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INFLUENCE OF STRATEGIC SOURCING ON PROCUREMENT PERFORMANCE OF KENYAN COMMERCIAL BANKS

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ABSTRACT
The purpose of this study was to find out the influence of strategic sourcing on the performance of the procurement function of commercial banks in Kenya. This study explored how key sourcing decisions, Supplier selection and buyer supplier partnerships influence procurement performance. The population consisted of 40 commercial banks that are licensed by Central bank of Kenya (CBK) as at July, 2016. Since the number of banks was relatively small a census was done to collect primary data through interviewing bank procurement managers using questionnaires whilst secondary data was from earlier works on the subject through a comprehensive literature review. Descriptive and inferential statistics were used in data analysis with the Statistical package SPSS being used in analysis of data. Correlation analysis using Spearman correlation coefficient techniques was used to establish the kind of relationship that existed between variables to draw key findings and inform recommendations for further research. The study concluded that if properly structured, strategic sourcing can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. The study maintained that strategic sourcing is increasingly being recognized as an integral part of business strategies and practices in banking institutions. From the results it was established that proper sourcing strategies greatly improve the performance of these institutions. It was also found out that an increasing reliance on suppliers leads businesses to be more exposed to uncertain events, which explained why supplier selection is a critical process in procurement performance. The study recommended that banking institutions should improve their sourcing strategies and benchmark them with best in practice organizations and ensure they enter into buyer supplier relationships that are fostered on trust and goodwill on both parties in order to maintain and improve organization performance. This study contributed immensely towards filling gaps in knowledge and information in the area of strategic sourcing as it related to procurement performance of commercial banks in Kenya.

Key Words: *Sourcing Decisions, Supplier Selection, Buyer Supplier, Procurement Performance*

INTRODUCTION

In an environment of relentless budget pressure and the need to reduce costs while continuing to fulfill mission objectives, many organizations are turning to strategic sourcing to stretch the value of every procurement dollar spent. With 50 to 70 percent of an organization's cost structure typically being spent on procured goods and materials, strategic sourcing has the potential to deliver tremendous value without major restructuring (Universal Parcel Services [UPS], 2005).

Strategic sourcing 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, strategic sourcing can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. Sourcing decisions are vital for any organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness (Anderson & Katz, 1998).

Eltantawy, Giunipero and Handfield, (2014) pointed out that Strategic sourcing 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.

Findings by UPS (2005) indicate that one advantage attributed to a well-coordinated Strategic Sourcing initiative is gaining an understanding of how competencies and processes support a clearly defined business strategy. The initiative presents the opportunity to clarify and communicate corporate goals. Ultimately, an organization will select its suppliers based on their ability to support and assist in improving a process, providing a product/service at a lower total cost, or offering a better product/service that helps to differentiate it (UPS, 2005).

According to Weele (2006) procurement performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization 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 procurement performance is not an end in itself but a means to effective and efficient control and monitoring of the procurement function (Lardenoije, Raaij, & Weele, 2005). Knudsen (1999) suggested that it is the effectiveness and efficiency in the procurement function that changes an organisation from being reactive to proactive in the achievement of its set performance objectives.

The Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering, leveraging on diversification to alternative channels, albeit in a tough operating environment. Credit Information Sharing systems, agency banking, revised prudential guidelines and mobile banking are some of the new developments in banking that have spurred increased efficiency in the sector, as well as enhanced competition (CBK, 2016). As at July, 2016, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 42 commercial banks; 40 operational and 2 under receivership, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 14 money remittance providers, 86 foreign exchange bureaus and 3 credit reference bureaus. (CBK, 2016)

Statement of the problem

In any organization sourcing of materials and services is an important activity as it dictates the responsiveness of a firm in meeting its customer needs. Competitive pressures have ensured that sourcing is done in a strategic manner. (Kaushik & Mahadevan, 2011)

A number of studies have been done in the field of strategic sourcing, its importance, issues and challenges, processes, source selection criteria and framework. Jin (2013) in her study on strategic sourcing in the textile and apparel industry found out that strategic sourcing significantly impacts buyer-supplier relationships, supplier evaluation, and sourcing performance of buying companies. However the study is contextually not related to the performance of commercial banks. Abdullah, Mohamed, Othman, and Uli, (2009) while studying the effect of sourcing strategies on the relationship between competitive strategy and firm performance found out that cost leadership strategy that is mediated by make strategies generates better performance than other types of association. This study also didn’t explore supplier relationships and selection as variable that affect procurement performance.

Kakwezi and Sony (2010) in their study on procurement processes and performance, established that financial and non-financial measures are equally important in indicating the performance of the procurement function. This study however didn’t consider any of the variables that relate to strategic sourcing.

Masiko (2013) in his work on strategic procurement practices and procurement performance among commercial banks in Kenya isolated six strategic procurement practices and how they contribute to success of the procurement function. The practices comprised; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, measurement plan, category management and spend management plans and technology utilization. Kariuki (2013) in her study on procurement performance in banks found out that banks prepare budgets and reports on a frequent basis as a way of measuring procurement performance. These two studies though related to this research are lacking in the context of the influence of strategic sourcing on procurement performance.

It is clear that research has been done on strategic sourcing and procurement performance but focus is on different aspects and not on strategic sourcing and its influence on the performance of commercial banks in Kenya. This therefore formed the research gap and need for this study.

Objectives of the study

The general objective of this study was to determine the influence of strategic sourcing on the procurement performance of commercial banks in Kenya. The specific research objectives were:-

- To determine the influence of sourcing decisions on procurement performance
- To investigate the influence of supplier selection on procurement performance
- To establish the influence of buyer-supplier partnerships on procurement performance

LITERATURE REVIEW

Theoretical review

Resource-based view

Resource dependence theory maintains that the key to an organization's survival is the acquisition and maintenance of resources (Pfeffer & Salancik, 1978). Firms who lack resources will seek to establish relationships with others to obtain the needed resources. In relationships where the firm is dependent, they will attempt to alter the relationship to minimize their dependence (Medcof, 2001; Pfeffer et al, 1978). The decision to make, buy, or ally with a supplier is informed by the importance of the activity and whether or not the control of the resources is concentrated. Activities that are not critical and could be performed by many suppliers can be outsourced. Activities that are not critical but could be performed only by a few suppliers can be outsourced, but ways to make the firms interdependent should be used. To the extent that there are few sources and the resource is important, the supplier would have excessive power. Thus, such resources should be made, if possible. One approach to bringing the resource into the firm is to purchase a supplier (Casciaro & Piskorsky, 2005). If it is not possible to source internally, then attempts should be made to reduce dependency on the supplier by becoming interdependent through an alliance. If the activities are critical but control of these activities is not concentrated, firms should look to alliances with suppliers. The activity is too important to buy on the open market, and firms can reduce their dependency on an external source by seeking to ally themselves with the provider. By allying, they create mutual interdependencies in a stronger way than interlocking directorates (Casciaro et al, 2005). To further reduce their dependence, multiple sourcing partners should be sought. Historically, resource dependence theory would have been used to suggest that in relationships where their exchange partner is dependent, firms should seek to enhance that dependence (Pfeffer et al, 1978). However, given the insights of the other theories reviewed in this paper, exploitation of resource dependencies may have long-term negative implications for trust and reputation as well as performance

