EFFECT OF STRATEGIC PROCUREMENT PRACTICES ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF KCB

BY

DEBORAH MUNGAI

UNITED STATES INTERNATIONAL UNIVERSITY

SUMMER 2019
EFFECT OF STRATEGIC PROCUREMENT PRACTICES ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF KCB

By

DEBORAH MUNGAI

A Research Project Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY OF AFRICA

SUMMER 2019
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________  Date: ___________________________

Deborah Mungai (ID: 656472)

This Research Project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________  Date: ___________________________

Fred Newa

Signed: ___________________________  Date: ___________________________

Dean, Chandaria School of Business
COPYRIGHT

This work is the product of the author, hence no part of this project may be reproduced, translated or reprinted or redistributed in any form or by any means or stored in a database or retrieval system, either in part or whole including photocopying without prior written permission of the author except for quotations in critical reviews or articles.

Deborah Mungai © 2019
ABSTRACT

The objective of the research was to establish the effect of strategic procurement practices on the performance of commercial banks in Kenya, a case of KCB. The specific objectives were to establish the effect of supplier relationship management on the performance of the KCB; to evaluate the effect of procurement information systems in performance of KCB and to explore the effect of strategic sourcing on performance of KCB.

The study adopted a descriptive research design. The target population was limited to 184 formal employees at KCB head office and stratified random sampling technique was used to obtain 130 employees from the bank. The study used closed ended questions to gather primary data. The researcher selected a pilot group of 13 employees to test for the validity of the research instrument. Analysis was done quantitatively by use of descriptive and inferential statistics and analyzed using the t-test method.

It was noted that supplier relationship management led to the improvement of quality of goods procured and there was proper evaluation of supplier’s abilities before undertaking a decision to source products or services SRM within the bank has led to waste reduction. SRM contributed to the improvement of internal customer satisfaction, most of the banks had good alignment of the strategic orientation process and when supplier relationship management is well done, it will result in the development and connecting of the customers. Finally, SRM improved the competitive advantage of the bank and that the bank considers SRM a strategic policy within the organization.

Procurement information systems helped companies better understand a potential supplier’s culture by improving transparency, procurement information systems provide easy and real time information sharing to and from the market. Further system integration of various departments e.g. finance, user departments had been achieved due to the use of information systems information systems used in procurement that led to increased transparency and accountability in procurement. Information systems used in procurement led to improved workflow, and that information systems used in procurement improved accuracy of orders. Finally, the findings showed that information systems used in procurement led to higher internal customer satisfaction.

The study established that the bank considers strategic sourcing a strategic tool towards achieving growth and strategic sourcing led to improved workflow. Strategic sourcing
increased efficiency within the organization strategic sourcing and led to the compliance with environmental and industry regulations and laws. Strategic sourcing led to an increase in the quality of goods procured and that strategic sourcing led to waste reduction within the organization. Further the study revealed that strategic sourcing enabled the bank achieve strategic advantage and strategic sourcing increased the competitive advantage of the bank. Strategic sourcing increased internal customer satisfaction, led to cost reduction for the organization and led to higher profits.

The study concluded that SRM had contributed to the improvement of internal customer satisfaction most of banks. The bank had a good alignment of the strategic orientation process, SRM has led to economic value addition to investment. The study concluded that procurement information systems enhanced procurement efficiencies at KCB group, information systems used in procurement led to improved workflow and information systems used in procurement had increases transparency and accountability in procurement. The study concluded that strategic sourcing led to an increase in the quality of goods procured and that they led to waste reduction within the organization.

The study recommend that banks needs to continually build on supplier relationship. This will help create positive buyer-supplier relationships and determines which activities to engage in with each supplier. Financial institution needs to have in placed strong procurement information systems. Through adoption of e-procurement systems, costs incurred by the banks will be reduced by leveraging volume. Banks needs to continually build on strategic sourcing as this was found to be positively related with organizational performance measured through reduce procurement costs, streamlining of procurement operations, strengthening of trustworthy on relationships with existing and new vendors.
ACKNOWLEDGEMENT

I would like to acknowledge the presence of God in my endeavors, for giving me strength and wisdom as I undertook this research project. My sincere gratitude to my supervisor, Fred Newa, for his tireless efforts, guidance, generosity and intellect. I am indebted to him for the flawless experience that I had with him during this period and wish him abundant blessings henceforth.
DEDICATION

