



**EFFECT OF PROCUREMENT PRACTICES ON ORGANISATIONAL PERFORMANCE OF MULTINATIONAL CORPORATIONS IN KENYA: A CASE OF ORACLE TECHNOLOGY KENYA LIMITED**

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**ABSTRACT**

*This study aimed to look at the role of procurement practices on organizational performance of multinational companies in Kenya. The study found out that information communication technology, supplier partnership, strategic outsourcing and procurement risk management had positive influence on organizational performance. Oracle company was efficient in procurement process through technology adoption. The company delivered service in good time using technology. The company streamlined procurement. Supplier partnership had a positive influence on organizational performance. Supplier partnerships enabled reduction in lead time as supported. Superior supplier performance improved company performance. Strategic outsourcing had a positive influence on organizational performance. User departments were actively involved in the sourcing process. Strategic sourcing ensured that there was increased responsiveness to customers changing needs. Procurement risk management had a positive influence on organizational performance. Policies and procedures to control risk didn't create bottlenecks. Policies and controls were in place to mitigate risk. The study recommended Oracle company ought to request for quotations/ projects using technology tools. Oracle company ought to be efficient in procurement process through technology adoption. The company ought to deliver service in good time using technology. Supplier's relationship ought to promote partnership in market. Supplier's relationship ought to aid organization adoption of cost-effective design choices. Strategic sourcing at Oracle Technology ought to ensure lower total costs. Supplier background information ought to be confirmed before procurement. User departments ought to be actively involved in the sourcing process. Strategic sourcing ought to ensure that there is increased responsiveness to customers changing needs. Policies and controls ought to be effective in deterring theft, fraud and other problems. Policies and procedures to control risk ought to create bottlenecks. Policies and controls ought to be in place to mitigate risk.*

**Key Words:** Strategic Sourcing, Supplier Partnering, I.C.T, Risk Management, Organizational Performance

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## INTRODUCTION

There has been a continued and quick speeding up as of late for procurement as an order to end up a completely fledged calling. Tertiary institutions currently offer full scholastic projects and procurement related bodies have now been created on this account. Subsequently, the need for the improvement of expert code of morals, standard wordings, and procurement practices have grown in equivalent measure, (Guth, 2010). As Narasimhan and Das (2001) propose, there has been increased importance for creating linkage in purchasing. This is the linkage of purchasing objectives with the company's objectives. Purchasing linkage has been found to connect purchasing practices and companies performance, (Gattorna, 2003).

The direct link of operational efficiency, and particularly the supply chain, to the overall organizational performance therefore makes the adoption of procurement practices crucial to today's organizational success. The study of procurement practices and how they can be effectively integrated into the organizational strategy and performance is therefore valuable to today's business leaders, (Engel, 2011).

Multinational Corporations in Kenya have become increasingly important as the driving force in the economy, though little research has been done to date on Multi-National Corporations (MNC's) procurement procedures, (Tate, Lisa & Billington, 2008). They operate here for many reasons: to take advantage of the availability of specific raw materials, natural resources, labor pools, skills-sets, or processing facilities, or to serve growing customer markets. In many cases, it is their procurement practices that matter most in shaping their contribution to enterprise development and local earnings. For companies with on-site production, such as mines or hotels, procurement can be a greater source of local economic impact than the direct payroll. For those that do not sell, but source

their primary inputs here such as chocolate makers it is the procurement function that delivers impact, (Carolyne, 2009).

The development of a standard procurement practices blueprint that may be applied to all organizations, irrespective of the contexts in which they operate has been quite a challenge. Indeed no such conclusive blue print may claim to be applicable in all environments or organizational operational contexts. This is because of the existence of a myriad of 'objective realities' and conceptual lenses from which different observers may perceive their own realities, even on issues that may rely on hard or empirical data (Erridge, 2001). Turner (2011) posits that the adoption of modern procurement practice is shift away from traditional procurement practices and must therefore be approached from a 'value opportunity' standpoint rather than a process standpoint. There must a shift away from the rudimentary procurement such as soliciting a minimum number of bids and selecting the cheapest one which carries risks which includes missed opportunities for maximum value.

