of realizing the need to adopt strategic sourcing has jeopardized procurement performance in many organizations in Kenya. Pillania (2007) noted that effort is needed to realize a 10% reduction of sourcing cost and gain an equal amount of revenue.

James Finlay Kenya Limited generally has multiple suppliers for critical parts therefore they don't rely on one source and cases where there is business interruptions in the supply chain response are prompt. Over the years this company has embraced the concept of partnership sourcing with key supplier so as to enhance the supplier performance. James Finlay Kenya Limited source some of its required materials, components, machinery and equipment from global suppliers since most of them are not manufactured locally and owing to world class quality, technological advances and lower costs (Korir & Kagiri, 2017).

1.2 Statement of the Problem

Many organizations adopt sourcing strategies to generate sustainable competitive edge hence assessing lower prices, best quality of goods and services, greater flexibility and collaboration. The challenge of sourcing cost, quality products and services has made many organizations to realize the importance of sourcing strategies to ensure sustainable competitive advantage. Sourcing strategies play a critical role in ensuring that companies achieve their set goals, thus companies must ensure that they do not only source, but source using strategies which will reduce cost. Company that can adopt sourcing strategies can reduce operation cost rapidly and obtain high quality goods and services hence improving procurement

performance. Despite the importance of sourcing strategies, a culture of noncompliance by some organizations and lack of sound procurement systems has contributed to poor procurement performance. Multinational Tea companies which include Unilever Tea Company, Williamson Tea Limited and James Finlay's continues facing major challenges in managing its overall operating cost due to the constant increase of sourcing cost as indicated in a survey report 2015. Though they practice sourcing strategies they have not been stable in the recent past, this has raised anxiety among shareholders who are involved. Several studies have been done in relation to sourcing strategies and procurement processes as well as procurement practices in the public sectors in Kenya but none have been done on partnership sourcing in multinational companies where this study will be undertaken.

2. PARTNERSHIP SOURCING AND PROCUREMENT PERFORMANCE

Partnership is a procurement practice in an organization whose aim is to reduce cost and achieve business objectives. It is also viewed as a working relationship which exists between customer and the organization built over time on mutual dependency. Lysons & Farrington (2006) avers that partnership is a link involving suppliers and customers, irrespective of size of the organization or the country of origin hence leading to long term relationship that is based on mutual agreement upon specific objective. It is also a change from traditional procurement method that treats large and small scale enterprises as automatic suppliers. Over the past few years, many organizations have expressed their interest in partnership sourcing.

In a study by Ndugi (2017) who conducted a study to assess partnership sourcing and performance procurement function in universities of Nakuru County found that shared goals significantly influence procurement performance and that effective communication significantly influenced procurement performance in the organization. The study restricted itself to public entity, but study will be conducted in multinational organization. Buyer supplier relationships significantly influence procurement function performance and that there is clear understanding when information is freely shared since transparency fosters effective performance. This is as per Mutua & Juma (2018) who did a study on strategic sourcing and procurement performance in commercial banks in Kenya where they examined major sourcing decisions which are supplier selection and buyer selection.

Strategic material sourcing positively affects organization performance and leads to improvement. This is according to Philip and Assumpta (2017) who did a study on the effect of material sourcing strategies on organizational performance in James Finlay Kenya Limited. The study analyzed merit-based supplier selection, supply chain partnership, supplier relationship management, and supplier-firm trust. Procurement practices that involve strategic sourcing have significant impact on organization performance, this is according to Akoth & Shilsewa (2017) who in a study focused on the effect of procurement practices and procurement performance in public sugar manufacturing firms in Kenya asserts that employee competency, procurement planning positively influence procurement performance.

3. RESEARCH DESIGN

This study adopted correlation and cross-sectional research designs. Correlation research is concerned with collecting data that is quantifiable to determine to what extent relationship exists between two or more quantifiable variables. The degree of relationship is expressed as a correlation coefficient (R) (Mugenda and Mugenda, 2003). The study was conducted to establish relationship between partnership sourcing strategies and procurement performance. Cross-sectional study design is a type of observational study design where the investigator measures the outcome and the exposures in the study participants at the same time. The study population was 200 employee which comprises of staff from the following departments namely; local procurement, international procurement, tendering and contracting, general stores, marketing, logistics and quality since they are conversant with sourcing and procurement issues in supply chain. A sample size of 133 respondents was used to respond to the study using structured questionnaires. The validity of research instrument was achieved through expert judgment whereby research supervisors and expert in procurement field were consulted. Reliability was ascertained through conducting a pilot study in Unilever Tea Company Limited where 20 respondents who did not take part in the study.