I would like to dedicate my research project to my family, especially my loving parents for their words of encouragement and constant support as they have always done.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENT’S DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>COPYRIGHT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vi</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>ii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>v</td>
</tr>
<tr>
<td>ABBREVIATIONS AND ACRONYMS</td>
<td>vi</td>
</tr>
<tr>
<td>CHAPTER ONE</td>
<td>1</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>5</td>
</tr>
<tr>
<td>1.3 General Objective</td>
<td>6</td>
</tr>
<tr>
<td>1.4 Specific Objectives</td>
<td>6</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>6</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>7</td>
</tr>
<tr>
<td>1.8 Definition of Terms</td>
<td>7</td>
</tr>
<tr>
<td>1.9 Chapter Summary</td>
<td>8</td>
</tr>
<tr>
<td>CHAPTER TWO</td>
<td>9</td>
</tr>
<tr>
<td>2.0 LITERATURE REVIEW</td>
<td>9</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>9</td>
</tr>
<tr>
<td>2.2 Effect of Supplier Relationship Management on Performance of KCB</td>
<td>9</td>
</tr>
<tr>
<td>2.3 Effect of Procurement Information Systems on Performance of KCB</td>
<td>16</td>
</tr>
<tr>
<td>2.4 Effect of Strategic Sourcing on Performance of KCB</td>
<td>20</td>
</tr>
<tr>
<td>2.5 Chapter Summary</td>
<td>25</td>
</tr>
</tbody>
</table>
CHAPTER THREE .................................................................................................................. 26
3.0 RESEARCH METHODOLOGY ......................................................................................... 26
3.1 Introduction .................................................................................................................... 26
3.2 Research Design .......................................................................................................... 26
3.3 Population and Sampling Design ................................................................................. 26
3.4 Data Collection Method ............................................................................................... 28
3.5 Research Procedure ...................................................................................................... 29
3.6 Data Analysis Method ................................................................................................. 30
3.7 Chapter Summary ......................................................................................................... 31

CHAPTER FOUR .................................................................................................................. 32
4.0 RESULTS AND FINDINGS ............................................................................................ 32
4.1 Introduction ................................................................................................................... 32
4.2 Background Information .............................................................................................. 32
4.3 Effect of Supplier Relationships Management on the Performance of KCB ............ 35
4.4 Statements on Effect of Procurement Information Systems on Performance .......... 38
4.5 Statements Assessing Effect of Strategic Sourcing on Performance......................... 41
4.6 Chapter Summary ......................................................................................................... 44

CHAPTER FIVE ..................................................................................................................... 45
5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS ............................. 45
5.1 Introduction ................................................................................................................... 45
5.2 Summary ....................................................................................................................... 45
5.3 Discussion ..................................................................................................................... 46
5.4 Conclusions ................................................................................................................... 52
5.5 Recommendations for improvement .............................................................................. 53
5.5.2 Recommendation for Further Studies ..................................................................... 54

REFERENCE ....................................................................................................................... 55
APPENDICES.......................................................................................................................... 64
Appendix I: Letter of Introduction.......................................................................................... 64
Appendix II: USIU-A Introduction Letter ................................................................................ 65
Appendix III: NACOSTI License............................................................................................. 66
Appendix IV: Questionnaire.................................................................................................... 67
LIST OF TABLES