Performance is the outcome of all of the organization's operations and strategies (Wheelen & Hunger, 2012). Firm's performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all of the organization's operations and strategies (Venkatraman & Ramanujam, 2011). It is also the level to which an individual fulfils the expectations concerning how he should behave or function in a certain situation, context, circumstance or job. Oakland (2009) posited that performance is what individuals do relating to institutional roles.

There is need for organizations to go beyond the internal or institutional analysis of their procurement systems and processes and into adoption of practices through such strategies as benchmarking, (Turner, 2011). Areas for improvement for most organizations include Involvement of procurement during both cross business and cross functional planning and budgeting processes, greater efforts on supplier consolidation, greater control over indirect spending categories, increased use of reporting/spend analysis tools, greater efforts and concern for environment, greater concern for; Quality, time, ethical purchasing and technology in purchasing, (Narasimhan & Das,2001) .

Multinational corporations (MNC) are organizations that own or control production or services facilities in one or more countries other than the home country. They operate in a global environment unfamiliar in political, economic, social, cultural, technological and legal aspects. Kenya hosts approximately two hundred and fifty foreign multinationals in addition to one hundred and forty-one local ones. Multinationals were established in Kenya as early as 1650 and currently 61% of them are foreign-owned while 39% are locally-owned. The number of such companies would increase with the government initiative to level the playing field for competition and wooing more investors with favorable fiscal policies, (Samuel, 2010).

For more than three and a half decades, Oracle has been the leader in database software. And as it has further developed technologies and acquired best-in-class companies over the years, that leadership has expanded to the entire technology stack, from servers and storage, to database and middleware, through applications and into the cloud. It all began when Larry Ellison saw an opportunity other companies missed: a description of a working prototype for a relational database. No company had committed to commercializing the technology, but Ellison and co-founders Bob Miner and Ed Oates

realized the tremendous business potential of the relational database model. None of them realized at the time that the company they formed would change the face of business computing ([www.oracle.com](http://www.oracle.com)).

### **Statement of the Problem**

A number of studies have been done in the area of procurement. Local studies on the area of procurement practices have focused on the procurement activities among commercial banks in Kenya. Ngugi and Mugo (2007) analyzed the effect of procurement activities on the operation and effectiveness of commercial banks in the country. Other studies have mostly been in developed countries and especially those that deal in manufacturing. Kakwezi & Sony (2010), found out that procurement planning and practices are an ingredient to service delivery, but the study focused on service delivery ignoring other measures of procurement like financial gains from cost reduction. Other Studies asserts that strategic procurement practices have a direct impact on the overall organizational performance of MNC's in Asia. It is therefore critical to replicate the study in a different setting and find out if the same recommendation holds among the multinationals in Kenya. The study was based on a case study of Oracle Technology Systems Kenya.

Hassan (2012), in his research concluded that procurement planning and practices do have a direct positive impact on the performance of humanitarian organization in delivery of relief and emergency services. The study however did not bring out the procurement practices to use to realize these benefits. Further, it would be prudent to expand the study and cover other sectors of the Kenyan economy as Kazi (2013), based his study on (South Africa Beer) SAB Ltd entry into Kenyan market. It is clear from these studies that a lot of research has been conducted on procurement practices but focused on different aspects and countries other than

procurement practices of multinationals in Kenya and the impact on the overall organizational performance.

Wambui (2008) did a study on factors influencing the implementation of Information Communication technology in procurement among firms listed on the Nairobi Stock Exchange. The study found that insufficient finances, employee's resistance, failure by top management in allocating resources towards implementation of ICT in procurement and low employees ICT competency affected the implementation of ICT in procurement to a great extent. Moses (2012), did a research on procurement adoption among large scale manufacturers in Nairobi, Kenya and concluded that adoption of e-procurement had a positive impact on performance. With an ever-changing business environment, procurement managers are faced with new challenges of ensuring procurement process influence environmental sustainability.

Procurement services in the organization are under considerable pressure to deliver performance improvements and to achieve financial savings through more efficient and coordinated service delivery. Schonberger (2007) posited that organizations are increasing efficiency and professionalism in their procurement process and practices. Procurement practices such as procurement risk management, planning and supply performance influence organizations in achieving the collaboration and communication capabilities while maintaining the flexibility and responsiveness capabilities of market-oriented governance structures. Madhavaram & Hunt (2008), indicated that the higher the degree of good procurement practices led to cost reductions, improvements in inventory, customer service, new product development, information and material flows, and financial performance.

