



EFFECT OF SOURCING PRACTICES ON PROCUREMENT PERFORMANCE IN STATE CORPORATIONS IN KENYA: A CASE OF KENYA BUREAU OF STANDARDS (KEBS)

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ABSTRACT

The general objective of the study was to determine the effect of sourcing practices on procurement performance in state corporations in Kenya, with specific reference to the Kenya Bureau of Standards. The study called for a descriptive survey as the study concentrated in one firm. The target population was all the 308 employees of KEBS working at the head office along Popo road off Mombasa road, Nairobi. It was however not possible to use all the members of the target population raising a need to use a sample of the target population because of the homogeneity of this group of respondents. The study used stratified random sampling to avoid biases. The study used 172 respondents though the analysis which was done using 142 respondents giving a response rate of 82.56%. The study used structured questionnaires in collecting the data. The collection used drop and pick method for administering the questionnaires. The study found a direct relationship between multiple sourcing, green sourcing and global sourcing with performance of procurement department as well as an inverse relationship between single sourcing and performance of the procurement department. It was noted that organizations had gone beyond sticking to a single sourcing strategy but had embraced the contingency approach where they were using the most suitable strategy at a time and using other strategies where they best applied. It was however noted that there were still a number of grey areas in theory and practice especially as regards the involvement of the levels of the organizations and the user departments in the process as well as a clearly defined method of determining the most suitable strategy at any given time. The researcher therefore recommended that the organizations should involve all levels in procurement even where they were using single sourcing and global sourcing was used. It should also be noted that organizations should go beyond mere following of procurement rules as these are bare minimums and more effort need to be put in place beyond the laws and regulations to ensure performance.

Key terms: Public Procurement, Rationalization, Standards Tribunal, Sourcing, Procurement, Procurement Regulation, Audit, Supplier, Strategic advantage

INTRODUCTION

An efficient public procurement system is vital to the advancement of all countries and is a concrete expression of their national commitments to making the best possible use of public resources (Knight, 2010). This system ensures accountability for public funds and value for money in the procurement process (Lampel & Bhalla, 2010). Public procurement became a major concern for economies globally when it was realized that the people tended to be more careful with personal resources but became careless with public property, (Hayes, 2012). This led to the need to have rigid public procurement rules and procedures to check for any possible omissions in the process of public procurement (Amaratunga & Baldry, 2012).

It was also realized that there was massive corruption in public procurement among developing countries and more specifically African countries, (Rudolf & Carter, 2013). Kwong (2012) shows that the biggest avenue for corruption in African transactions were through procurement. This was mostly in terms of bribes to win tenders, kick backs, cost inflations, single sourcing, nepotism, tribalism and many more vices in the procurement process. Based on this, it was resolved that these countries adopt transparency and accountability in their public procurement procedures. This could only be possible with adoption of public procurement legal frameworks (World Bank, 2012)

In Kenya, all public procurements must follow a standard sequence of actions as specified in the Public Procurement and Asset Disposal Act, 2015. Non-adherence to standardized procurement processes leads to wastage of resources, ultimately impacting the service delivery capacity of the institution and wasting public resources (Ngunyi, 2014). Effective procurement processes ensure a transparent and corruption free process and use of good practices (Akoth 2014). The logistical system

has to give emphasis to two key elements; product sourcing and timely acquisition. Sourcing strategies go well beyond cutting costs. Effective sourcing strategies can have a profound impact on overall performance. For the purposes of this paper, sourcing is defined as the process of evaluating, selecting and aligning with suppliers or consortiums of suppliers to achieve operational improvements in support of an organization's strategic objectives. The phrase 'strategic sourcing' is herein used when the activities of sourcing are directly tied to a sourcing strategy (Nackman, 2010).

A sourcing strategy aligns an organization's overall business strategy with the sourcing objectives. For example, it does not benefit an organization to select a supplier for a multiple- year agreement based on superior manufacturing capabilities and local presence if the organization is evaluating global sourcing operations in support of business growth and cost competitive objectives (Sinclair, 2010).

Second, when properly defined, a sourcing strategy assists an organization by gaining a true understanding of its requirements, knowing how it must map to the existing supply market, and then develop a plan for both short and long-term sourcing objectives. Having a clearly defined sourcing strategy that significantly improves both the quality of the results and the speed required to achieve an organization's sourcing objectives (Irungu, 2012).

One advantage attributed to well-coordinated sourcing strategies is gaining an understanding of how competencies and processes support a clearly defined business strategy, (Cousins, *et al.*, 2008). A strategic sourcing initiative presents the opportunity to clarify and communicate corporate goals and objectives. Also, it offers a means for defining and documenting what an organization's competencies are and what they should be (Sinclair,

2010). Thus, functions that are not critical to the core mandate can be identified and outsourced or eliminated. Also, redundancies that occur in the form of distributed activities may be itemized and purchased separately, or else aggregated or consolidated to improve efficiency and effectiveness (Branco & Rodrigues, 2007). The processes and workflows can also be redesigned to eliminate the non-value-added work. Ultimately, an organization to 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 (Thompson *et al.*, 2012).