Table 3.1: Target Population .................................................................................. 28
Table 3.2: Sample Size .......................................................................................... 29
Table 4.1: Distribution of Respondents’ by Gender ................................................. 32
Table 4.2: Age Category ......................................................................................... 33
Table 4.3: Education level of Employees in the Bank .............................................. 33
Table 4.4: Employee Period of Service .................................................................. 34
Table 4.5: Work Department .................................................................................. 34
Table 4.6: Position Within the Organization ............................................................ 35
Table 4.7: Statements on Effect of Supplier Relationship Management on Performance 37
Table 4.8: T Test on Supplier Relationship Management and Performance .......... 38
Table 4.9: Statements on Effect of Procurement Information Systems on Performance 40
Table 4.10: Coefficients\(^a\) and T test .................................................................. 41
Table 4.11: Statements Assessing Effect of Strategic Sourcing on Performance ....... 43
Table 4.12: Coefficients\(^a\) and T test .................................................................. 44
# ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APS</td>
<td>Administration Police Service</td>
</tr>
<tr>
<td>CAP</td>
<td>Capital Adequacy</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer relationship management</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
</tr>
<tr>
<td>KBA</td>
<td>Kenya Bankers Association</td>
</tr>
<tr>
<td>KCB</td>
<td>KCB</td>
</tr>
<tr>
<td>MRP</td>
<td>Material Requirements Planning</td>
</tr>
<tr>
<td>NACOSTI</td>
<td>National Commission for Science, Technology &amp; Innovation</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
</tr>
<tr>
<td>SRM</td>
<td>Supplier Relationship Management</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Programme</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Strategic procurement is the process of creating alignment and consistency of action that establishes the long-range objectives and overall strategy or course of action by which procurement function fulfills its mission. It therefore entails the transformation of an organization’s mission, goals, and objectives into measurable activities to be used to plan budget and manage the procurement function (Mahmood, 2014). Strategic procurement can be approached from three main dimensions namely: Development and management of key suppliers, internal operation of procurement function and coordination of purchasing with other functions within the firm, and the use of technology in procurement systems. It is seen as one of the critical functions of an organization with the potential to; save cost, improve operational efficiency, access to trusted suppliers, and improve in quality of product or service, sharing of best practices among others (Magnus, 2016).

One of the tools for the firm’s competitiveness is strategic procurement which is seen to have a positive effect on the overall performance of the organization. Unlike traditional purchasing driven by the desire to cut costs of purchase, short-term profit improvement, transactional rather than relationship behavior, and emphasis on price reduction. Strategic procurement planning, by contrast, looks at how the purchasing of goods and services, including outsourcing of entire processes, can deliver better long-term shareholder value. It involves reducing the supplier base, co-operative negotiation with suppliers, quality interaction with suppliers, and developing long term relationships with the best suppliers. Nevertheless, these strategic procurement behaviors are linked to better procurement performance (Ellram & Sidisin, 2014).

According to Daft (2016) firm performance is the organization’s ability to attain its goals by using resources in an efficient and effective manner. It is determined by how well a firm manages its internal resources and adapts to its external environment and further reflects the accomplishment of its strategic objectives and growth goals (Hitt, 2018). Performance measures are largely described as two dimensional. One dimension is the objective performance, which involves financial and market-based measures, such as capacity utilization, profitability and market share. The other is subjective (judgmental) performance
which involves customer and employee-based measures, such as service quality, employee and customer satisfaction (Amit & Schoemaker, 2014).

Performance management includes activities which ensure that goals are consistently being met in an effective and efficient manner (Knudsen, 2016). Indeed, procurement excellence is increasingly becoming an important factor in delivering efficient operations within successful companies. On the surface, effectively measuring procurement performance may appear simple. However, looking deeper, adequate measurement of procurement success is a big issue.

Every organization has its own policies, procedures and structures that greatly influence the procurement process. These policies and procedures are built from the organizations paradigm that sometimes contradicts procurement goals and objectives. For tall and bureaucratic organization structures, decision making may take a long-time during procurement process. This will definitely influence the number of basic stages to follow in the procurement process. These challenges are even more in those procurement departments that do not having enough information about the procurement procedure, its inputs, outputs, resource consumption and results and are therefore unable to determine their efficiency and effectiveness (Lester & Digman, 2015).

Strategic procurement practices help create alignment and consistency of action that ensure procurement function fulfills its strategy and contribute to the bottom-line profit. The practices that will be used are supplier relationship management, technology utilization and strategic sourcing. Strategic relationship with suppliers begins long before the first order is placed as noted by Bob (2011) and continues well beyond the receipt of goods. This relationship is far different from the transactional tactical supplier relationship. Strategic relationship management goes beyond procuring products and services. It seeks to maximize the benefit for both supplier and customer and identify and implement mutual successes that will benefit both parties (Clemens & Douglas, 2016).

Technology utilization at the commercial banks enhances infinite and non-restricted access to information and increases market transparency and economic incorporation based on complementarities (Ghadge, 2017). Strategic sourcing is a cornerstone of successful procurement management where business needs from markets via the proactive and planned analysis of supply markets and the selection of suppliers with the objective of
delivering solutions to meet pre-determined and agreed business need are met (Min & Zhou, 2017).