The RBV theory (Barney, 1996; Wernerfelt, 1984) focuses on explaining how firm-specific resources and capabilities characterized by value, rareness, imitability, and non-substitutability form the basis of sustained competitive advantage. A firm's resources include tangible and intangible assets and capabilities such as employment of skilled personnel, trade contacts, in-house knowledge of technology, efficient procedures, etc. From a theoretical perspective, strategic sourcing is viewed by top management as an important resource of a firm which can be utilized to create or develop the firm's unique and inimitable resources and capabilities to maintain or increase the firm's competitiveness (Dobrzykowski, & Vonderembse., 2010; Gregory, Harris, Armenakis, & Shook, 2009; Chen, & Paulraj, 2004).

This theory is relevant to the study as it explores the kind of decisions and options that need to be considered in relation to supplier selection and partnerships in the procurement of resources. The trade-offs made before a decision is made allude to considerations on efficiency and effectiveness which are core considerations when evaluating procurement performance.

Relational view of strategic management

The increasing importance of strategic role of purchasing in supply chain management and the rapid growth of strategic buyer-supplier relationships across many industries has attracted a great deal of scholarly attention to recognize the issue of how relational competencies generate sustainable strategic advantage (Chen *et al*., 2004). Dyer & Singh (1998,) argue that "an increasingly important unit of analysis for understanding competitive advantage is the relationship between firms". The relational view of strategic management argues that firms should view their ability to manage their inter-organizational relationships as a strategic resource for building strategic advantage (Cousins *et al*., 2008; Paulraj *et al*., 2008; Dyer & Singh, 1998). Relational view highlights the idea that inter-organizational relationships potentially provide a firm with access to key resources from its environment. Strategic sourcing requires a long-term orientation and may ultimately create collaborative advantage and bring about greater benefits than a traditional non-strategic based approach (Chen *et al*., 2004).

Network theory

Network theory centers on the relationships a firm has with other firms, and on how these relationships influence a firm's behaviour and outcomes (Thorelli, 1986). Network theory does not seem to inform the choice of when to make, buy or ally. It does, however, appear to inform to choice of which firms an organization chooses to buy from or engage with as alliance partners. Centrality is a key concept within network theory. Centrality refers to how pivotal a firm is within a network. High centrality refers to a firm that is always sought out as a partner. Such firms enjoy high regard and status among the network (Gulati *et al*., 2000). Being central within a network offer the potential to enhance the four key competitive priorities within supply chains: speed, quality, cost, and flexibility (Hult *et al.*, 2006). A highly central firm can tap its tight links in order to rush orders when needed, seek out the provider offering the best materials and lowest prices, and make seamless transitions over time. Thus, with regard to sourcing, a firm should strive to be central to its network and should seek sources that are central to their networks.

Though this theory doesn't inform the choice on whether to make or to buy it guides on the firms to buy from or engage with as partners. This is very critical since there is a need for structural alignments between a firm and the network it has with its suppliers for effective and efficient performance.

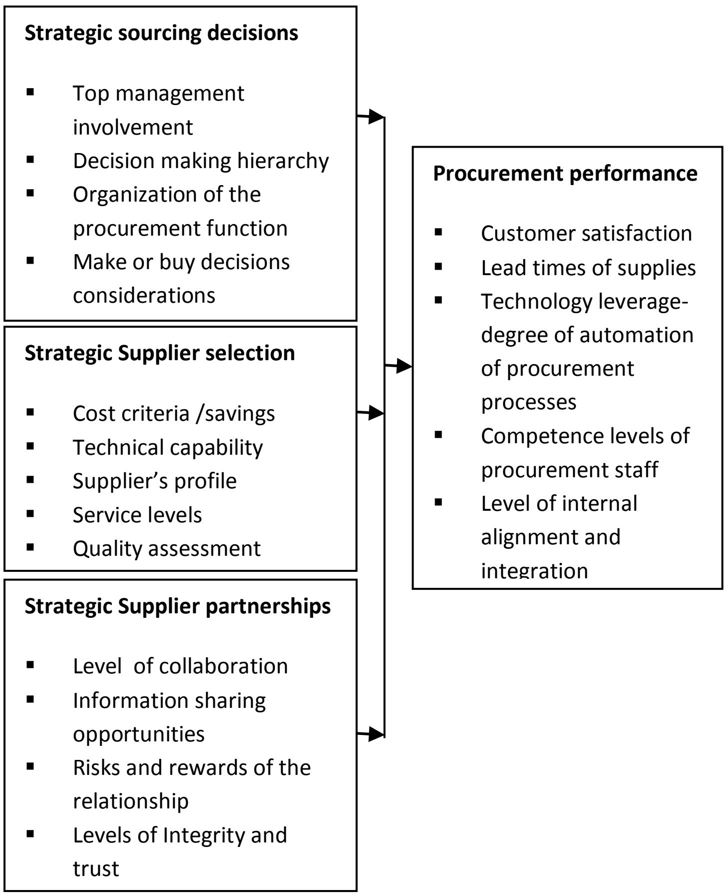
Systems theory

Systems theory views the organization as a system of interconnected parts which interact together to produce products and services (Von Bertalanffy, 1951). From a systems perspective of sourcing, the assumption is that one or more parts of the system is being externalized, and has an effect on the interconnected parts of the system. The nature and strength of this effect is primarily determined by the nature of interdependence between firm work processes. There are three types of interdependence: pooled interdependence occurs when each part of the system makes a distinct contribution to and is supported by the whole; sequential interdependence exists when one part of a system has to complete its contribution before the next can take action from start to finish in the production process; and reciprocal interdependence occurs when outputs of one system serve as inputs to the other, and vice versa (Thompson, 1967).

The type of interdependence offers insights into the associated costs of coordination and communication in sourcing relationships. Increases in interdependence, complexity, task variety, or specialization in production processes increase the coordination and communication costs between firm and sourcing partners (Combs and Crook, 2007). Further, coordination and communication costs are lower for outsourced process beginnings (inputs) and endings (outputs) than for dually interconnected outsourced system parts. Beyond the implications on the coordination and control costs associated with the type of interdependence, systems theory also provides insights on the desirability of multiple and plural sourcing relationships in turbulent environment.