4. DESCRIPTIVE STATISTICS

The study sought to assess the relationship between strategic partnership sourcing and procurement performance of James Finlay Kenya Limited in Bomet County. Respondents were asked to indicate the extent to which they agree with the

statements on strategic partnership sourcing and the responses were rated on a 5-point likert scale ranging from; 1 = strongly disagree to 5 = strongly agree. The descriptive findings of the study on strategic partnership sourcing strategy and procurement performance were sought where the scores of strongly disagree and disagree represented a mean score of 0 to 2.5; the score of agree and strongly agree represented a mean score of 2.6 to 5.0. The responses are presented in Table 1.

Table 1: Strategic Partnership Sourcing Strategy and Procurement Performance

Statement of partnership sourcing	N	1	2	3	4	5	Min	Max	Mean	Std. Dev
Shared procurement information has reduce lead times hence increase organizational performance.	121	39 (32.2%)	27 (22.3%)	4 (3.3%)	30 (24.8%)	21 (17.4%)	1	5	2.43	1.55
Shared information on procurement has resulted in decreased sourcing costs in my organization.	121	39 (32.1%)	18 (14.9%)	6 (5.0%)	18 (14.9%)	40 (33.1%)	1	5	3.02	1.71
Shared information on procurement has leads to improve quality management	121	29 (24.0%)	19 (15.7%)	9 (7.4%)	48 (39.7%)	16 (13.2%)	1	5	3.02	1.43
Procurement benefits are equally shared between the suppliers and organization	121	30 (24.8%)	18 (14.9%)	8 (6.6%)	35 (28.9%)	30 (24.8%)	1	5	3.14	1.56
There is trust between the organization and partners based on procurement information being shared	121	39 (32.2%)	29 (24.0%)	5 (4.1%)	18 (14.9%)	30 (24.8%)	1	5	2.36	1.62
There are timely deliveries of procured good/services as a result of trust based on partnership.	121	30 (24.8%)	18 (14.9%)	5 (4.1%)	34 (28.1%)	34 (28.1%)	1	5	3.02	1.59
There is stable partnership relationship as a result trust among players involved in procurement of goods/services	121	35 (28.9%)	13 (10.7%)	9 (7.4%)	39 (32.2%)	25 (20.7%)	1	5	3.05	1.56
There is improved procurement efficiency as a result of trust between partners	121	29 (23.9%)	28 (23.2%)	5 (4.1%)	29 (23.9%)	30 (24.9%)	1	5	3.01	1.56
There is a mutual procurement consent in solving problems as a result of partners collaboration	121	46 (38.0%)	18 (14.9%)	11 (9.1%)	33 (27.3%)	13 (10.7%)	1	5	2.48	1.49
Average									2.94556	1.56333

Source: Research Data, (2022)

The findings according to Table 4.1 reveals that majority of the respondents (M= 2.43, Std. Dev =1.55) who were 66 (54.5%) disagreed that shared procurement information has reduce lead times hence increase organizational performance. The respondents who were 51 (41.9%) agreed while 4 (3.3%) were undecided that shared procurement information has reduced lead times hence increase organizational performance. Majority of the respondents who were 58 (48.0%) as showed by a mean of 3.02 and standard deviation of 1.71 agreed that shared information on procurement has resulted in decreased sourcing costs in my organization. Respondents who were 57 (47.0%) disagreed while 6 (5.0%) were undecided that shared information on procurement has resulted in decreased sourcing costs in my organization.

The respondents who were 64 (52.9%) agreed, 48 (39.7%) disagreed while 9 (7.4%) were undecided that shared information on procurement had led to improve quality management. The findings were confirmed by a mean of 3.02 and a standard deviation of 1.43 that shared information on procurement leads to improve quality management. Majority of the respondents who were 65 (57.7%) agreed that procurement benefits were equally shared between the suppliers and organization. Respondents who were 48 (39.7%) disagreed while 8 (6.6%) were undecided that procurement benefits were equally shared between the suppliers and organization. The mean of findings 3.14 and the standard deviation was 1.56 revealing that shared information on procurement had leads to improve quality management.