There are several performance measurements for commercial bank performance, such as sales growth, cost savings and customer growth. Sales growth can be seen as the method of moving forward a trade execution degree (Illmer, 2017). Deals development includes the increment in sum of income by a firm over a defined period. This may well be as a result of increment in item costs, offering of more products or both. Deals development as a result of cost increment can be as a result of expansion alteration and so not due to genuine deals development but on the off chance that costs stay moo at that point it contributes to the genuine development of deals. Fetched sparing methods offer data to successfully control the merchandise with the stream of materials, successfully utilize individuals and hardware, arrange inner exercises and talk with clients (Salawati, Tinggi & Kadri, 2017). Efficiency implies minimization of overall machine extensive charges from transportation and distribution to inventories of raw substances, paintings in manner and finished items. Customer growth has become a great challenge for many organizations. As the competitive environment increasingly becomes fierce, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Khan, 2017).

According to chapter 488 of Banking Act, a Commercial Bank is a company which carries on or purposes to carry on banking business in Kenya and includes the KCB of Kenya but does not include the Central Bank of Kenya. Banking business means accepting from members of the public money on demand deposit repayable on demand or at the expiry of a fixed period or after notice. There are 43 commercial banks in Kenyan with a few non-financial institutions and foreign exchange bureaus which are licensed and regulated under the Central Bank of Kenya Act, cap 491. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks’ interests and addresses issues affecting member institutions. The commercial banks offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking (Midika, 2016).

The importance of purchasing to commercial Banks competitiveness is increasingly being noted, and is now considered more and more a strategic function. Viewed holistically, however, purchasing comprises all of the goods and services used by banks: from
temporary help to recruiting; benefits to market research services; direct mail to advertising services; telecommunication services to computer maintenance and repair; janitorial services (Jun & Cai, 2017). Strategic procurement for banks includes the following actions; precisely defining actual business needs, thoroughly analyzing and understanding the economics of the industry from which goods or services will be supplied, understanding what degree of competition or partnering is appropriate based on the magnitude of potential savings and business risk from switching suppliers. Strategic procurement is a coordinated, holistic process that aligns actual business needs and requirements with service acquisition and then measures the performance (Mensah, 2016).

Benn (2015) focused on strategic purchasing, supply management practices and buyer performance improvement in UK manufacturing organisations where strategic purchasing was found to have an indirect, significant effect on improving buyer performance, acting through supplier integration. Strategic purchasing also had a significant effect on the use of socialization mechanisms, but not on supplier responsiveness. Nutakor (2016) on challenges with the implementation of sustainable procurement practices in the mining industry in western region of Ghana found challenges such as ICT difficulties, innovation, remuneration and increased cost, regulation and governance, inadequate funding, consumer perception, among others were very critical challenges inhibiting sustainable procurement practices. The study made some key findings that competitive bidding was rather practiced as compared to sole sourcing and that also there was not enough awareness and knowledge in the area of Sustainable Procurement.

Mueni (2018) focused on the influence of strategic procurement practices on performance of parastatals in Kenya Airport Authority and established that 66.9% of the total variability in the performance of Kenya Airport Authority could be explained by strategic outsourcing, inventory management, reverse logistics, and knowledge management. However, inventory management did not contribute significantly to performance of parastatals in Kenya. Okong’o (2016) focused on the influence of strategic procurement on the performance of Kenya Power Company Limited and established strategic procurement had a positive impact on the performance of public enterprises; such as reduced costs, improvements in quality of goods and services in the organization.

The history of KCB (KCB) dates back to 1896 when its forerunner, the National Bank of India opened an outlet in Mombasa. Eight a long time afterward in 1904, the Bank
amplified its operations to Nairobi, which had ended up the Central station of the growing railroad line to Uganda. The following major alter within the Bank’s history came in 1958. Grindlays Bank combined with the National Bank of India to make the National and Grindlays Bank. Upon freedom the Government of Kenya procured 60% shareholding in National and Grindlays Bank in an exertion to bring keeping money closer to the larger part of Kenyans. In 1970, the Government procured 100% of the offers to require full control of the biggest commercial bank in Kenya. National and Grindlays Bank was renamed KCB. Within the most later rights issue, the government has slowly diminished its shareholding to 17.7% (KCB, 2017).