Statistical evidence showed that there is a positive correlation between procurement practices and

organizational performance across various industries, with the strength of the correlation varying from one industry to the other. However, no research has been done on the effects of procurement practices on organizational performance in multinational corporations in Kenya. This research therefore sought to bridge the research gaps by trying to relate procurement practices and the organizational performance of MNC's in Kenya. It addressed the question 'What is the relationship between procurement practices and organizational performance among MNC's in Kenya?' The study was based on a case study of Oracle technology Kenya Limited.

### **Research Objectives**

The general objective of the study was to determine the effects of procurement practices on organizational performance in multinational corporations in Kenya. The specific objectives were:-

- To establish how supplier partnering affects organizational performance of multinational corporations in Kenya
- To establish how Information Communication Technology in procurement affects organizational performance of multinational corporations in Kenya.
- To establish how strategic sourcing affects organizational performance of multinational corporations in Kenya
- To establish how Procurement Risk Management, affect organizational performance of multinational corporations in Kenya

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Partner Selection Theory**

This theory was postulated by Saffu & Mamman, in the year 2000. The theory postulates that the kind of partners that a firm or organization chooses depends on the motivation behind the partnership. The



selection of a supplier by a procuring entity would depend on whether the supplier is able to satisfy needs, specifications, timeliness and prescription of the procuring entity. Most articles assume a rational decision-making process based on very specific selection criteria. Existing partner selection literature assumes a straight-line start-to-finish selection process (Saffu & Mamman, 2000).

Depending on the motivation of the alliance as a whole, specific partner characteristic would be more or less valuable. A logical selection criterion is developed, often prioritizing the partner characteristics of interest. Finally, a partner is rationally selected, meeting all of the criteria. Some business alliances form as a result of personal ties between key decisions makers (Barringer & Harrison, 2000).

#### **Technology Acceptance Model theory (TAM)**

This theory was postulated by Fred Davis and Richard Bagozzi in the year 1989. The Technology Acceptance Model (TAM) is an information systems theory that models how users come to accept and use a technology. The model suggests that when users are presented with a new technology, a number of factors influence their decision about how and when they would use it, notably: Perceived usefulness (PU), this was defined by Fred Davis as "the degree to which a person believes that using a particular system would enhance his or her job performance" and Perceived ease-of-use (PEOU), Davis defined this as "the degree to which a person believes that using a particular system would be free from effort" (Davis 2000).

The TAM has been continuously studied and expanded -the two major upgrades being the TAM 2 (Venkatesh & Davis 2000) and the Unified Theory of Acceptance and Use of Technology (Venkatesh et al. 2003). A TAM 3 has also been proposed in the context of e-commerce with an inclusion of the effects of

trust and perceived risk on system use (Venkatesh & Bala 2008).

#### **Resource Based View (RBV) Theory**

Resource Based Theory (RBV) was developed by Birge Wenefeldt in the year 1984. The RBV developed as a complement to the industrial organization view with Bain (1968) and Porter (1985) as some of its main proponents. With its focus on the structure conduct-performance paradigm, the industrial organization view put the determinants of firm performance outside the firm, in its industry's structure. Being positioned against this view, the RBV explicitly looks for the internal sources of sustained competitive advantage and aims to explain why firms in the same industry might differ in performance. As such, the RBV does not replace the industrial organization view, rather it complements it (Peteraf & Barney, 2003).

RBV proponents argue that simultaneously valuable, rare, inimitable and non-substitutable resources can be a source of superior performance and may enable the firm to achieve sustained competitive advantage. The RBV of the firm is therefore a suitable approach to understanding the competitive dynamics whereby resources are intangible and tangible assets linked to the firm in a semi-permanent way, including: technological, human and physical assets. However, having resources alone is not sufficient; therefore, RBV theory adds a category of capabilities which result from complex patterns of interactions and coordination between resources (Wong and Karia, 2010).