A parastatal can be defined as a legal entity created by a government to undertake commercial activities on its behalf (Njagi & Malele, 2012). Also referred to as a public sector or state corporation, a parastatal may be established to provide essential services to the people and the economy (Akoth, 2014). Kenya's parastatals are categorized according to their mandate i.e. regulatory, service, and commercial and manufacturing, among others that are all guided in accordance with the provisions of Sections 5(3), 10(1), and 10 (2) of the State Corporations Act, Cap.446 of the Laws of Kenya. In fact, the Guidelines on terms and conditions of service for state corporations (G.O.K 2010) expressly states:

“...State Corporations have no option but to embrace modern business management practices. Each Corporation is expected to have a corporate strategy with clear goals, a set of values and objectives and a mission, the attainment of which depends on the quality of personnel running the Corporation's business.” (State Corporations Act, 2010)

Following the promulgation of the Constitution of Kenya, 2010, Parastatal reform in Kenya has gained further impetus based on new drivers such as Kenya

Vision 2013 Strategy Paper, E-Government and the digital migration and political dynamics (Sifuna, 2008). The Constitution of Kenya, 2010 in particular envisaged a more activist role for the State in national development efforts. This is discernible from the preamble to the Constitution as well as provisions in Article 10 (relating to National Values and Principles of Governance), Chapter Four (in respect of the Bill of Rights), Chapter 11 (in respect of Devolved Government) and Chapter 12 (relating to public finance) (Kebaso *et al.*, 2014).

As per the above revised classifications following the recommendations of the Taskforce, the Kenya Bureau of Standards is a state corporation (parastatal). The Kenya Bureau of Standards (KEBS) is the government's principal body that is mandated to facilitate and/or guide the development of appropriate standardization and conformity assessment mechanisms for goods and services in the country (KEBS, 2014). It was established in 1974 by an Act of Parliament through the Standards Act, Chapter 496 the Laws of Kenya – and became fully operational by 1975. Its main activities at that time were development of standards and quality control for locally made products (Nackman, 2010). The metrology laboratories started operating in 1980, followed by testing laboratories in 1982. Due to increased trade liberalization, import inspection commenced in 1995 and pre-verification of imports to conformity of standards started in 2005. Currently, the Kenya Bureau of Standards provides trade facilitation services in Metrology, Standards, Testing and Quality Management (MSTQ) including the WTO/TBT National Enquiry Point, certification and accreditation (Parmar *et al.*, 2010). The Kenya Bureau of Standards Testing Services is comprised of 10 laboratories based in Nairobi, 2 laboratories in Mombasa, 1 laboratory in Kisumu and 1 laboratory in Eldoret. The laboratories are managed in accordance to international standard ISO/IEC 17025

on general requirements for competence of testing and calibration laboratories (Kwong, 2012).

The Standards Act, Cap 496 is meant to promote the standardization of the specification of commodities, and to provide for the standardization of commodities and codes of practice; to establish a Kenya Bureau of Standards, to define its functions and provide for its management and control. Code of practice is interpreted in the Act as a set of rules relating to the methods to be applied or the procedure to be adopted in connection with the construction, installation, testing, sampling, operation or use of any article, apparatus, instrument, device or process (KEBS 2014). Specification under the Act means a description of any commodity by reference to its nature, quality, strength, purity, composition, quantity, dimensions durability, weight, grade, durability, origin, age or other characteristics with which, or the manner in which, any commodity may be manufactured, processed, treated, tested or sampled (Kebaso *et al.*, 2014). Among the functions of the Kenya Bureau of Standards as established under section 3 of the Act is to: Promote standardization in industry and commerce; make arrangements or provide facilities for the testing and calibration of precision instruments, gauges and scientific apparatus, for the determination of their degree of accuracy and; make arrangements or provide facilities for the examination and testing of commodities and any material or substance from or with which and the manner in which they may be manufactured, produced, processed or treated (Irungu, 2012).

The Standards (Amendment) Act, 2004 introduced three principal changes: creation of a dispute resolution mechanism in the form of standards tribunal (section 16A of the Act); expansion of the powers of inspectors under the Act (section 14A of the Act); enhancing the penalties payable on conviction of an offence under the Act (section 15

of the Act) (KEBS 2014). Presently, KEBS discharges its mandate as guided by its vision statement, "To be a global leader in standards based solutions that deliver quality and confidence". This is augmented by its mission statement, "To provide standardization solutions for sustainable development "and its motto, "Standards for quality life" (Wamalwa, 2013). Its main deliverables today include: Promotion of standardization in commerce and industry; provision of testing and calibration services; control of the use of standardization marks; undertaking educational work in standardization; facilitation of the implementation and practical application of standards; maintenance and dissemination of the International System of Units (SI) of measurements (Laplume *et al.*, 2008).