1.2 Statement of the Problem

Studies have been done on strategic procurement practices, but few studies have focused on the Commercial Banks in Kenya. Benn (2015) focused on strategic purchasing, supply management practices and buyer performance improvement in UK manufacturing organisations where strategic purchasing was found to have an indirect, significant effect on improving buyer performance, acting through supplier integration. Strategic purchasing also had a significant effect on the use of socialization mechanisms, but not on supplier responsiveness. Nutakor (2016) on challenges with the implementation of sustainable procurement practices in the mining industry in western region of Ghana found challenges such as ICT difficulties, innovation, remuneration and increased cost, regulation and governance, inadequate funding, consumer perception, among others were very critical challenges inhibiting sustainable procurement practices.

Locally, Mueni focused on the influence of strategic procurement practices on performance of parastatals in Kenya Airport Authority and established that 66.9% of the total variability in the performance of Kenya Airport Authority could be explained by strategic outsourcing, inventory management, reverse logistics, and knowledge management. However, inventory management did not contribute significantly to performance of parastatals in Kenya. Okong’o (2016) focused on the influence of strategic procurement on the performance of Kenya Power Company Limited and established strategic procurement had a positive impact on the performance of public enterprises; such as reduced costs, improvements in quality of goods and services in the organization. None of the above studies has focused on the banking industry in Kenya; thus, this study seeks to fill the gap by focusing on the
factors affecting strategic implementation in the banking industry, a case study of KCB bank.

1.3 General Objective

The general objective of the study was to establish the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB.

1.4 Specific Objectives

i. To establish the effect of supplier relationship management on the performance of the KCB.

ii. To evaluate the effect of procurement information systems in performance of KCB.

iii. To explore the effect of strategic sourcing on performance of KCB.

1.5 Significance of the Study

1.5.1 KCB

The study will be of great importance to the management and employees especially in the operational department at KCB as the will know the effect of strategic procurement practices on performance of commercial banks in Kenya. The study will help the management at KCB develop and implement strategic procurement practices so as to enhance its performance through improvement in quality of products and service by sharing of best practices among others.

1.5.2 Policy Makers

The study finding will enlighten the policy makers within the banking industry on the anticipated impact of strategic procurement practices on banks performance; this will help them in planning suitable policy for strategic procurement by commercial banks in Kenya. Through the findings of the study, the government of Kenya is able to appreciate which regions of strategic procurement can bolster the banking industry performance.

1.5.3 Other Commercial Banks

The study will not only be of importance to KCB, it will be of importance to other commercial banks who wish to enhance their competitiveness through enhancing efficient delivery of services which in turn encourage customer satisfaction and retention through
strategic procurement practices. Through the adoption of the strategic procurement practices the banks will not only enhance their operational performance but also financial performance.

1.5.4 Future Scholars and Academicians

The study will be of great importance to future scholars and academicians as it will form a basis for future research as well as providing literature for future studies on the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB.

1.6 Scope of the Study

The study aimed at establishing the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB. The target population was limited to the 184 formal employees at KCB head office. The study was partial in coverage as it only covered one geographical location which is Nairobi, KCB head office. The study was conducted from May to August, 2019.

There may be a number of limitations within the study; the respondents to be drawn nearer may not deliver full data dreading that the data looked for would be utilized against them. The study will guarantee them of privacy which the data would not be shared to anybody. A few respondents may indeed turn down the ask to fill surveys. The study will handle the issue by carrying a presentation letter from the College and guaranteeing them that the data they deliver would be treated with secrecy and would be utilized simply for scholastic purposes. The study may too experience issues in evoking data from the respondents as the data required is subject to ranges of sentiments, feelings, states of mind and discernments, which cannot be precisely evaluated and/or confirmed impartially. The study will minimize this by making the questions objective.

1.8 Definition of Terms

1.8.1 Commercial Bank

Commercial bank may be a monetary institution that gives services, such as accepting deposits, giving trade advances and loans, mortgage loaning, and essential venture items like savings accounts and certificates of deposit (Business Dictionary, 2011).
1.8.2 Strategy

Is the determination of the basic long-term goals of an enterprise, and the implementation of different courses of action and the allocation of resources necessary for carrying out these goals (Thompson & Strickland, 2007).

1.8.3 Strategic Procurement

Strategic procurement is the method of making arrangement and consistency of activity that sets up the long-range goals and in general technique or course of activity by which acquirement work fulfills its mission.

1.8.4 Procurement Performance

Procurement performance is the analysis of effectiveness and efficiency of the outcome of procurement activities, where the accomplishment of a given task is measured against preset known standards (Knudsen, 2016).