#### **Enterprise Risk Management Theory**

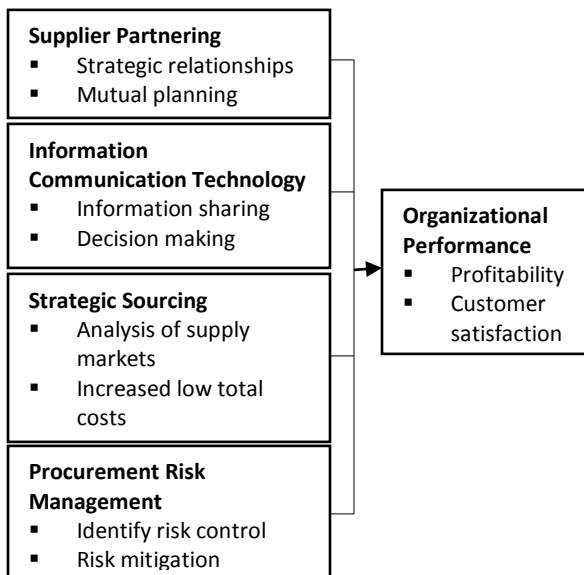
This theory was postulated by Gustav Hamilton of Sweden's Statsforetag in early 1970's. Gustav proposed the "risk management circle" to describe the interaction of all elements in the risk management process that is; assessment, control, financing and communication. (Grötsch, 2013)

Enterprise Risk Management (ERM) is the process of coordinated risk management that places a greater

emphasis on cooperation among departments to manage the organization's full range of risks as a whole. ERM offers a framework for effectively managing uncertainty, responding to risk and harnessing opportunities as they arise (Hoffmann, 2013)

Unlike previous risk management practices, the concept of ERM embodies the notion that risk analysis cuts across the entire organization. The goal of ERM is to better understand the shock resistance of the enterprise to its key risks and to better manage enterprise risk exposure to the level desired by senior management. (Lehtiranta, L. 2014)

### Conceptual Framework



**Independent variables**      **Dependent variable**

**Figure 1: Conceptual Framework**

**Source: Author (2019)**

### Empirical Review

#### Supplier Partnering and Organizational Performance

Homburg, Stierl and Bornemann (2013) conducted a study on corporate social responsibility in business-to-business markets and how organizational customers account for supplier corporate social responsibility engagement. The study adopted descriptive research design where the target

population included the members working in public companies. The study adopted census approach since the target population was small. The study applied a questionnaire to collect primary data which was then analyzed using descriptive and inferential statistics. The analyzed data was presented using tables, charts and graphs. The findings of the study indicate that buying firms can influence the supplier's commitment through increased efforts of cooperation and commitment.

Fonseca and Lima (2015) conducted a study on the impact of supplier management strategies on the organizational performance of ISO 9001 certified organizations. The study involved use of questionnaires where forms were drafted and given to public companies for filling. The study adopted the open-ended questionnaire format and the respondents were given a period of one week for completion. The forms were then collected and the data analyzed using descriptive and inferential statistics. Descriptive statistics included use of means and standard deviation while inferential statistics involved use of regression analysis. Analyzed data was presented using tables and graphs. The findings of the study suggest that there are positive relationships between organization strategy and supplier orientation, between supplier orientation and stakeholder's satisfaction, and between stakeholder's satisfaction and organizational performance orientation.

#### Information Communication Technology and Organizational Performance

Wu, Straub and Liang (2015) conducted a research on how information technology governance mechanisms and strategic alignment influence organizational performance. The researcher adopted descriptive research design and census sampling technique. Data was selected using semi structured questionnaire that used both closed and open-ended questions. The collected data was then coded and analyzed sing

Microsoft Excel and the results presented in tables, graphs and charts. The findings of the study conclude that information technology (IT) enhances the ability of business enterprises to survive in the highly competitive global marketplace.

Chakravarty, Grewal and Sambamurthy (2013) carried out a research on how information technology competencies affects organizational agility and firm performance. The study employed a descriptive survey design and the target population involved managers of the telecommunication systems companies. Data was collected using structured questionnaire which involved the open ended and close ended questions. The collected data was then analyzed using the Statistical Package for the Social Sciences and presented using tables and graphs. The findings of the study indicate that information technology competencies are expected to directly enhance entrepreneurial and adaptive organizational agility.