This theory is relevant to this study since there are interdependence within the firm itself and its suppliers. The degree of these interdependences determines the level of collaboration in relation to sharing of information and development of competencies.

Conceptual framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Strategic sourcing

Strategic sourcing 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 and Suresh, 2006; Lawson et al, (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. Carr and Pearson (2002) define strategic sourcing as the process of planning, evaluating, implementing, and controlling highly important sourcing decisions in an effort to meet a firm's long-range plans and goals. If properly structured, strategic sourcing can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. Kocabasoglu and Suresh (2006) identify four key elements of strategic sourcing: elevation of purchasing function to a strategic level, effective cross-functional communication and support within an organization, information sharing with key suppliers, and development of key suppliers.

Previous literature addresses the need for sourcing to assume a more strategic role (Su & Gargeya, 2012; Kang *et al*., (2009); Paulraj and Chen, 2007; Gottfredson *et al*., (2005) in this age of ever-increasing world competition. Chan and Chin (2007) maintain that strategic sourcing has been increasingly recognized as an integral part of business strategies and practices. Incorporating previous literature and considering the purpose of this study, the theoretical construct of strategic sourcing in this research is conceptualized by being proactive as well as long-term focus, having top management support, and strategically managing supplier relationships.

Make or buy sourcing decisions

Strategic consideration of 'make or buy' decisions, with regard to goods and services is central to supply chain positioning for organizations in both private and public sectors. The outcome of a firms' investigations of these issues will define the scope of that part of the supply chain which fall under direct control and which will require resource investments in order to develop its internal capabilities. (Bailey, 2005)

Any sourcing decision is a question on whether a firm; is competent enough to perform its operations fully, or should it acquire the needed resources or should it establish partnership with suppliers in order to outperform competition (Walker 1988; Anderson & Katz 1998; Sislian and Satir 2000). Many firms are obviously working hard toward achieving objectives like cost reduction, quality, service and delivery improvement, organizational focus, flexibility enhancement and change facilitation (Fan, 2000; Zeng, 2000; Humphreys *et al*., (2000); Canez *et al*., (2000); Jennings, 2002; Gilbert, Xia, & Yu,2006). It plays an integrative role in the firm's strategic planning process (Reck & Long, 1988; Ammer, 1989; Carr et al, (2002). The key to succeed in achieving such integration lies in the skills and capabilities of the people who work in the purchasing function (Reck et al, 1988; Carr et al, 2002). Leading-edge multinationals firms have realized that competition is not on a short-term but rather on a long-term basis (Narasimhan & Das 1999; Sislian & Satir 2000).

Capron and Mitchell (2004) argued that 'make' and 'buy' strategies reflect the differences in companies' capacity to cope with contractual hazards, strategic gaps, and internal legitimacy difficulties. Based on the transaction cost arguments, managers are more likely to choose 'make' over 'buy' strategy when the targeted capabilities face increasing asset specificity and contractual hazards (Mowery & Rosenberg, 1989; Pisano, 1990). They also prefer 'make' strategy when targeted capabilities do not exist outside the firm or even if they do exist, they cannot be traded through markets or across firms (Capron & Mitchell, 2004), or when suppliers do not want to trade unique and valuable resources (Dierickx & Cool, 1989). So, to remain competitive, firms need to develop the ability to recombine its internal capabilities into new configurations of capabilities (Henderson & Clark, 1990; Galunic & Rodan, 1998).

'Buy' strategy or outsourcing is an act of moving some of a firm's internal activities and decision responsibilities to outside providers (Lankford & Parsa, 1999). Firms nowadays tend to contract out more manufacturing and service activities than they did a decade ago (Fuller, 2002). This trend has been driven by changes in the business environment and the pursuit of lean operations (Hui & Tsang, 2004). The 'buy' strategic option has enabled firms to secure advantages such as economies of scale and scope , cost reduction, quality, service and delivery improvement, organizational focus, product flexibility enhancement and exploit change facilitation provided by external suppliers (McIvor and Humphreys, 2000; Fan, 2000; Zeng, 2000; Kakabadse & Kakabadse, 2000; Jennings, 2002; Hui & Tsang, 2004; Gilbert *et al*., 2006), as well as gain new knowledge to speed up the time taken to deliver to the market (Fan, 2000; Jenning, 2002; Barragan *et al*., 2003)

Hill, (1991) established that Make or-buy decisions are varied in nature and can be taken from the lowest level to which authority is delegated to the highest level or somewhere in between. Decisions taken at the lower levels are driven by operational needs whereas those taken at the highest level by strategic interests. They are also multifaceted, in the sense that there is a varied range of implications since they affect not only the ownership and employment of physical assets, but also the quantity and quality of human assets directly controlled within the organisation, and risk management activities.

According to Venkatesan (1992) there is lack of a coordinated approach in the choice of a make or buy decisions. Also Pralahad and Hamel (1990) indicated that there are many considerations in the choice of strategic make or buy decisions. They may include, financial constraints, capabilities to provide competitive advantage, benefits of supplier integration, reliability of supply sources, what to shed and what to retain. A guideline that incorporates a differentiated approach may be able to solve this challenge. Such a guideline may include, a scheme to determine and classify situations, identification of personnel to be involved, establishment of procedures to analyze situations and develop solutions.

Lysons and Farrington (2012) supports the above findings by indicating that many quantitative and qualitative factors have to be considered when arriving at a make or buy decision. Therefore to remain competitive, firms are required to make substantial judgment on the wide range of trade-offs present, recognize all the alternatives available and make a decision which balances both the short- and long-term needs of the firm. According to McIvor and Humphreys, (2000) strategic sourcing exists when all the parties recognize the opportunity to work together for mutual benefit, in a long-term and an on-going relationship. So, it is important for firms to be very certain on the advantages and disadvantages of each sourcing options because different suppliers may have different levels of scope and intensity (Branemo, 2006).

Supplier selection

Over last two decades, the evolution of the competitive environment has made business competitiveness and survival depend more and more on their suppliers (Boer, Labro, and Morlacchi, 2001). An increasing dependence on suppliers leads businesses to be even more exposed to uncertain events, which is why the supplier selection has become one of the most important issues for purchasing managers (Coase, 1937; Ronchi, 2003; Hsu *et al*., (2006). Even though supply risks can be reduced through improved processes and buffer strategies (Ning and Yeo, 2006), organizations still need to take actions against unforeseen events because risk cannot be completely eliminated (Fisher, 1997). In an engineer to order (ETO) environment, and for critical supplies in general, buffer strategies cannot be easily and economically implemented. An effort has to be made at various organizational levels to implement process improvement strategies to reduce the risk propensity, for example by forming strategic alliances (Smeltzer and Siferd, 1998; Giunipero and Eltantawy, 2004), by developing suppliers (Krause and Handfield, 1999), and by investing in setting up a supply risk management process.