Section 27(1) of the Public Procurement and Asset Disposal Act, 2015 provides that a public entity shall ensure that this Act, the regulations, and any directions of the PPRA are complied with respect to each of its procurements (Ogechi & Nyameino, 2010). The Public Procurement Oversight Authority (PPOA) carried out a review exercise on KEBS's procurement processes for the period 1st July, 2008 to 30th June, 2009, in order to determine the level of compliance with the Public regulations and to benchmark the processes with other generally accepted principles of good procurement practice. The Act mandates PPOA to carry out comprehensive procurement reviews (audits) to determine the level of compliance with the laws and adherence to best procurement practices in procuring entities. In assessing compliance, "procurement reviews" have been used in place of "audits," to distinguish these activities from those of the Kenya National Audit Office (KNAO). Section 49.1(a) of the Act, provides for the PPRA's procurement review function, which states that the Director-General or anyone authorized by him may inspect at any reasonable time the records and accounts of a procuring entity, and the procuring

entity and contractor shall co-operate with and assist whoever does such an inspection. The findings of this review are directly relevant to the subject of this paper (Amaratunga & Baldry, 2012).

The methodology of the review involved verification of the relevant procurement documents such as the tender/procurement minutes, standard tender documents, payment vouchers, local purchase/service orders, letters of notification, contracts, etc. Officers involved in the procurement function were interviewed to clarify on issues of concern to the reviewers.

The management structure of KEBS was found to be organised functionally, with the procuring unit headed by Head of Procurement who reports to the Managing Director. The review also found that Kenya Bureau of Standards had a consolidated annual procurement plan which had not been signed by the management, but the minutes of the tender committee meeting confirming the plan were signed. Purchases were found to be based on the availability of funds to undertake the procurement.

The PPADA, 2015 provides for open tender as the preferred method of procurement, a fact that is reflected in the value of procurements (Ogechi & Nyameino, 2010). However, the review reported that there was a high use of request for quotations method. The review noted that advertising requirements were as per the provisions of the Act. During the period there were instances of use of direct procurements, and some were inconsistent with the procurement law. Significantly, during the period of review, the entity did not submit to PPRA details of all contracts awarded, whose values exceed Kshs.5 million as required by PPADA, 2015 Sec 46 and PPRA Circular Ref. No.3/2008 of 26th August, 2008. Also, direct procurements above Kshs.500, 000.00 were not reported to the authority within 14 days as required by the provisions of the

law. The review recommended that the system of filing and record keeping needed to be improved to ensure compliance with the requirements of the Act, especially in respect of arrangement, document location, retrieval, and traceability (G.O.K, 2015).

The Guidelines on terms and conditions of service for state corporations in Kenya expressly states that State Corporations have no option but to embrace modern business management practices (Awuondo & Abdikadir, 2013). As a result, each Corporation is expected to have a corporate strategy with clear goals, a set of values and objectives and a mission, the attainment of which depends on the quality of personnel running the Corporation's business (Kiptum, 2014).

According to Kenneth and Brian (2006), the public sector comprises the national government, local government, government-owned and controlled agencies and corporations and monetary institutions. The public sector is under pressure from both internal and external sources to demonstrate improvements in their performance (Cousins, *et al.* 2008). According to Mamiro (2010), if a firm uses a procurement tool solely to keep pace with its competitors, and without regard to how it fits into its corporate strategy, the outcome may be less than optimal. Thus, a strategic or enterprise-wide perspective is imperative. Government Ministries, departments and agencies are thus taking an interest in supply chain performance measures and reporting for improving performance (Clark & Creswell, 2014). This must be supported by a proactive, efficient and effective procurement function in order to attain set performance levels in public entities such as those that are outlined in its founding statute, strategic plan and performance contracting document.

According to McKinsey report (2010), government purchases of goods and services account for about 5%-8% of the GDP in OECD countries. Public sector

procurement spending accounts for huge percentage of total budget, approximated at 30% of the public budget in Kenya (GoK, 2010). Effective sourcing presupposes strategy; hence it evolves a cooperative model needed to maximize the supplier's value to the enterprise (Irungu, 2012). This comes with a critical shift from managing supplies to managing suppliers, enabling mutual cost sharing, joint improvement efforts, conflict resolution and better communication. Conversely, a non-strategic approach to procurement is fraught with dangers and wastage, including through delayed deliveries, poor quality outputs due to faulty specifications, duplication of raw materials, embezzlement of funds and failure to follow the relevant procurement laws as well as continued threats of litigation by the suppliers due to delayed payments, must be avoided or mitigated (Ngunyi, 2014).

This makes sourcing the most significant aspect characterizing an organization's transformation to supply management. Sourcing, one of the major steps in the procurement process involves the identification and selection of the supplier whose costs, qualities, technologies, timeliness, dependability, and service best meet the organization's needs (Lee, & Choi, 2012). Strategic sourcing involves taking a strategic approach to the selection of suppliers in a manner that is aligned with the organization's competitive strategy. Strategic sourcing reflects the integration of procurement or sourcing strategy with corporate strategy (Kiptum, 2014).

KEBS like the other State corporations is struggling with the low performance of its procurement department (Awuondo & Abdikadir, 2013). This is mostly attributed to the sourcing strategies adopted by the organization in similar style to other State corporations (Mogire 2011). It should also be noted that the vital role played by KEBS in affecting

all the Industries within the country and across the continent and beyond (KEBS 2015), coupled with the vital role of the procurement department in the performance of the organization as a whole (Nackman, 2010), there is need to ascertain this performance and trace it to its root cause with a view of solving the problem.