#### **Strategic Sourcing and Organizational Performance**

Brunswick and Vanhaverbek (2015) conducted a study on open innovation in small and medium-sized enterprises (SMEs) regarding the external knowledge sourcing strategies and internal organizational facilitators. The study employed a descriptive survey design. Questionnaires were drafted and used to collect data. The data was descriptively analyzed and presented using tables. The study findings concluded that each strategy reflects the nature of external interactions and is linked to a distinct mixture of internal practices for managing innovation.

Ketchen, Crook and Craighead (2014) carried out a study on the implications for strategic sourcing research and practice. The study adopted data analysis methods which include the qualitative and quantitative methods. Interviews and observations were used to collect data which was then analyzed using descriptive and inferential statistics. The analyzed data was presented using graphs and charts.

The findings of the study indicate that strategic sourcing plays a great role in making acquisition decisions with the aim of creating value and achieving a competitive advantage.

#### **Procurement Risk Management and Organizational Performance**

Osipova and Eriksson (2013) conducted a research on balancing control and flexibility in joint risk management. The study adopted data analysis methods which include the qualitative and quantitative methods. Interviews and observations were used to collect data which was then analyzed using descriptive and inferential statistics. The analyzed data was presented using graphs and charts. The findings of the study indicate that it is feasible to estimate a project's profitability before its execution.

Hoffmann, Schiele and Krabbendam (2013) investigated on the uncertainty, supply risk management and their impact on performance. The study employed a descriptive survey design. Questionnaires were drafted and used to collect data. The data was descriptively analyzed and presented using tables. The study findings suggest that proper selection of individual risk monitoring and mitigation strategies is the implementation of a risk management process.

#### **METHODOLOGY**

The research design for this study was case study since the unit of analysis was one organization. The study was aimed at getting detailed information regarding the procurement practices and organizational performance focusing on a case of Oracle technology (Kenya) limited. The population of this study was 500 procurement staff comprising of tactical purchasing officers, junior category managers, lead category managers, accounts payable officers, logistics managers, procurement directors and senior procurement directors working for Oracle (Kenya) limited. This study collected both qualitative and quantitative data through the use of questionnaire to



collect primary data. Regression analysis was conducted to determine how procurement practices relate to the organizational performance. The regression model below was used:-

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$$

Where Y= Organizational Performance in multinational Corporations

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$  = (alpha) constant or intercept.

X1= Supplier Partnering

X2= Information Communication

X3= Strategic sourcing

X4= Procurement Risk Management

**Table 1: Organization Performance**

Statements	Frequency	Percent
Very Great Extent	98	68
Great Extent	39	27
Moderate Extent	4	3
Less extent	4	3
No Extent	0	0

**Impact of Procurement Practices on Organizational Performance**

Respondents were asked to indicate the extent to which they agreed with the following statements identified by the researcher concerning impact of procurement practices on organizational performance indicators at Oracle Technology on a liker scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=moderately agree, 4= Agree and 5= strongly agree.

The study found out that majority of the respondents agreed that their company’s procurement practices led to profitability as supported by a mean of 4.13 with standard deviation of 0.732. The company’s procurement practices led to increase in market share by a mean of 4.02 with standard deviation of 0.504. Oakland (2009) posited that performance is what individuals do relate to institutional roles.

The company’s procurement practices led to improved return on assets as supported by a mean of

**FINDINGS**

**Organization Performance**

Respondents were asked to indicate the extent to which achieving of organizational performance was focused on at Oracle technology limited through procurement practices on a Likert scale of 1-5. The findings in Table 1 showed that majority of the respondents 68% indicated very great extent, followed by 27% who indicated great extent, 3% indicted moderate and less extent. The findings showed that majority of the respondents agreed that procurement was concerned with achieving organizational performance.

4.58 with standard deviation of 0.613. The company’s procurement practices led to quality product developments by a mean of 4.13 with standard deviation of 0.556. The company’s procurement practices led to an increase in customer base as supported by a mean of 4.14 with standard deviation of 0.610. Performance is the outcome of all of the organization’s operations and strategies (Wheelen & Hunger, 2012). The measures for the performance measurement system chosen are based on an organization’s vision and strategy (Kaplan & Norton 2006).