1.8.5 Organizational Performance

This encompasses the results of an organization as compared to its intended outputs (Armstrong, 2016). This is the effectiveness and efficiency of the organisation to help it achieve the desired outputs as a result of strategy implementation.

1.9 Chapter Summary

This chapter provides a focus on the background of the study, the problem statement, the purpose of the study, the research objectives, the significance of the study, the scope of the study and the definition of terms. In the next chapter, the effect of strategic procurement practices on performance was identified. Thereafter the research methodology that was adopted in chapter three was established. Chapter four addresses the results and findings of the study and in chapter five summary, discussion, conclusion and recommendations of the study was made.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The following chapter sought to establish the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB. The specific objectives were then covered which were to establish the effect of supplier relationship management on the performance of the KCB, to evaluate the effect of procurement information systems in performance of KCB and to explore the effect of strategic sourcing on performance of KCB.

2.2 Effect of Supplier Relationship Management on Performance of KCB

2.2.1 Performance

The concept of performance alludes to the alter in which the directors and overseeing body of an organization put into put and oversee a program which measures the current level of execution of the organization and after that produces thoughts for altering organizational behavior. The essential goals of organizational execution are to extend organizational adequacy and effectiveness to make strides the capacity of the organization to convey merchandise and /or administrations (Rotich & Okello, 2015). Agreeing to Richard (2015) organizational execution envelops three particular ranges of firm results: Money related execution (profits, return on assets, return on investment.); Product market performance and Shareholder return that is total shareholder return, economic value added.

Performance at the operational or person worker level as a rule includes forms such as measurable quality control. At the organizational level, execution ordinarily includes gentler shapes of estimation such as client fulfillment studies which are utilized to get subjective data almost execution from the perspective of clients (Kalakota & Robinson, 2014). A few of the key pointers of execution in respect to supply relationship management are generation effectiveness, squander lessening, made strides quality of merchandise, diminished generation abandons, decreased client complaints, decreased laborer damage, progressed generation precision, diminished generation taken a toll, progressed level of item completeness, decreased cycle time, made strides workflow and compliance with natural and industry directions and necessities. Lamming (2013) claims that performance
in all the regions of an organization is one way or the other can be influenced by the kind of provider relationship administration procedures.

Cekrezi (2015) studied factors affecting performance of commercial banks in Albania where cross sectional time series data was collected from the balance sheet annual reports from three state owned banks. Bank size had a negative but statistically insignificant effect on banks. Capital adequacy was one of the bank specific factors that influenced the level of bank profitability. It showed that the level of capital required by the banks to enable them withstand the risks such as credit, market and operational risks they were exposed to in order to absorb the potential loses and protect the bank's debtors. According to results capital adequacy (CAP) had a negative impact on performance of commercial banks in Albania, which is statistically significant contrary to expectations. Liquidity was negatively related with profitability, meaning that Albanian banks should be very careful in raising the amount of loans because it brings the reduction of profitability. Age was not a significant factor to take into consideration in analyzing bank performance in Albania.

Munyambonera (2014) studied determinants of commercial bank performance in Sub-Saharan Africa. The analysis used an unbalanced panel of 216 commercial banks drawn from 42 countries in SSA for the period 2003 to 2013. Using the cost efficiency model, bank profitability was estimated using panel random effects method in static framework. The findings clearly showed that both bank-specific as well as macroeconomic factors explained the variation in commercial bank profitability over the study period. In estimating bank total factor productivity growth, the gross accounting procedure, through estimation was also by the panel random effects method. Results showed that both bank-specific as well as macroeconomic factors had an influence on bank total factor productivity growth over the study period. These findings demonstrated the importance of both bank level as well as macroeconomic factors in explaining commercial bank performance in Sub-Saharan Africa.

Kaneza (2016) focused on the factors affecting the Financial Performance of Commercial Banks Listed on the Nairobi Securities Exchange where data analysis was performed on a computer using Statistical Package for Social Science. The study found that Capital Adequacy, Asset Quality and Management each have different effects on the financial performance of commercial banks listed on NSE. The study found capital adequacy had a positive effect on both return on assets (ROA) and return on equity (ROE). The findings
showed a very weak and negative association between asset quality and ROA, however a strong and negative association was found between asset quality and ROE. Management efficiency had a positive effect or association with both ROA and ROE. The study concluded that an increase in capital adequacy would result in a positive increase in both ROA and ROE of commercial banks. Similarly, an increase in management efficiency would lead to an increase in both ROA and ROE. However, asset quality affected the financial performance of banks negatively implying that an increase in the asset quality, in terms of non-performing loans, would lead to a decrease in both ROA and ROE of commercial banks.