Specific Objectives

- To ascertain the effect of single sourcing on procurement performance in state corporations in Kenya.
- To determine the effect of multiple sourcing on procurement performance in state corporations in Kenya.
- To establish the effect of green sourcing on procurement performance in state corporations Kenya
- To find out the effect of global sourcing on procurement performance in state corporations in Kenya.

Research hypothesis

Hypothesis one

H₀ – Single sourcing has no effect on procurement performance in state corporations in Kenya.

Ha₁ - Single sourcing has an effect on procurement performance in state corporations in Kenya.

Hypothesis two

H₀ – Multiple sourcing has no effect on procurement performance in state corporations in Kenya.

Ha₂- Multiple sourcing has an effect on procurement performance in state corporations in Kenya.

Hypothesis three

H₀ – Green sourcing has no effect on strategic performance of parastatals in Kenya.

Ha₃ – Green sourcing has an effect on strategic performance of parastatals in Kenya.

Hypothesis four

H₀ – Global sourcing has no effect on procurement performance in state corporations in Kenya.

Ha₄ - Global sourcing has an effect on procurement performance in state corporations in Kenya.

LITERATURE REVIEW

Theoretical Framework

Stakeholder Theory

According to Sinclair (2010), the term stakeholder emerged in 1963 from the Stanford Research Institute, which argued that managers needed to understand the concerns of shareholders, employees, lenders and suppliers, in order to develop objectives that stakeholders could support. Stakeholder theory considers multiple stakeholders in decision making and focuses on value creation for these groups which have a stake in the firm (Parmar *et al.*, 2010). Further, it argues that managerial actions have the potential to affect a broad range of people and that pursuit of corporate objectives can be easily disrupted by the actions of unexpected groups as indicated by real cases, such as the global financial crisis of 2007-2008 (Parmar *et al.*, 2010).

Stakeholder theory sees a business purpose in maximizing value for its stakeholders and focusing on value creation is a key to effective management in today's world of entangled relationships. Thus, a business survival is dependent on the management of stakeholder relationships and a business job is to maximize value for its stakeholders (Thompson *et*

al., 2012). Value for stakeholders may have the form of economic extrinsic value (collaboration among employees), intangible extrinsic value (e.g. recognition, training, etc.), psychological intrinsic value (generated by the agent himself, e.g. satisfaction), intrinsic value (e.g. operational learning), transcendent value (e.g. acquisition of virtues), and value consisting of positive or negative externalities. It is evident that corporations, both public and private, do affect groups beside their shareholders, and hence they have an obligation to minimize negative externalities, and act in the best interest of stakeholders, as long as it does not hinder the business' success.

Theory of Core Competencies

Core competencies theory suggests that activities should be performed either in-house or by external suppliers. Activities, which are not core competencies, should be considered for outsourcing with best-in-world suppliers. However, some non-core activities may have to be retained in house if they are part of a defensive posture to protect competitive advantage. Based on the theory of core competency, issues of sourcing should hinge on the degree of criticality of a specific component or business activity to an organization. An extreme case would be for a company to strip itself down to the essentials necessary to deliver to customers the greatest possible value from its core skills and outsource as much of the rest as possible. By limiting or shedding activities that provide no strategic advantage, a company can increase the value it delivers to both customers and shareholders and, in the process, lower its costs and investments (Thompson *et al.*, 2012).

Although some authors indicate characteristics of core competencies, there is considerable disputation as to what properly constitutes 'core'. For the public sector, it has been suggested by Collis & Hussey (2009) that government may aim to

discover its core competencies via a ‘residualisation’ process outsourcing until and unless the shoe pinches, or a political backlash is triggered. It can even be argued that the very acts of specifying and managing supply contracts can themselves give competitive advantage (Kebaso, Kiarie & Ogollah 2014).

This theory is of great relevance to this study in several respects. Import certification and the provision of standards, which is one of the core competencies and functions of national quality certification bodies such as KEBS has been liberalized. International bodies such as Bureau Veritas now also offer some of these services, hence introducing an element of competition, which requires a strategic response.

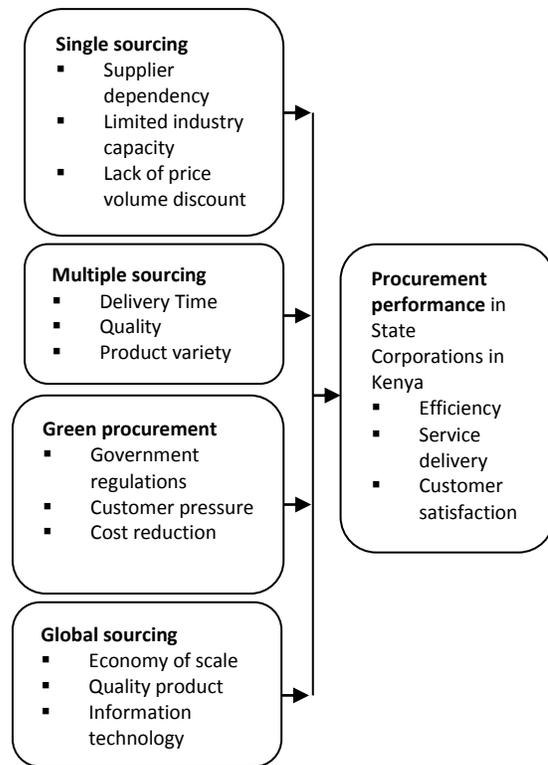
Relational Exchange Theory

Relational exchange theory is based on relational norms. According to this theory, the key to determining how efficiently contract governance is carried out lies in the relational norms between the transactors. Those transactors who have established behavioral norms that can simplify and smooth the renegotiation process can reasonably expect to incur lower ex-post bargaining costs than those who have not (Branco & Rodrigues (2007). Hamel., & Wirtz (2010) examined supplier relationships that were governed by relational contracts, and they found support for the relational exchange theory.