The findings were in support of Oyuke and Shale (2014) who carried out a research on the role of strategic procurement practices on organizational performance. The findings of the study suggested that it is important for firms to employ better strategies to help decide which procurement practices would contribute to the attainment of set goals and objectives.

The findings were also in support of Masiko (2013) who investigated on strategic procurement practices and organizational performance among commercial banks in Kenya. The findings of the study suggest that

only a few percentages of the variation in organizational performance were executable by the procurement practices.

**Table 2: Impact of Procurement Practices on Organizational Performance**

Statements on Organization Performance Indicators	Mean	Std. Dev
The company's procurement practices lead to profitability	4.13	.732
The company's procurement practices lead to increase in market share	4.02	.504
The company's procurement practices lead to improved return on assets	4.58	.613
The company's procurement practices lead to quality product developments	4.13	.556
The company's procurement practices lead to an increase in customer base	4.14	.610

**Information Communication Technology on Organizational Performance**

Respondents were asked to indicate to what extent they agreed with statements concerning ICT use in procurement affecting organizational performance at Oracle Technology on a scale of 1=Strongly Disagree, 2=Disagree, 3=moderately agree, 4= Agree and 5= strongly agree.

The findings in Table 3 showed that majority of the respondents agreed that their company requested for quotations/ projects using technology tools as supported by a mean of 4.67 with standard deviation of 0.653. Mongare and Nasidai (2014) indicate that technology has bigger impact on inventory control in terms of efficiency, ease of accessing information and accuracy thereby affecting organizational performance.

Respondents agreed that their company lowered information search costs due to technology adoption as shown by a mean of 3.97 with standard deviation of 0.551. The company streamlined procurement processes and built confidence of employees using technology by a mean of 4.42 with standard deviation

of 0.782. Wu, Straub and Liang (2015) state that information technology (IT) enhances the ability of business enterprises to survive in the highly competitive global marketplace.

The company delivered service in good time using technology as supported by a mean of 4.57 with standard deviation of 0.550. Respondents agreed that their company was efficient in procurement process through technology adoption as supported by a mean of 4.60 with standard deviation of 0.526.

The findings were in support of Bloom, Garicano, Sadun and Van Reenen (2014) who found out that information communication technology played a great role in improving the performance of many business organizations and companies.

The findings were also in support of Ogutu, Okello and Otieno (2014) who carried out a study on the impact of information and communication technology-based market information services on smallholder firm input use and productivity. The findings of the study suggested that information communication enhanced the productivity level of many firms because the input is very fast.

**Table 3: Information Communication Technology on Organizational Performance**

Statement on adoption of technology	Mean	Std. Dev
The company requests for quotations/ projects using technology tools	4.67	.653
The company lowering information search costs due to technology adoption	3.97	.551
The company streamlining procurement processes and build confidence of employees using technology	4.42	.783

The company delivers service in good time using technology	4.57	.550
Efficiency in procurement process through technology adoption	4.60	.526

**Supplier Partnership on Organizational Performance**

Respondents were asked to indicate to what extent they agreed with the statements on supplier partnerships affecting organizational performance of Oracle Technology Limited on a scale of 1 to 5.

The study found out that majority of the respondents agreed that supplier partnership promoted mutual planning and problem-solving efforts as supported by a mean of 4.57 with standard deviation of 0.595. The findings were in support of Fonseca and Lima (2015) who found out that there were positive relationships between organization strategy and supplier orientation, between supplier orientation and stakeholder’s satisfaction, and between stakeholder’s satisfaction and organizational performance orientation. Superior supplier performance improved company performance by a mean of 4.48 with standard deviation of 0.600. Waithaka and Waiganjo (2015) states that for an organization to remain competitive, it has to offer superior quality goods at the lowest prices possible.

Suppliers’ relationship promoted partnership in market by a mean of 4.31 with standard deviation of 0.819. Supplier partnerships enabled reduction in lead time as supported by a mean of 4.62 with standard deviation of 0.542. Suppliers’ relationship aided organization adoption of cost-effective design choices as supported by a mean of 4.19 with standard deviation of 0.680.

The findings was in support of Kamau (2013) who established that was a significant relationship between buyer–supplier relationships and organizational performance. The findings are also in support of Wachiuri, Waiganjo and Oballah (2015) who conducted a study on the role of supplier development on organizational performance of manufacturing industry in Kenya. The findings of the study indicated that there was a significant relationship between buyer –supplier relationships and organizational performance.