Kamande, Zablon and Ariemba (2017) the effect of bank specific factors on financial performance of commercial banks in Kenya where an explanatory approach by use of panel data research design was used to fulfill the objectives. The researcher collected data on published financial statements for five years from 2011 to 2015 that was analyzed to show the effect of bank specific factors on financial performance of commercial banks over that period under study. It was noted that understanding the bank specific factors and their influence in bank profitability and performance was crucial to the management of commercial banks, stakeholders and other interest groups. The study concluded that asset quality of the bank had the highest influence on ROA of banks. The study recommends that efficient and effective management should be adopted by bank managers to ensure that banks do not become insolvent.

The banking sector registered progressed monetary quality in 2018. Kenya`s banking segment remain strong and steady, in spite of the stuns including interest rate capping. The division kept on to develop in terms of comprehensiveness and productivity backed by legitimate, administrative and supervisory changes and activities. Profit before tax expanded by Kshs 6.7 billion (9.8 percent) to Kshs 76.2 billion within the period to June 30, 2018 from Kshs 69.4 billion reported within the period ended June 30, 2017. The sector`s asset base developed from Kshs 3.95 trillion in June 2017 to Kshs.4.27 trillion in June 2018; liquidity proportion moved forward to 48.5 percent as at June 2018 from 45.0 percent in June 2017; and the deposit base extended from Kshs 2.865 trillion in June 2017 to Kshs 3.16 trillion in June 2018. Total income expanded by Kshs 12.3 billion to Kshs 246.9 billion for the period ended June 2018 from Kshs 234.6 billion registered within the past year (Central Bank of Kenya, 2018).
KCB detailed a profit before tax of Kshs. 29.1 billion in 2017 compared to a comparative sum the past year. This was generally driven by the soundness of theretail and corporate businesses over all markets. The overall income was up hardly from Kshs. 69.5 billion in 2016 to Kshs. 71.4 billion in 2017. This increment was generally as a result of a 16% development in expenses and commissions generally driven by increment in non-branch channel movement. The balance sheet also recorded a great development of 8.6% to shut the year at Kshs. 646.7 billion. This was basically driven by the 10% development in credits and progresses. KCB is presently procuring from its speculation in innovation and development. KCB is on course with KCB’s vigorous channel procedure of transforming the bank into an agile and responsive financial administrations supplier that's centered on the client, 87% of all KCB transactions are conducted outside the department, indicating to the significance of development as a reaction to the profound changes in the financial services sector. Overall its capital, liquidity and profitability have continued to be stable in a challenging operating environment (KCB, 2017).

2.2.2 Supplier Relationships Management

Supplier Relationship Management (SRM) is the discipline of deliberately arranging for, and overseeing, all intelligent with third party organizations that supply products and/or administrations to an organization in arrange to maximize the esteem of those intelligent. SRM involves making closer, more collaborative connections with key providers in arrange to reveal and realize modern esteem and decrease hazard of disappointment. The prompt objective of SRM is to streamline and make more compelling the sourcing forms between an endeavor and its providers. It could be a vital, enterprise-wide, long-term, multi-functional, energetic approach to selecting providers of goods and administrations and overseeing them and the entire esteem arrange from crude materials to last client utilize and transfer to ceaselessly decrease add up to possession costs, oversee dangers, and progress execution - quality, responsiveness, unwavering quality, and adaptability (Lysons & Farrington, 2015).

This is often done with the thought in intellect that the providers that are chosen have comparative objectives with the organization that's looking for a relationship. Besides, the method is overseen in a progressing way through joint objectives and purposes. To be more particular, the nature of the objectives are specifically related to the targets of the firms included and is generally based on the social values (Tassabehji, 2016). When firms are
deliberately connected, they share social characteristics such as the eagerness to share chance as well as rewards and also, the eagerness to share assets. On the other hand, when firms share the same objectives and values, they most of the time tend to have positive results coupled with collaboration and made strides comes about. Providers and firms who have a key association work towards a common goal and not for egotistical interface. When supplier relationship management is well done, it'll result within the improvement and interfacing of the clients, as well as the suppliers and which eventually will lead to enhancement of the supply chain. For there to be success in the selection of the supplier and progress of a good relationship, there has to be the alignment of the strategic orientation and the socialization of the supply chain partners (Smart, 2012).