Most of the respondents 68 (56.2%) disagreed that there was trust between the organization and partners based on procurement information being shared. The respondents who were 48 (39.7%) agreed while 5 (4.1%) of the respondents were undecided that there was trust between the organization and partners based on procurement information being shared. The mean findings was 2.36 and the standard deviation was 1.62 which shows that there was no trust between the organization and partners based on procurement information being shared

Majority of the respondents who were 68 (56.2%) agreed that there were timely deliveries of procured good/services as a result of trust based on partnership. The respondents who were 48 (39.7%) disagreed while 5 (4.1%) were undecided that there were timely deliveries of procured good/services as a result of trust based on partnership. The findings of mean were 3.02 and the standard deviation was 1.59 revealing that there were timely deliveries of procured good/services as a result of trust based on partnership. Respondents who were 64 (52.9%) agreed that there was stable partnership relationship as a result trust among players involved in procurement of goods/services. The respondents who were 48 (39.6%) disagreed while 9 (7.4%) were undecided that there was stable partnership relationship as a result trust among players involved in procurement of goods/services. The response reveals that there was stable partnership relationship as a result trust among players involved in procurement of goods/services as showed by a mean of 3.05 and a standard deviation of 1.59.

Majority of the respondents who were 59 (48.8%) agreed, 57 (47.1%) disagreed while 5 (4.1%) were undecided that there was improved procurement efficiency as a result of trust between partners. The mean findings was 3.01 and the standard deviation was 1.56 revealing that there was improved procurement efficiency as a result of trust between partners. There was no mutual procurement consent in solving problems as a result of partners collaboration, this is as per the mean findings of 2.48 and a standard deviation of 1.49. The findings showed the majority of the respondents who were 64 (52.9%) disagreed, 46 (38.0%) agreed while 11 (9.1%) were undecided that there was mutual procurement consent in solving problems as a result of partners collaboration.

The findings imply that shared procurement information had reduced lead times hence increase organizational performance; shared information on procurement had resulted in decreased sourcing costs in my organization; shared information on procurement has leads to improve quality management; procurement benefits were equally shared between the suppliers and organization; there was no trust between the organization and partners based on procurement information being shared. There was timely deliveries of procured good/services as a result of trust based on partnership; there was no stable partnership relationship as a result trust among players involved in procurement of goods/services; there was improved procurement efficiency as a result of trust between partners and that there was no mutual procurement consent in solving problems as a result of partners collaboration.

Table 4.1 findings concurs with the findings of Ndugi (2017) who in a study to assess partnership sourcing and performance procurement function in universities of Nakuru County found that shared goals significantly influence procurement performance and that effective communication significantly influenced procurement performance in the organization. The study also concurs with Mutua & Juma (2018) who established that buyer supplier relationships significantly influence procurement function performance and that there is clear understanding when information is freely shared since transparency fosters effective performance.

The study established that strategic material sourcing positively affects organization performance and leads to improvement procurement practices. This concurs with Philip and Assumpta (2017) in a study on the effect of material sourcing strategies on organizational performance in James Finlay Kenya Limited established that procurement practices that involve strategic sourcing have significant impact on organization performance. Findings also concurs with Akoth & Shilsewa (2017) who in a study in public sugar manufacturing firms in Kenya on the effect of procurement practices and procurement performance established that employee competency, procurement planning positively influence procurement performance.

4.1 Test of Hypotheses

The study tested the following hypotheses using correlation coefficient (r), coefficient of determination (r square), f -ration significance value and coefficient t -test significance value.

H₀₁: “There is no significant relationship between strategic partnership sourcing and procurement performance at James Finlay Kenya Limited in Bomet.” Multiple regression model was used to assess the relationship between strategic

partnership sourcing and procurement performance of James Finlay Kenya Limited in Bomet County. The findings are presented in Table 2.