**Table 4: Supplier Partnership on Organizational Performance**

Statements on supplier partnerships	Mean	Std. Dev
Supplier partnership promote mutual planning and problem-solving efforts	4.57	.595
Superior supplier performance improves company performance	4.48	.600
Suppliers relationship promote partnership in market	4.31	.819
Supplier partnerships enable reduction in lead time	4.62	.542
Suppliers relationship aid organization adoption of cost-effective design choices	4.19	.680

**Strategic Sourcing on Organizational Performance**

Respondents were asked to indicate the extent to which they agreed with statements on strategic sourcing affecting organizational performance of Oracle Technology limited on a scale of 1 to 5.

The study found out that majority of the respondents agreed that strategic sourcing at Oracle Technology ensured lower total costs as supported by a mean of 3.99 with standard deviation of 1.16. Respondents agreed that user departments were actively involved

in the sourcing process as supported by a mean of 3.78 with standard deviation of 0.866. The findings were supported by Waiganjo (2014) who indicated that firm performance was positively influenced by selective resourcing, extensive training, sharing information and incentives.

Respondents agreed that strategic sourcing ensured that there was increased responsiveness to customers changing needs as supported by a mean of 3.51 with standard deviation of 1.33. Due diligence

was enhanced before supplies via strategic sourcing as supported by a mean of 4.06 with standard deviation of 0.590. Respondents agreed that supplier background information was confirmed before procurement as supported by a mean of 3.97 with standard deviation of 0.549.

The findings were in support of Ketchen, Crook and Craighead (2014) who carried out a study on the implications for strategic sourcing research and practice. The findings of the study indicate that

strategic sourcing plays a great role in making acquisition decisions with the aim of creating value and achieving a competitive advantage. The findings are also in support of Kibicho (2015) who conducted a research on determinants of strategy implementation success in the insurance industry. The study findings revealed that strategy implementation played an important role in business execution of business practices.

**Table 5: Strategic Sourcing on Organizational Performance**

Statements on strategic sourcing	Mean	Std. Dev
Strategic sourcing at Oracle Technology ensures lower total costs	3.99	1.16
User departments are actively involved in the sourcing process	3.78	.866
Strategic sourcing ensures that there is increased responsiveness to customers changing needs	3.51	1.33
Due diligence is enhanced before supplies via strategic sourcing	4.06	.590
Supplier background information is confirmed before procurement	3.97	.549

**Procurement Risk Management on Organizational Performance**

Respondents were asked to indicate to what extent they agreed with statements on procurement risk management affecting organizational performance at Oracle Technology Systems on a scale of 1-5.

The study established that majority of the respondents agreed that policies and controls were in place to mitigate risk as supported by a mean of 4.45 with standard deviation of 0.726. Policies and controls were effective in deterring theft, fraud and other problems as supported by a mean of 4.57 with standard deviation of 0.595. The findings were supported by Osipova and Eriksson (2013) who states that it is feasible to estimate a project's profitability before its execution. Hoffmann, Schiele and Krabbendam (2013) suggest that proper selection of individual risk monitoring and mitigation strategies is the implementation of a risk management process.

Respondents agreed that policies and procedures to control risk didn't create bottlenecks as supported by a mean of 4.48 with standard deviation of 0.600. Contract management was under the procurement function as supported by a mean of 4.62 with standard deviation of 0.526.

This findings were in support of Grötsch, Blome and Schleper (2013) who demonstrate that a mechanistic management control system, a rational cognitive style and relational buyer-supplier relationships have positive impacts on proactively managing supplier insolvency risks. The findings are also in support of Omasete (2014) who established that a majority of insurance companies in Kenya had adopted risk management practices in their operations and that this had a strong effect on their financial performance.