Despite the evolution of the supply risk management process, the management of the supply risk is still strongly related with risks arising from improper supplier selection (Smeltzer and Siferd, 1998; Giunipero and Eltantawy, 2004). Unless the supplier is properly selected, then strategic alliances, supplier development, and early supplier involvement become more difficult to be implemented, because of the different attitude of every supplier to collaborate and to be a successful target of a planned mitigation intervention.

Consistent with the fact that the buyer needs to periodically evaluate the performance of its suppliers, Pearson and Ellram (1995) argue that initial supplier selection has to follow a rigorous and methodical approach to ensure the best possible performance. In this spirit, several researchers have focused their work on the development or application of models concerning the selection and the evaluation of suppliers (Boer *et al*., 2001; Sarkis and Talluri, 2002; Chan, 2003; 2008; Ordoobadi, 2010). The main approaches applied to this issue are data envelopment analysis (DEA), analytic hierarchy process (AHP), analytic network process (ANP) and mathematical programming. Even if they do not predict "the best way" for selecting suppliers, these models are very important in a business' decision making process. Their combination enables decision makers to actively participate and fully understand the decision-making process through knowledge sharing which in turn ensures high quality of the final decisions (Ordoobadi & Wang, 2011).They also offer a very structured and rigorous approach for evaluation of suppliers. Moreover, since they rely on a wide range of quantitative and qualitative factors, if there is a follow-up in the selection process, it is also possible to evaluate flexibility, reaction capacity, comprehension and reliability in order to minimize risk and maximize value creation.

Even though more than a hundred criteria have been identified in literature reviews (Ho, Xu, & Dey, 2010), the research reporting on supplier selection criteria can be described as contentious (Cheraghi *et al*., 2004; Phusavat and Kanchana, 2007). However, there is consensus on four main common criteria: price/cost, quality, delivery/deadlines and services. Nevertheless, it is interesting to note that the importance of these criteria differ according to whether they concern upstream suppliers or downstream customers (Pearson & Ellram, 1995). Beyond these common criteria, other researchers have suggested studying other significant criteria like flexibility (Sarkis & Talluri, 2002; Huang & Keska, 2007), technology or certification systems (Xia & Wu, 2007). More recently, new criteria such as risk (Chan *et al*., (2007); Chan & Kumar, 2007; Kull & Talluri, (2008) and environment (Chanetal., 2007;Huang & Keska,2007) have emerged.

Supplier customer partnerships

A partnership is defined as a long-term relational mechanism between a supplier and their customer, which replaces open-market mechanism and provides financial and operational incentive for partnering entities to pursue performances individually and jointly (Chang, 2008; Whipple & Roh, 2010; Zhang, 2009). Partnership Sourcing ltd. (1992) defines partnering as a commitment to both customers and suppliers regardless of size to a long term relationship based on clear, mutually agreed objectives to strive for world class capability (Lambert, Emmelhainz, & Gardner, 1996). Distinguished between the levels of partnership as; type 1 partnership where buyers and suppliers recognize each other as partners and on a limited basis coordinate activities and planning. Such partnerships have a short focus and involve only a few areas within each organization; type 11 partnerships where buyers and suppliers have integrated activities. This is longer term and involves multiple areas within the organization and type111 partnership where -buyers and suppliers share a significant level of operational and strategic integration.

The three types of partnership reflect increased strength, long-term orientation and level of involvement between parties. No particular type of partnership is better or worse than any other. The key is to try to obtain the type of relationship that is most appropriate given the business situation. (Lyson *et al* (2012); Knemeyer *et al* (2003))

Lysons et al (2012) asserts that partnering marks a shift from traditional pressures exerted by larger customers on small-sized and medium sized suppliers in which the latter were regarded as subordinates.

According to Carr and Pearson (1999), collaborative relationships between companies differ from transactional relationships because they involve high levels of relational links in the chain being involved. Heide and Miner (1992) suggest that collaboration occurs from four cooperative behavior: information exchange, flexibility, joint problem solving and restricted use of power. Johnston et al. (2004) suggest three cooperative behavior: shared responsibility, shared planning and flexibility. When compared to merely transactional relationships, collaborative relationships require more time and effort in consolidating and continuity; they also have higher costs and risks involved (Monczca et al., (1998)), yet it is these types of relationships that have the greatest potential for generate competitive advantage to those involved (Carr & Pearson 1999; Frohlich & Westbrook 2001, Johnston 2004; Terpend et al. 2008)

Harrison (2004) stated that business relationships constitute a particular governance structure by which transactions can be controlled under conditions of uncertainty with asset dependencies. The buyer-supplier partnership includes the sharing of more information and better coordination of interdependent tasks, and investment in dedicated or specific assets which can improve quality or lower production costs; this process requires trust and a highly efficient governance mechanism (Dyer et al.,1998). The trust, commitment, and collaboration behavioral process is related closely to the success of partnerships (Mohr and Spekman, 1994).

In the era of networked economies, partnership is a subject intimately related to supply chain management. The partnership agreement is a coordination mechanism governing the supply chain relationship (McCutcheon & Stuart, 2000). The crux of a successful partnership is the joint profitability among the members as opposed to individual gains. A management challenge is to reconcile supply chain members' conflicts of interests while creating incentive to achieve performance among the respective partners (Ellram, 1995).

Supplier customer partnership's coordination mechanisms are aimed at integrating value creation processes in research and development (R&D), production, logistics, and services. They exist in the form of information sharing, collaborative operations, joint ownership of investment, among others (Andonova, 2010), and these coordination mechanisms resemble features of vertical integration. Meanwhile, partnership is not permanent and can be terminated as a result of amicable disbandment, business frictions, poor performance, and competition. These features resemble market mechanisms (Ellram, 1995). There are three levels of partnering integration in supply chains. The most integrative type has joint development activities (Jap & Anderson, 2003). Members of this type of partnership together create a new entity or mutually exchange ownerships. A lesser form of integration is strategic alliance where partners implement contractual agreements to achieve operational effectiveness (Gulati & Higgins, 2003). Each partnering entity remains autonomous but the business exchanges are cooperative and collaborative. Finally, the most flexible format is the de facto partnership that may not have a tangible contractual form (Johnston *et al*., 2009).

Procurement performance

Knudsen, (1999) suggested that procurement performance starts from purchasing efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity. According to Weele (2006) purchasing performance is considered to be 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 purchasing performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function (Lardenoije, Raaij, & Weele, 2005). Purchasing efficiency and purchasing effectiveness represent different competencies and capabilities for the purchasing function. CIPS Australia (2005) presents the differences between efficiency and effectiveness. Efficiency reflects that the organisation is "doing things right" whereas effectiveness relates to the organisation "doing the right thing". This means an organisation can be effective and fail to be efficient, the challenge being to balance between the two. For any organisation to change its focus and become more competitive, Amaratunga and Baldry (2002) suggest that performance is a key driver to improving quality of services while its absence or use of inappropriate means can act as a barrier to change and may lead to deterioration of the purchasing function. Organisations which do not have performance deliverables in their purchasing processes, procedures, and plans experience lower achievement of targets, higher customer dissatisfaction and employee turnover (Artley & Stroh, 2001, Amaratunga & Baldry, 2002; CIPS Australia, 2005). Therefore, measuring the performance of the purchasing function yields benefits to organisations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage as was found by Batenburg and Versendaal (2006).