Collaboration refers to the willingness of the client and vendor to work together to create a positive exchange relationship and improve alliance performance. Collaborative actions can act to enhance the client-vendor relationship as a whole and curtail opportunistic behaviors. For example, joint planning and forecasting can allow both the customer and the supplier to participate in determining respective roles and responsibilities and foster mutually beneficial expectations. When

one firm attempts to coerce another in order to gain a more favorable negotiation outcome, that firm is likely to be viewed by its alliance partner as exploitative rather than accommodative, and retaliatory behavior often results. In contrast, non-coercive strategies attempt to persuade rather than demand. Non-coercive communications center on beliefs about business issues and involve little direct pressure. Examples include simple requests or recommendations, in which one party stresses the benefits the other party receives by complying.

Conceptual Framework



Independent Variables Dependent Variable

Figure 1: Conceptual Framework

Effect of Single Sourcing on procurement performance in state corporations in Kenya

Single sourcing (Gwako, 2008) or sole-sourcing (Freeman& Minow, 2009) refers to having one supplier selected among a handful of them. This may result from, other things, great urgency in

sourcing the required goods or services, and other factors that may favor sticking to current suppliers, such as possible inertia, pressure of work, established relationships' strength, or high switching costs (Dutta & Mia 2010). Single sourcing may be a good option if there is potential for "supplier dependence, limited industry capacity, lack of price-volume discounts, and location-specific needs" (Freeman & Minow, 2009). It has been noted that changing suppliers can often be disruptive, time consuming, resource intensive, costly, and even career threatening for purchasing staff in cases where the new suppliers make mistakes where the old or existing one did not.

Single sourcing may also evolve into partnership sourcing, which is defined as a sourcing practice selectively based on a single supplier, providing the customer with extensive access to the operations and management systems of the supplier over an extended pre-arranged period (Gwako, 2008). The single sourcing structure often results in mutual oriented relationships built on trust which has developed over a considerable period of time. Often the supplier takes active part in the product development of the buying firm, and product and processes can be jointly developed. From a dependence point of view, the buying firm is more depended on the supplier than vice versa. This has been pointed out as a disadvantage with the single sourcing strategy (Cousins, *et al.*, 2008).

Effect of Multiple Sourcing on procurement performance in state corporations in Kenya

This sourcing practice is characterized by a buying firm with varied sources of supply for a particular product or service. The buying firm normally have a set of prequalified suppliers to choose from to make sure that the different suppliers both have the capacity and the capability to deliver according to contract and specifications, (Brammer, & Walker, (2011). The suppliers compete with each other

based on price and other parameters like quality, delivery time, etc. Thus, the multiple sourcing strategy is often viewed as an adversarial approach to handling the suppliers, which also implies that the buying firm is independent of a single supplier because it can switch to another supplier relatively easily.

Thawiwinyu & Laptaned (2009) executed a detailed study on the impacts of strategic sourcing on supply chain performance management. In their literature review, they asserted the following as the main elements of strategic sourcing: strategic elevation of the purchasing function, internal coordination between supplier and purchasing, long-term relationships with suppliers, and supplier involvement in planning and design. Their assessment assists in validating the fact that these elements or KSFs are constant and need to be massaged into the public sector institutional setting if the public sector expects to realize the utilization of strategic sourcing processes.

Multiple sourcing also provides an organization with complete advantage due to competitive bidding allowing the organization to take advantage of price, quality and delivery time incentives offered by the various suppliers through the competitive forces of the market (Akoth 2014). Gwako (2008) however cautions that this option is only limited to the standardized product and service markets and is not available in the area of specialized items and services where only a particular where there is monopoly among the suppliers.

Effect of Green sourcing on procurement performance in state corporations in Kenya

Sustainable procurement refers to as selection of products that minimize negative environmental impacts or buying goods, services and works in environmentally, socially and economically conscious (Brammer & Walker, 2011). Lee *et al.*, (2011) argues that green purchasing is the adoption

of certain environment friendly policies whereby firms ensure that suppliers meet their environmental objectives, the procuring entity may deploy collaboration-based activities that include environmental information sharing, research and development and training. Numerous studies have tried to identify green practices in organizations which are referred to as environmental and quality management systems.