**Table 6: Procurement Risk Management on Organizational Performance**

Statements on procurement risk management	Mean	Std. Dev
Policies and controls are in place to mitigate risk	4.45	.726
Policies and controls are effective in deterring theft, fraud and other problems	4.57	.595
Policies and procedures to control risk don't create bottlenecks	4.48	.600
Contract management is under the procurement function	4.62	.526

**Regression Analysis**

**Table 7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.884 <sup>a</sup>	.781	.762	1.41531

- a. Predictors: (Constant), Supplier Partnering, Information Communication, Strategic sourcing, Procurement Risk Management
- b. Dependent Variable: Organizational Performance

**Table 8: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1216.117	4	304.029	124.817	.000 <sup>b</sup>
Residual	341.011	140	2.436		
Total	1557.128	144			

- a. Predictors: (Constant), Supplier Partnering, Information Communication, Strategic sourcing, Procurement Risk Management
- b. Dependent Variable: Organizational Performance

**Table 9: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	6.764	2.261		
Information Communication	.725	.073	.413	9.964	.000
Supplier Partnering	.350	.080	.014	4.382	.000
Strategic Sourcing	.167	.052	.145	3.236	.000
Procurement Risk Management	.366	.038	.524	9.565	.000

- a. Dependent Variable: Organizational Performance

**Y = 6.764+ 0.725X1 + 0.350X2+ 0.167X3+ 0.366X4**

X1= Information Communication Technology

X2= Supplier Partnering

X3= Strategic sourcing

X4= Procurement Risk Management

**CONCLUSION**

The study concluded that information communication technology had a positive influence on organizational

performance. This was attributed to the following; Oracle requested for quotations/ projects using technology tools. Oracle company was efficient in procurement process through technology adoption. The company delivered service in good time using technology. The company streamlined procurement processes and built confidence of employees using technology. The company lowered information search costs due to technology adoption.



The study concluded that supplier partnership had a positive influence on organizational performance. This was due to the following; supplier partnership promoted mutual planning and problem-solving efforts. Supplier partnerships enabled reduction in lead time as supported. Superior supplier performance improved company performance. Supplier's relationship promoted partnership in market. Supplier's relationship aided organization adoption of cost-effective design choices.

The study further concluded that strategic outsourcing had a positive influence on organizational performance. This was achieved due to the following; due diligence was enhanced before supplies via strategic sourcing. Strategic sourcing at Oracle Technology ensured lower total costs. Supplier background information was confirmed before procurement. User departments were actively involved in the sourcing process. Strategic sourcing ensured that there was increased responsiveness to customers changing needs.

The study further concluded that procurement risk management had a positive influence on organizational performance. This was attributed to the following; contract management was under the procurement function. Policies and controls were effective in deterring theft, fraud and other problems. Policies and procedures to control risk didn't create bottlenecks. Policies and controls were in place to mitigate risk.

## **RECOMMENDATIONS**

The study recommended Oracle company ought to request for quotations/ projects using technology tools. Oracle company ought to be efficient in procurement process through technology adoption. The company ought to deliver service in good time using technology. The company ought to streamline procurement processes and build confidence of employees using technology. The company ought to

lower information search costs due to technology adoption.

The study recommended that supplier partnership ought to promote mutual planning and problem-solving efforts. Supplier partnerships ought to enable reduction in lead time as supported. Superior supplier performance ought to improve company performance. Supplier's relationship ought to promote partnership in market. Supplier's relationship ought to aid organization adoption of cost-effective design choices.

The study recommended that due diligence ought to be enhanced before supplies via strategic sourcing. Strategic sourcing at Oracle Technology ought to ensure lower total costs. Supplier background information ought to be confirmed before procurement. User departments ought to be actively involved in the sourcing process. Strategic sourcing ought to ensure that there is increased responsiveness to customers changing needs

The study recommended that contract management ought to be under the procurement function. Policies and controls ought to be effective in deterring theft, fraud and other problems. Policies and procedures to control risk ought to create bottlenecks. Policies and controls ought to be in place to mitigate risk.

## **Suggestions for Further Research**

The current study focused on the effects of procurement practices on organizational performance in Oracle Technology Kenya Limited, future scholars ought to focus other multinational corporations in Kenya. The current study relied on primary data that was collected by use of structured questionnaires, future scholars ought to carry out similar studies by use both primary and secondary data to measure consistency of results.

More research should also be done to establish the effects of Information Communication Technology on organizational performance, supplier partnership on organizational performance, strategic sourcing on

organizational performance and Procurement Risk Management on organizational performance.

Further studies should also focus on the impact of other procurement practices on organizational performance.

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