Kakwezi and Sheko (2010) identified four reasons for measuring purchasing performance; it provides feedback on the extent to which the planned outcomes for purchasing are being achieved in the organisation; it provides information for analysis and decision making; It provides information to executive management about the effectiveness, efficiency, value and contributes to the recognition of the procurement function; and it provides focus and motivation for purchasing staff.

Rotich (2011) admits that the evaluation or measurement of procurement performance has always been a vexing problem for procurement professionals. He asserts that traditionally, firms concentrate on analyzing their own internal trends which does not portray the true picture on how they compare well with competitors. Such an approach ignores what the competitors are doing. A firm does not wish to make known to its competitors how or what it is doing for obvious competitive reasons. This has been the case in the public sector where procuring entities have not been making available their procurement data due to the sensitive nature of the data.

“Performance measurement in purchasing cannot be considered in isolation. Rather, it is a crucial part of the purchasing management process. Planning and control go hand in hand. If the purchasing function lacks a clear vision, when purchasing strategies and action plans are ill developed and management reporting is absent, systematic performance measurement and evaluation will be difficult if not impossible. Without it, a procurement organization and purchasing cannot be in control” (Weele 2010:321)

Procurement practitioners however, are fully aware of the important role that they play in risk management, quality and bottom line contribution. The important link that is often missing is the use of a comprehensive, clear and credible performance measurement system that enables the measurement and articulation of procurement achievements to all stakeholders. (CIPS, (2005)

Another major issue for procurement organisations has been the credibility of savings that have been reported as procurement achievements. Unless the savings are apparent in the bottom line of the business through profits, stakeholders have been reticent to attribute cost savings to procurement functions. In reporting savings numbers, procurement organisations need to distinguish between cost avoidance and savings. This can be achieved through the use of a standardized benefits capture system. Such systems facilitate stakeholder endorsement and cross functional collaboration through strict reporting and standardization guidelines (CIPS, 2005)

The incentive for applying a robust performance measurement system is that both the procurement function and the broader organisation will benefit from an enhanced appreciation of procurement contributions. This paper outlines detailed aspects of a performance measurement system for procurement organizations. The system that is most applicable to procurement organizations measures both efficiency (doing things right) and effectiveness (doing the right thing). It also tracks structural features such as process, technology, people and strategic alignment (CIPS, 2005).

There are a number of key attributes of a comprehensive procurement performance measurement system (CIPS, 2005). These include; eliminating influence of external factors to isolate procurement contribution; creating internal alignment – with finance, strategy etc.; accessible by and understandable to stakeholders; consistent – compares 'like with like' and is applied consistently regardless of any impact on procurement value reporting; credible – ensuring that all claims for credit are credible; measuring and reporting on factors that are important; balancing level of detail and extent of analysis with business relevance and impact. Of these attributes, the internal alignment, selection of factors to be measured and credibility are generally considered to be most important (CIPS, 2005)

Empirical review

In any organization sourcing of Materials and services is an important activity as it dictates the responsiveness of a firm in meeting its customer needs. Competitive pressures have ensured that sourcing is done in a strategic manner. (Kaushik & Mahadevan, 2011)A number of studies have been done in the field of strategic sourcing, its importance, issues and challenges, processes, source selection criteria and framework. Jin (2013) in her study on strategic sourcing in the textile and apparel industry in the United States of America found out that strategic sourcing significantly impacts buyer-supplier relationships, supplier evaluation, and sourcing performance of buying companies. However her study is contextually not related to this study given that her data are from the apparel industry, and hence the generalizability of her findings to the banking sector may require additional investigation. Abdullah, Mohamed, Othman, & Uli, (2009) while studying the effect of sourcing strategies on the relationship between competitive strategy and firm performance in Malaysia, they found out that cost leadership strategy that is mediated by make strategies generates better performance than other types of association. The overall objective of their study was to examine the use of Porter's generic strategies, sourcing strategies, and their effect on organizational performance in the context of Malaysia manufacturing industry. This study didn't explore any of the variables under study and hence can only be used as a general guide. Jin (2009) in her study on Strategic Sourcing and Supplier Selection in the U.S. Textile Apparel Retail Supply Network investigated the key causal linkages in supply chain management, the impact of strategic sourcing and supplier selection on firm performance in the U.S. textile apparel retail supply network. The research findings support that strategic sourcing has a significant and positive effect on business performance, and supplier selection has a significant and positive effect on the firm's ability to gain competitive advantages. Therefore, there is need to further find out the influence of supplier partnerships and sourcing decisions as variables that affect procurement performance.

Kakwezi and Sony (2010) in their study on procurement processes and performance: efficiency and effectiveness of the procurement function in Uganda, established that financial and non-financial measures are equally important in indicating the performance of the procurement function. This study was administered to a public entity and hence generalizations to cover banks may not be tenable unless further research is done.

Locally, related studies have been done but there is no conclusive work on how strategic sourcing influences procurement performance of commercial banks in Kenya. Masiko (2013) in his work on strategic procurement practices and procurement performance among commercial banks in Kenya isolated six strategic procurement practices and how they contribute to success of the procurement function. The practices comprised; clear goal identification and setting measurable objectives, development of strategies and tactics, supplier relationship management plan, measurement plan, category management and spend management plans and technology utilization. Though related the variables considered cannot replicate the same results as the variables under study. Kariuki (2013) in her study on procurement performance in banks found out that banks prepare budgets and reports on a frequent basis as a way of measuring procurement performance. She investigated how variables like information technology, Ethics and culture, staff training and internal processes affect procurement performance measurement. These two studies though related to this research are lacking in the context of the influence of strategic sourcing on procurement performance. Japheth (2013) in his study on factors Affecting Procurement Performance: A Case of Ministry of Energy found out that planning positively affects procurement performance to a large extent. This study looked at four independent variables; planning, resource allocation, staff competency and contract management, which according the study contributes to 87.5% of the variations in procurement performance at the Ministry of Energy. The study recommended that plans are not static and that preparation of annual procurement plans should be participatory, frequently reviewed so as to improve on the Ministry's procurement performance. Equally, management of the procurement process should be administered by qualified, competent and experienced procurement professionals. Weeks and Namusonge (2016) in their study on the influence of information technology practices in procurement on organization performance in public institutions found out that information technology is a significant contributor to organizational performance in improving service delivery, efficiency, effectiveness and continuous quality improvement. Maku and Iravo (2013) in their Article on effects of outsourcing on organizational performance at Delmonte Kenya found out that outsourcing enables a firm to access modern technology and expertise. Barsemoi, Mwangangi and Asienyo (2014) in their study on factors influencing procurement performance in private sector in Kenya found out that the application of information technology significantly affects procurement performance in terms of service delivery, compared to staff competence, and organisation management.