According to Zhu & Sarkis (2011) observed that quality management systems facilitates the implementation of green supply chain management. They suggest that under quality control programs, firms can advanced their environmental practices by learning from experiences of their quality management systems. As organizations trade together in the supply chain to achieve competitive advantage, all members of the chain need to synchronize their strategies towards the ultimate customer's direction and cost reduction. Braunscheidel *et al.*, (2011) argues that supply chain strategy and competitive advantage must be in tandem and consistent with customer priorities, government regulations to facilitate trade in environmentally, socially and economically conscious in the supply chain.

Effect of Global sourcing on procurement performance in state corporations in Kenya

With the advent of the era of globalization in the 1990s, firms were advised to use 'global sourcing' principles, by picking best-in-world external suppliers, as a means to improve competitiveness (Hamel, *et al.*, 2010). The very idea of global sourcing was first promoted by Kotabe, (2004). He referred to global sourcing as involving all actions and transactions needed to obtain a marketable product (Jesen *et al.* 2014). A good definition of the concept was given by Page *et al.*, (2010) thus: "Global sourcing involves setting up production operations in different countries to serve various

markets, or buying and assembling components, parts or finished products world-wide". This definition suggests that all Multinational Corporations (MNCs) producing abroad one way or another engage in global sourcing. Similarly, domestic firms that use inputs from a number of countries apply global sourcing. Thus, global sourcing has also been referred to as 'international sourcing', 'multinational sourcing' or 'offshore sourcing' (Freeman & Minow, 2009). However, some scholars use the term 'global outsourcing' when referring to all sourcing outside the focal country. Regional sourcing, especially in the context of regional trading blocs may also be seen as an aspect of global sourcing.

On a fundamental level, therefore, global sourcing is but a higher aspect of outsourcing. Thus, one may distinguish four different geographic types of outsourcing in literature (Hamel, & Wirtz, 2010). First is 'outsourcing', which is considered to be that part of all intermediate products which the firm sources from outside suppliers, regardless of the type of relation with suppliers. Secondly, 'International outsourcing' represents that part of outsourcing that is sourced from outside the focal (home) country. Thirdly, 'Domestic outsourcing' only covers outsourcing from the focal country. Finally, 'Regional outsourcing' involves outsourcing outside the focal country, but within a formal free trade region (Brammer, & Walker, 2011).

Procurement Performance

The concept of organizational performance is subject to varied meanings and interpretations. In addition, the concept has kept evolving over the years. In the 1950s, for example, organizational performance was defined as the extent to which organizations fulfilled their objectives (Brammer, & Walker, (2011). This changed in the 1960s and 1970s, when it was seen as an organization's ability to exploit its environment by accessing scarce

resources to its advantage (Cousins, *et al.*, 2008). In the contemporary sense, strategy is the mediating force between the organization and its surroundings (Knight, 2010). Thus, strategic performance, as Hamel *et al.*, (2010), argues involves the best strategy is geared towards radical change and creating a new vision of the future in which you are a leader rather than a follower of trends set by others.

In an era of budget cuts, multiple efforts, and overall economic uncertainty, the public sector should focus its efforts mightily on how to properly implement strategic acquisition practices so its customers can experience increased customer satisfaction, however that might be defined e.g., increased savings, better service, decreased delivery times, etc. Further, the potential regarding positive social change associated with the reallocation of financial resources is tremendous serving to heighten the demand for strategic sourcing in the public sector (Lampel, Bhalla & Vishnu (2010).

Hayes, (2012) asserted that public sector procurement professionals are expected to focus more on strategic practices versus the traditional tactical approach in an effort to assist the government's tasking to do more with less. The public demands are difficult to meet if both academia and practitioners do not vigorously study and explore the barriers that may or may not be preventing the procurement professionals from meeting their tasking to institute strategic methods and practices

METHODOLOGY

The basic research design used was a cross-sectional exploratory study. A cross-sectional study is "a methodology designed to investigate variables or a group of subjects in different contexts over the same period of time" (Collis & Hussey 2009). The

study targeted the employees working in KEBS and specifically at the head office. This is because the head office has a more strategic role as it sets the policies to be followed by the regional offices thus a study at the head office easily replicates what happens in the regional offices. Data from KEBS showed that 308 employees of KEBS were strategically distributed as senior managers, middle managers, junior managers and junior employees

The study used the formulae given below to come up with the sample size for each of the categories

$$n = \frac{z^2 pqN}{e^2 (N-1) + z^2 pq}$$

Where;

n=sample size,

z=z-score, that is the value of the standard variation at a given confidence level. For this study the confidence level is 95% hence z-score is 1.96

p=sample proportion, q=1-p.

Kothari (2013) reiterates that for p=0.5, n the maximum and the sample yield at least the desired precision.

N= population of interest,

e=error margin or precision rate, for this study it is ±10%.

This then gives 172 respondents. This was drawn using the stratified random sampling technique

The regression analysis used the model,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where

Y = Procurement performance

X₁= Single sourcing;

X₂= Multiple sourcing;

X₃= Green sourcing;

X₄= Global sourcing;

ε = Error term.

β₀ = Constant

β_i (i=1 to i=4) = Regression Co-efficient.