Table 2: Model Summary for strategic partnership sourcing and procurement performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.598 ^a	.358	.352	1.06091

a. Predictors: (Constant), Strategic Partnership Sourcing

Source: Research Data, (2022)

Table 2 revealed that strategic partnership sourcing had positive significant relationship with procurement performance (R=0.598). The results showed that 35.8% of variation in procurement performance is related with strategic partnership sourcing (R Square = 0.358). However, other factors not in the study attributed to 64.2% variation of procurement performance.

ANOVA analysis was used to test partnership sourcing strategies on procurement management. The hypotheses were tested using 5% significant level.

Table 3 ANOVA^a for strategic partnership sourcing and procurement performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	74.597	2	74.597	66.277	.000 ^b
1	Residual	133.938	119	1.126		
	Total	208.535	121			

a. Dependent Variable: Procurement Performance

b. Predictors: (Constant), Partnership Sourcing Strategies

Source: Research Data, (2022)

Table 3 on ANOVA revealed that there existed significant relationship between strategic partnership sourcing and procurement performance ($F_{(2,119)} = 66.277$, $P < 0.05$). The findings showed that the significance value is 0.000 which is below 0.05. This imply that there is a statistically significant difference between strategic partnership sourcing and procurement performance.

Table 4 Coefficients^a for strategic partnership sourcing strategies and procurement performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.404	.225		6.230	.000
	Strategic Partnership Sourcing	.563	.069	.598	8.141	.000

a. Dependent Variable: Procurement Performance

Source: Research Data, (2022)

As presented on Table 4, it was established that there exists a significant positive relationship between strategic partnership sourcing and procurement performance $\beta = 0.563$. The results were statistically significant since p was 0.000 which was less than 0.05.

The beta coefficient of 0.563 means that when strategic partnership sourcing increases by an additional unit, procurement performance of James Finlays Kenya Tea increases by 0.563.

From the coefficient of determination findings, the regression model now becomes:

$$Y = 1.404 + 0.563PS \dots \dots \dots (i)$$

Where Y = Procurement Performance, PS = Strategic Partnership Sourcing

The study findings showed that strategic partnership sourcing significantly influence procurement performance. This concurs with the findings of Ndugi (2017) in a study to assess partnership sourcing strategies and performance procurement function in universities of Nakuru County. It also agrees with Mutua & Juma (2018) findings in a study on strategic sourcing and procurement performance in commercial banks in Kenya that there is clear understanding when information is freely shared since transparency fosters effective performance. The findings are also in line with Philip and Assumpta (2017) who did a study on the effect of material sourcing strategies on organizational performance in James Finlay Kenya Limited which established that strategic material sourcing positively affects organization performance and leads to improvement. Strategic sourcing has significant impact on organization performance, this is according to Akoth & Shilsewa (2017) who in a study focused on the effect of procurement practices and procurement performance in public sugar manufacturing firms in Kenya.

The study therefore concludes that the hypothesis **H₀₁**: “There is no significant relationship between strategic partnership sourcing and procurement performance at James Finlay Kenya Limited in Bomet” is rejected since the findings showed that there exists a significant positive relationship between strategic partnership sourcing and procurement performance $\beta = 0.563$ and that results were statistically significant since p was 0.000 which was less than 0.05.

5. FINDINGS

The findings imply that shared procurement information had reduced lead times hence increase organizational performance; shared information on procurement had resulted in decreased sourcing costs in my organization; shared information on procurement has leads to improve quality management; procurement benefits were equally shared between the suppliers and organization; there was no trust between the organization and partners based on procurement information being shared. There was timely deliveries of procured good/services as a result of trust based on partnership; there was no stable partnership relationship as a result trust among players involved in procurement of goods/services; there was improved procurement efficiency as a result of trust between partners and that there was no mutual procurement consent in solving problems as a result of partners collaboration.

6. CONCLUSION

Shared procurement information reduced lead times and increase organizational performance leading to reduced sourcing costs as well as improves on quality management. Procurement benefits were shared between the suppliers and organization and that there was no trust between the organization and partners based on procurement information being shared. There were timely deliveries of procured good/services hence improved procurement efficiency as a result of partners collaboration. Organization should invest much on partnership sourcing since it has positive influence on the overall performance even though the influence is not significant.

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