METHODOLOGY

For this project descriptive research design was used since according to Burns and Grove (2003), it is designed to provide a picture of a situation as it naturally happens. The target population was heads of procurement departments of the current 40 commercial banks which as at July, 2016 stood at 42 with two under receivership. (CBK, 2016)

A multivariate regression model that was used to link the independent variables to the dependent variable is as follows;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Where; Y = Procurement performance measurement

X_1 = Strategic sourcing decisions

X_2 = Strategic supplier selection

X_3 = Strategic supplier partnerships

In the model, β_0 = the constant term while the coefficient β_1, β_2, β_3 are used to measure the sensitivity of the dependent variable (Y) to unit changes in the predictor variables. ε represents the error term which captures the unexplained variations in the model.

FINDINGS

Descriptive analysis of the effects of sourcing decisions on procurement performance

This section sought to descriptively analyze the effects of sourcing decisions on procurement performance. The findings were presented in Table 1.

Table 1: The effects of strategic sourcing decisions on Procurement performance

SOURCING DECISIONS	1	2	3	4	5	mean	SD
Senior managers are involved in making of sourcing decisions	0 (0.0)	0 (0.0)	6 (25.0)	12 (30.0)	18 (45.0)	4.33	.756
All those involved with procurement understand their role and decision making is structured	0 (0.0)	0 (0.0)	6 (15.0)	26 (65.0)	8 (20.0)	4.05	.597
The role of the procurement department is well understood within the whole organization	0 (0.0)	0 (0.0)	1 (2.5)	27 (67.5)	12 (30.0)	4.28	.506
There is a clear process on decisions related to make or buy options	0 (0.0)	0 (0.0)	6 (15.0)	26 (65.0)	8 (20.0)	4.05	.597

The results in Table 1 revealed that sourcing decisions were not only made at strategic levels they were also made by competent officers who were aligned structurally with a clear decision making process. However there was sizable number of neutral respondents for 3 out of the 4 questions poised.

These findings collaborated well with earlier findings in the literature review where Hill, (1991) established that Make or-buy decisions are varied in nature and can be taken from the lowest level to which authority is delegated to the highest level or somewhere in between. Decisions taken at the lower levels are driven by operational needs whereas those taken at the highest level by strategic interests.

Descriptive analysis of the effects of supplier selection on procurement performance

This section sought to describe the effects of supplier selection on procurement performance. The results were presented in Table 2.

Table 2: The effects of strategic supplier selection on Procurement performance

SUPPLIER SELECTION	1	2	3	4	5	mean	SD
Cost savings rank high in the selection of suppliers	0 (0.0)	0 (0.0)	7 (17.5)	14 (35.0)	19 (47.5)	4.30	.758
Supplier selection is based on	0 (0.0)	0 (0.0)	12 (30.0)	20 (50.0)	8 (20.0)	3.90	.709

their technical capability							
Service level agreements are critical in selection of suppliers	0 (0.0)	0 (0.0)	8 (20.0)	20 (50.0)	12 (30.0)	4.10	.709
Quality considerations are key in the selection of a supplier	0 (0.0)	0 (0.0)	6 (15.0)	20 (50.0)	14 (35.0)	4.20	.687

The results in Table 2 revealed that the respondents agreed on average that supplier selection is a critical parameter in procurement performance. However there was a sizeable number of respondents (30%) who were neutral on selection being based on technical capability. Ho et al (2010), poised that more than a hundred criteria have been identified in literature reviews in research reporting on supplier selection criteria however, there is consensus on four main common criteria namely; price, quality, delivery deadlines and services.

Descriptive analysis of the effects of supplier partnerships on procurement performance

This study sought to analyze the effects of supplier partnerships on procurement performance. The findings were presented in Table 3.

Table 3: The effects of strategic supplier partnership on Procurement performance

SUPPLIER PARTNERSHIPS	1	2	3	4	5	mean	SD
There is close collaboration between the bank and our suppliers	0 (0.0)	0 (0.0)	12 (30.0)	14 (35.0)	14 (35.0)	4.05	.815
Information is shared freely between the bank and its suppliers	0 (0.0)	0 (0.0)	14 (35.0)	18 (45.0)	8 (20.0)	3.85	.736
The bank and its supplies partners have a clear understanding of the risks and rewards of the arrangement	0 (0.0)	0 (0.0)	7 (17.5)	26 (65.)	7 (7.5)	4.00	.599
High levels of trust and integrity exist between the bank and its suppliers	0 (0.0)	0 (0.0)	7 (17.5)	32 (80.0)	1 (2.5)	3.85	.427

The results in Table 3 indicated that suppler partnerships strongly influence procurement performance. However, there is also evidence based on number of respondent who were neutral, that issues that relate to close collaboration and free sharing of information are contentious areas in such partnerships. Heide and Miner (1992) suggest that collaboration occurs from four cooperative behavior: information exchange, flexibility, joint problem solving and restricted use of power. Johnston et al. (2004) suggest three cooperative behavior: shared responsibility, shared planning and flexibility. When compared to merely transactional relationships, collaborative relationships require more time and effort in consolidating and continuity; they also have higher costs and risks involved (Monczca et al., (1998)), yet it is these types of relationships that have the greatest potential for generate competitive advantage to those involved (Carr & Pearson 1999; Frohlich &

Westbrook 2001, Johnston 2004; Terpend et al. 2008). This therefore explains the behavior of respondents when responding to the issues where there are higher incidences of neutrality.

This section sought to describe the effects of procurement performance on a commercial banks performance. The results were presented in Table 4.

Descriptive analysis of the effects of procurement performance on a commercial banks performance

Table 4: The effects of procurement performance on a commercial banks performance

PROCUREMENT PERFORMANCE	1	2	3	4	5	mean	SD
Good procurement practices leads to high customer satisfaction levels	0 (0.0)	0 (0.0)	1 (2.5)	21 (52.5)	18 (2.5)	4.43	.549
Procurement performance leads to short lead time of supplies	0 (0.0)	0 (0.0)	0 (0.0))	14 (35.0)	26 (65.0)	4.65	.483
There is a positive relationship between procurement performance and the degree of automation of procurement processes	0 (0.0)	0 (0.0)	0 (0.0)	20 (50.0)	20 (50.0)	4.50	.506
The performance of a procurement function leads to high competency levels of procurement staff	0 (0.0)	0 (0.0)	0 (0.0)	26 (65.0)	14 (35.0)	4.65	.483
An efficient and effective procurement function leads to a high level of internal alignment and integration	0 (0.0)	0 (0.0)	0 (0.0)	20 (50.0)	20 (50.0)	4.50	.506

The results in Table 4 revealed that all the respondents, were in agreement that procurement 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 purchasing performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function (Lardenoije, Raaij, & Weele, 2005).