RESEARCH FINDINGS

Single Sourcing

Table 1: Single Sourcing

Item	N	Mean	S. D
Uses the same supplier for a long period of time	142	2.8	1.16
Receives quotations from only one supplier	142	1.85	0.98
The management decides where to get the commodities from without competition by other firms	142	1.79	1.01
Does not advertise for supplies	142	1.74	0.96
Involves the supplier in specifications of the items to be supplied	142	3.03	1.36
Advices the supplier on the specifications of goods to produce	142	3.4	1.30

Table 1 showed that the respondents were neutral on whether the organization advises the supplier on the specifications of goods to produce (mean 3.46, S D 1.30), involved the supplier in specifications of items to be supplied (mean 3.03, S D 1.30) and that the organization used the same supplier for a long period (mean 2.8, S D 1.16). It also showed that the respondents disagreed to the statements that the organization received quotations from only one

supplier (mean 1.85, S D 0.98), the management decided where to get the commodities from without competition by other firms (mean 1.79, S D 1.01) and that the organization did not advertise for supplies (mean 1.74, S D 0.96). This implied that the organization used single sourcing on very few occasions but was a reserve of the senior levels of management.

Multiple Sourcing

Table 2: Multiple Sourcing

Items	N	Mean	S D
Widely advertises for suppliers	142	4.02	0.89
Has a competitive process for identifying a suppliers	142	4.04	0.82
Concentrates on quality and price to identify the supplier	142	3.99	0.96
Changes suppliers over time	142	3.73	0.90
Has different suppliers supplying different commodities	142	4.18	0.76

Table 2 showed that the respondents agreed that the organization had different suppliers supplying different commodities (mean 4.18, S D 0.76), had a competitive process for identifying suppliers (mean 4.04, S D 0.82), widely advertised for suppliers (mean 4.02, S D 0.89), concentrated on quality and

price to identify the supplier (mean 3.99, S D 0.90) and changed suppliers over time (mean 3.73, S D 0.90). This implied that the organization widely used multiple sourcing and that all the levels of the organization were involved in this process as seen from the close S Ds in this section.

Green Sourcing

Table 3: Green Sourcing

Items	N	Mean	S. D
Strict Compliance to ISO certifications	142	4.06	0.99
Optimum consumption of energy/materials	142	3.69	0.89
Goods and services offered by specialized companies and firms	142	3.79	0.87
Enters contracts with firms and organizations for specific goods and services	142	4.05	0.76
Full disclosure on Environmental practices	142	3.73	0.99

Table 3 showed that the respondents agreed that the organization had strict compliance to ISO certifications (mean 4.06, S D 0.99), enters contracts with firms and organizations for specific goods and services (mean 4.05, S D 0.76), that goods and services offered by specialized companies and firms (mean 3.79, S D 0.87), the organization did full

disclosure on Environmental practices (mean 3.72, S D 0.99) and had optimum consumption of procured items (mean 3.69, S D 0.89). This implied that the organization used green sourcing and also that all the levels were involved in the process as seen in the S Ds.

Global Sourcing

Table 4: Global Sourcing

Items	N	Mean	S D
Has suppliers from other economies	142	3.73	0.89
Advertises for suppliers across economy boundaries	142	3.60	0.99
Participates in foreign markets	142	3.35	1.09

Table 4 showed that the respondents agreed that the organization had suppliers from other economies (mean 3.73, S D 0.89) and advertises for suppliers across economy boundaries (mean 3.60, S D 0.99). The table also showed that the respondents were neutral on whether the organization participates in foreign markets (mean 3.35, S D 1.09). This item had a high S D (1.09) calling for a closer look at the respondents. This indicated that the senior managers agreed, middle managers agreed, junior managers agreed while the junior employees were neutral. This implied that the

organizations moderately used global sourcing and that such a decision was made by the higher levels of the organization with the lower levels not involved in the process

Procurement Performance

This section gave the findings of the analysis of section G of the questionnaire which had items testing the performance of the procurement department which was the dependent variable in the study.

Table 5: Procurement Performance

Items	N	Mean	S D
Goods and services are attained at prices very close to the market prices	142	3.61	0.87
Goods and services are supplied in time	142	3.41	1.09
The right quality of products and services are availed	142	3.58	1.00
The suppliers do not fluctuate the prices frequently and without adequate notice	142	3.57	0.93
All needed goods and services are availed	142	3.43	0.98
The quantities demanded are met	142	3.72	0.89
The organization operates at optimum quantities of supplies	142	3.66	0.87
There are no stock burn outs	142	3.19	1.08
Required commodities are available at all times regardless of the season.	142	3.13	1.10
There is predictable and reliable supply of goods and services	142	3.51	0.92

Table 5 showed that the respondents agreed that the quantities demanded were met (mean 3.72, S D 0.89), the organization operated at optimum quantities of supplies (mean 3.66, S D 0.86), goods and services were attained at prices very close to the market prices (mean 3.61, S D 0.87), the right quality of products and services were availed (mean 3.58, S D 1.00), the suppliers did not fluctuate the prices frequently and without adequate notice (mean 3.57, S D 0.93) and that there was predictable and reliable supply of goods and services (mean 3.51, S D 0.92).

The respondents were however neutral on whether all needed goods and services were availed (mean 3.43, S D 0.98), Goods and services were supplied in

time (mean 3.41, S D 1.09), there were no stock burn outs (mean 3.19, S D 1.07) and whether required commodities were available at all times regardless of the season (mean 3.12, S D 1.09). This implied that the performance of the procurement department was high though not the very best.

Regression Analysis

The findings of the regression analysis are given.

Model summary

The model summary gives of the total variability in the dependent variable explained by the model. This then indicated the percentage of the variability in the dependent variable explained by factors not included in the study

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626 ^a	.391876	.392	.62773

a. Predictors: (Constant), GLOBAL, SINGLE, GREEN, MULTIPLE

Table 6 showed that the adjusted R² is 0.392 which showed that 39% of the total variability in performance of the procurement department was

explained by sourcing strategies. This therefore implied that 61% of the variability in performance of the procurement department was explained by variables not included in this model. It also showed

that there was a positive correlation of 0.626 between the dependent variables and the independent variables.

The analysis used a 2 tailed test of significance which would imply that the alternative hypothesis

would be adopted if the computed t was greater than the tabulated t which was 4.36

$$t = r \sqrt{(n-2) / \sqrt{1-r^2}}$$

$$= 0.626 \sqrt{140 / \sqrt{1-0.392}}$$

$$= 7.41 / 0.779 = 9.512$$

The alternative hypothesis was thus adopted hence the coefficient of correlation was significant

ANOVA

Table 7: ANOVA for operational performance as dependent variable

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.556	4	3.639	9.236	.0005 ^a
	Residual	34.282	87	.394		
	Total	48.838	91			

a. Predictors: (Constant), GLOBAL, SINGLE, GREEN, MULTIPLE

b. Dependent Variable: PERFORMANCE

Table 7 showed that the p value for the model was 0.0005 and this implied that the model was statistically significant given that the p value was

lower than the acceptance level of 0.05. as a result, the regression analysis findings were considered significant.

Coefficients

Table 8: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
	(Constant)	1.078	.542		1.991	.050		
	SINGLE	-.073	.091	-.074	-.809	.420	.963	1.039
1	MULTIPLE	.388	.142	.335	2.730	.008	.534	1.871
	GREEN	.286	.119	.270	2.403	.018	.639	1.564
	GLOBAL	.021	.093	-.024	-.226	.821	.692	1.444

a. Dependent Variable: PERFORMANCE

Table 8 gave the following regression equation for the relationship between the variables of the study $Y = 1.078 - 0.073X_1 + 0.388X_2 + 0.286X_3 + 0.021X_4$

From the equation, it was seen that if all the independent variables in the model were held at zero, performance of procurement department

would be 1.08. the study also found that A unit increase in single sourcing would lead to a decrease in performance of procurement department by 0.07 units; a unit increase in multiple sourcing would increase the performance of procurement department by 0.39 units; a unit increase in green sourcing would increase the performance of

procurement department by 0.29 units and a unit increase in global sourcing would increase the performance of procurement department by 0.02 units.

This therefore implied that there was a positive relationship between multiple sourcing, green sourcing and global sourcing with the performance of the procurement department. It also indicated stronger relationship of performance with multiple sourcing and green sourcing with a weak correlation between global sourcing and performance of the procurement department. The study however showed a negative correlation between single sourcing and the performance of the procurement department.

CONCLUSION

The study determined that organizations had gone beyond sticking to a single sourcing strategy but have embraced the contingency approach where they are using the most suitable strategy at a time and using other strategies where they best apply. It should however be noted that there were still a number of grey areas in theory and practice especially as regards the involvement of the levels of the organizations and the user departments in the process as well as a clearly define method of determining the most suitable strategy at any given time.

RECOMMENDATIONS

Recommendations for Policy and Management

The study recommended that the organizations should use involve all levels in procurement even where they were using single sourcing and global sourcing. This was seen from the current practice as shown by the study that the two strategies were

carried out entirely by the higher levels of the organizations.

The study also recommended the strengthening of the procurement laws, policies and practices as the study determined that the organizations adhered to these laws, policies and procedures yet the performance was still above average and not the very best. There should thus be audit into these procedures to improve on the performance. On the other hand, organizations were urged to go beyond mere adherence to these policies and laws as they gave the bare minimums for performance but come up with more elaborate mechanism that go beyond the laws, policies and procedures to enhance performance.

Finally, the study recommended that there should be more attention to the weak areas in the procurement process such as involvement of user departments. This should however be systematic thus the organizations were tasked with coming up with credible policies and systems to foster this involvement and ensure a higher level of performance for the procurement department.

Recommendations for further study

A study should be conducted to determine the reasons underlying the negative relationship between single sourcing and performance of the procurement department as well as the weak relationship between global sourcing and performance of the procurement department. The study should focus on whether the relationships as seen in the current study are a result of the sourcing strategies or the way in which they are used especially as seen that the two strategies are used entirely by higher levels of the organizations.

A study should also be conducted on the reasons behind the continued use of single sourcing as a strategy despite the negative relationship it has

with the performance of the procurement department. Finally, there should also be a study to look into the most suitable way to mix the sourcing

strategies as well as the environment in which each of the strategies is the best to enable predictability of the strategies.

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