A summary descriptive analysis of the various variables

This section sought to perform a summary analysis of the various variables namely: Procurement performance, which is the dependent variable, and Strategic sourcing decisions, Strategic Supplier selection and Strategic Supplier partnerships which are the independent variables. The results were presented in Table 5.

Table 5: A summary descriptive analysis of the various variables

	N	Minimum	Maximum	Mean	Std. Deviation
Procurement performance	40	3.25	4.80	4.3600	.38267
Strategic sourcing decisions	40	3.50	5.00	4.0403	.47392
Strategic Supplier selection	40	3.50	4.75	4.0053	.40545
Strategic Supplier partnerships	40	3.25	4.75	3.9170	.44918

The results in Table 5 revealed that the respondents agreed on average to procurement performance being influenced by Strategic sourcing decisions, Strategic sourcing supplier selection and Strategic Supplier partnerships. This was indicated by mean values of 4.0403, 4.0053 and 3.9170 respectively as well as low instances of variability as indicated by the standard deviations of 0.47392, 0.40545 and 0.44918 respectively.

Multicollinearity

Table 6: Multicollinearity test of the independent variables

Variable	Tolerance	VIF
Strategic sourcing decisions	.406	2.464
Strategic Supplier selection	.358	2.790
Strategic Supplier partnerships	.539	1.854

The results in Table 6 revealed that multicollinearity did not exist among the variables. According to Belsley, *et al.,* (2004), a tolerance value below 0.2 indicates multicollinearity, whereas a value above 0.2 suggests no multicollinearity. On the other hand, Gujarati (2007) suggested that a VIF greater than 5 indicates multicollinearity while a VIF less than 0.5 indicates non-existence of multicollinearity. Therefore this affirms that there was no violation of the no-multicollinearity assumption.

Correlation analysis

Under this section, the study sought to establish the significance, direction and strength of the linear relationship between Procurement performance, which is the dependent variable, and Strategic sourcing decisions, Strategic Supplier selection and Strategic Supplier partnerships which are the independent variables. This was achieved through performing a Pearson's correlation analysis. Pearson's correlation values range from −1 to 1. -1 indicates a perfect negative relationship, 0 indicates that there is no relationship between the variables while +1 indicates a perfect positive relationship. Again an absolute Pearson's correlation value of 0.5 indicates a strong linear relationship between the variables while a value below 0.5 indicates a weak linear relationship. The sign of the Pearson's correlation coefficient value indicates the direction of the relationship. Finally, the resultant p-value less than 0.05 at 95% confidence level indicated that the linear relationship between variables of interest is statistically significant.

Therefore, a correlation analysis was performed in this study and the findings were presented in Table 7.

Table 7: Correlation analysis results of the various variables

		Procurement performance	Strategic sourcing decisions	Strategic Supplier selection	Strategic Supplier partnerships
Procurement performance	Pearson Correlation	1	.478**	.744**	.757**
	Sig. (2-tailed)		.002	.000	.000
	N	40	40	40	40
Strategic sourcing decisions	Pearson Correlation	.478**	1	.759**	.602**
	Sig. (2-tailed)	.002		.000	.000
	N	40	40	40	40
Strategic Supplier selection	Pearson Correlation	.744**	.759**	1	.661**
	Sig. (2-tailed)	.000	.000		.000
	N	40	40	40	40
Strategic Supplier partnerships	Pearson Correlation	.757**	.602**	.661**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	40	40	40	40

**. Correlation is significant at the 0.01 level (2-tailed).

According to the results in Table 7, there was a strong positive significant linear relationship between Procurement performance and Strategic sourcing decisions, $r = 0.478$; $p = 0.002$, Procurement performance and Supplier selection, $r = 0.744$; $p = < 0.0001$, Procurement performance and Strategic Supplier partnerships, $r = 0.757$; $p = < 0.0001$. This was indicated by significant p-values less than 0.05 at 95% confidence level.

Regression analysis

Influence of strategic sourcing decisions on procurement performance

The results were then presented in Tables 8, 9 and 10.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.478[a]	.229	.208	.34045

[a] Predictors: (Constant), Strategic sourcing decisions

Table 9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1.306	1	1.306	11.272	.002[b]
	Residual	4.405	38	.116		
	Total	5.711	39			

a. Dependent Variable: Procurement performance
b. Predictors: (Constant), Strategic sourcing decisions

Table 10: Model coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.800	.468		5.984	.000
Strategic sourcing decisions	.386	.115	.478	3.357	.002

a. Dependent Variable: Procurement performance

Influence of strategic supplier selection on procurement performance

The results were then presented in Tables 11, 12 and 13.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.744[a]	.553	.541	.25918

a. Predictors: (Constant), Strategic Supplier selection

Table 12: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.158	1	3.158	47.018	.000[b]
Residual	2.553	38	.067		
Total	5.711	39			

a. Dependent Variable: Procurement performance
b. Predictors: (Constant), Strategic Supplier selection

Table 13: Model coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.549	.412		3.759	.001
Strategic Supplier selection	.702	.102	.744	6.857	.000

a. Dependent Variable: Procurement performance

Influence of buyer-supplier partnerships on procurement performance

The results were then presented in Tables 14, 15 and 16.

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.757[a]	.573	.562	.25327

a. Predictors: (Constant), Strategic Supplier partnerships

Table 15: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	3.273	1	3.273	51.028	.000[b]
	Residual	2.438	38	.064		
	Total	5.711	39			

a. Dependent Variable: Procurement performance

b. Predictors: (Constant), Strategic Supplier partnerships

Table 16: Model coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.834	.356		5.152	.000
	Strategic Supplier partnerships	.645	.090	.757	7.143	.000

a. Dependent Variable: Procurement performance

Combined influence of strategic sourcing practices on the procurement performance of commercial banks in Kenya

The results were presented in Tables 17, 18 and 19.

Table 17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.850[a]	.722	.699	.20993

a. Predictors: (Constant), Strategic Supplier partnerships, Strategic sourcing decisions, Strategic Supplier selection

Table 18: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	4.124	3	1.375	31.195	.000[b]
	Residual	1.587	36	.044		
	Total	5.711	39			

a. Dependent Variable: Procurement performance

b. Predictors: (Constant), Strategic Supplier partnerships, Strategic sourcing decisions, Strategic Supplier selection

Table 19: Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.234	.349		3.530	.001
	Strategic sourcing decisions	.266	.111	.329	2.386	.022

Strategic Supplier selection	.607	.138	.643	4.383	.000
Strategic Supplier partnerships	.452	.102	.530	4.432	.000

a. Dependent Variable: Procurement performance

The results revealed that Strategic sourcing decisions, Strategic Supplier selection and Strategic Supplier partnerships significantly predicted Procurement performance at 5% level of significance. This was indicated by a significant p-value (*p*= 0.022, <0.0001 and <0.0001 respectively). The model was as follows:

$$\mathbf{Y = 1.234 + 0.266\ X_1 + 0.607\ X_2 + 0.452\ X_3}$$

Where **Y** = Procurement Performance, $\mathbf{X_1}$ = Strategic sourcing decisions, $\mathbf{X_2}$ = Strategic Supplier selection, $\mathbf{X_3}$ = Strategic Supplier partnerships

The model indicated that a unit increase in Strategic sourcing decisions increased Procurement Performance by 0.266 units; a unit increase in Strategic Supplier selection increased Procurement Performance by 0.607 units and finally, a unit increase in Strategic Supplier partnerships increased Procurement Performance by 0.452 units.

Table 20: Summary table for the hypothesis testing

#	Hypothesis of the study	Hypothesis	P-value	Decision
1	Sourcing decisions have no significant influence on procurement performance	H_0: $\rho_1 = 0$ H_1: $\rho_1 \neq 0$	0.022	Reject H_0
2	Supplier selection has no significant influence on procurement performance	H_0: $\rho_1 = 0$ H_1: $\rho_1 \neq 0$	<0.0001	Reject H_0
3	Buyer-supplier partnerships have no significant influence on procurement performance	H_0: $\rho_2 = 0$ H_1: $\rho_2 \neq 0$	<0.0001	Reject H_0

DISCUSSION

The performance of commercial banks in Kenya is clearly affected by strategic sourcing however, it was observed that the level of incorporation of procurement in overall firm strategy was varied. Tier one banks had the procurement function reporting to either a director or the managing directors compared to other tiers where the function was a unit or department in finance. It was also observed that in most of the Banks there was a high incidence of maverick buying. Several reasons could occasion such behavior like the high level of competition which could require unplanned procurement to catch up with developments as done by their competitors, lack of clear procurement policies, and senior management interference in the procurement process. There was also a notable high degree of secrecy and reluctance to share data amongst banks.

CONCLUSIONS AND RECOMMENDATIONS

The study revealed that sourcing decisions affect the procurement performance of commercial banks positively but not to a great extent. It was also established that most procurement managers in commercial banks are involved in sourcing decisions, and most of their staff understand their role and how decision making is structured. The role of the procurement department is also well understood and well placed in the organizational structure with clear procedures and processes on decision making related to make or buy options. This finding support the literature provided by Jin (2013) who observed that strategic sourcing decisions positively and significantly influenced the sourcing performance of companies.

The study revealed that supplier selection strategies affects the procurement function of commercial banks positively and to a great extent. The study further revealed that cost savings rank high in the selection of suppliers; the institutions supplier selection process is strongly based on technical capability of the supplier; service level agreement is critical in selection of suppliers in banks and finally quality standards are very important in the selection of a supplier. This results were in agreement with the findings of Giunipero & Eltantawy, (2004) who observed that unless suppliers are properly selected then strategic alliances, supplier development, and early supplier involvement become more difficult to be implemented hence affecting the performance of the institution in the long run.

The study revealed that supplier-buyer relationship averagely affects the procurement function and performance of the financial institutions. Further, the study indicated that where information is shared freely between the bank and its suppliers, there is a clear understanding of the risk and rewards of the arrangement between the bank and its suppliers, there is a high level of trust and integrity exists between the bank and its suppliers it fosters good performance in the procurement function of the institutions. These findings collaborate with the findings by Dyer et al. (1998) where it was found out that buyer-supplier partnerships include the sharing of more information and better coordination of interdependent tasks, and investment in dedicated or specific assets which improve quality or lower production costs.

The study used the following; customer satisfaction, lead time, competence level, level of internal alignment to measure procurement performance of commercial banks. The study revealed that there was a strong indication that good procurement practices leads to high customer satisfaction levels, good procurement performance leads to short lead time of supplies, and there is a strong positive relationship to the degree of automation of procurement processes. The respondents agreed that good performance of a procurement function leads to high competency levels of procurement staff, an efficient and effective procurement function leads to a high level of internal alignment and integration. This is supported by finding by Amaratunga and Baldry (2002) who established that for any organisation to change its focus and become more competitive, procurement performance is a key driver to improving quality of services while its absence or use of inappropriate means can act as a barrier to change and may lead to deterioration of the purchasing function.

From the regression equation it was revealed that Strategic sourcing decisions, Strategic Supplier selection and Strategic Supplier partnerships significantly predicted Procurement performance at a statistically agreed level of significance. The model indicated that a unit increase in Strategic sourcing decisions increased Procurement Performance by 0.266 units; a unit increase in Strategic Supplier selection increased Procurement Performance by 0.607 units and finally, a unit increase in Strategic Supplier partnerships increased Procurement Performance by 0.452 units.

Conclusion

The study concluded that if properly structured, strategic sourcing can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. The study maintained that strategic sourcing is increasingly being recognized as an integral part of business strategies and practices. From the results it was established that proper sourcing strategies greatly improve the performance of banking institutions. It was also found out that an increasing reliance on suppliers leads businesses to be more exposed to uncertain events, which explains why supplier selection is a critical process in procurement. Therefore, as indicated in the results, the study concludes that proper supplier selection was key in eliminating a large part of the risks faced by buyers hence improving the procurement function and overall performance. Hence maintaining a trustworthy supplier-buyer relationship is critical for the performance of a banking institution.

Recommendations

Based on the study findings, the study recommended that banking institutions should improve their sourcing strategies, update and benchmark them with best in practice organisations and finally they should ensure they enter into buyer supplier relationships that are fostered on trust and goodwill on both parties in order to maintain and improve organization performance. The study further recommends that institutions should adopt other key elements of strategic sourcing; elevation of purchasing function to a strategic level, effective cross-functional communication and support within an organization, information sharing with key suppliers, and development of key suppliers. An effort has to be made at various organizational levels to implement process improvement strategies to reduce the risk propensity brought about by poor selection of suppliers.

Areas for Further Research

The study sought to determine the influence of procurement practices on the performance of commercial banks in Kenya. The study variables (strategic sourcing, supplier selection, supplier-buyer relationship) accounted for 69.9 percent changes in institutions procurement performance, the study therefore recommends that other variables accounting for 30.9% on procurement performance should be established and their effects assessed as well.

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