The second step in supplier relationship management is supplier evaluation. Assessing a supplier’s capacities some time recently undertaking a choice to source items or administrations is exceptionally valuable, but an evaluation stage can be pertinent to existing providers as well. In expansion, a buyer ought to be checking on the capability of and dangers related with existing providers on a standard premise to maintain great quality measures, build up openings for overhauling and proactively handle emerging issues that are likely to influence future (Kannan, & Tan, 2012). A few buyers’ express adoration for providers that take extra measures to meet the demands of their clients. These additional moves can shift from after-hours accessibility to preparing or stock upkeep. Suppliers giving arrange adaptability produce esteem to firms by facilitating them with the capacity to seize openings or maintain a strategic distance from emergencies as a result of surge hour changes. Final diminutive change alterations are at times inescapable and adaptability is the implies to going through those changes (Gordon, 2016).

The third step in supplier relationship management is the supplier segmentation in the organization. Supplier segmentation as a promoting apparatus when received is reasonable for overseeing provider supportability. Stratification as a prepare includes categorizing all providers on a premise of a particular set of criteria in arrange to pick up a clear understanding of a buyer’s supply base and its fundamental angles, and making alterations within the asset assignments in response to the discoveries (Moore, 2012). With a useful division system, you'll make a refinement between the providers who donate you the most noteworthy level of chance or opportunity. Supplier division empowers a firm to part suppliers into different bunches with disparate necessities, characteristics or behavior (Nasra, 2014). Provider stratification shapes a portion of the vital components of supply
relationship administration techniques which joins recognizing suppliers from each other, creating supplier stratification groups, cross checking supplier portions, setting up openings with providers, progressing product and service agreements, undertaking contracts, enumerating performance outcomes and preparing supplier and outlay profitability information (Smart, 2012).

The final step in supplier relationship management is supplier development. Supplier improvement is any exertion or endeavor by a buying firm, that's the producer with its provider to improve the execution and/or capabilities of the provider and in that way meet the producers supply needs and determinations (Ochieng, 2014). Supplier advancement techniques involve ensuring that there's competitiveness among providers, surveying provider execution, criticism communication, making provider certification programs, laying down the guaranteed current and future benefits, carrying out location visits and preparing program. The buying firm is regularly included in provider improvement programs so as to guarantee that the firm accomplishes company’s destinations. Provider advancement endeavors moreover lead to prevalent organizations between buyers and their providers as well as ways to effectively and viably utilize capital by consolidating incline hones. Eliminating the squander of assets over the whole supply chain makes a difference in making it lean and green (Krause, Handfield & Tyler, 2017).

2.2.3 Supplier Relationships in Relation to Performance

The management of the supplier relationship is additionally tied to execution through the competitive advantage it can make demands O'Brien (2014). The continuous look for ways of picking up competitive advantage have given SRM the millage it needs as a instrument for putting an organization ahead of its competitors. As a execution degree, competitive advantage makes predominant performance on a determined premise. When SRM is well actualized through varied strategies, it'll help a firm to pick up predominant execution. An organization should do superior than its competitors within the administration of suppliers for it to encounter great performance (Emmett & Crocker, 2015).

Kiarie (2017) studied the influence of supplier relationship management practices on operational performance of large manufacturing organizations in Kenya. The study acknowledged the utilization of t test and descriptive research design whereas the populace comprised of 594 recorded fabricating firms in Kenya agreeing to the Kenya Affiliation of Producers. The study concluded that in fact SRM hones had a bearing on the operational
execution of expansive fabricating organizations. The by and large execution of organizations within the fabricating segment in Kenya was influenced by way in which providers are overseen by the different organizations. The supplier relationship hones among the fabricating businesses in Kenya had partially adopted recorded procedures/rule/guidelines within the way in which they associated with providers this has in turn influenced the way in which they oversee provider determination, assessment, division and advancement since the discoveries show that they did not have a clear way in which these hones where being taken care of in their firm. Also, a great relationship with the provider is able to spare on transactional costs such as those that may result from delayed deliveries, poor quality materials or spare parts and lack of flexibility.

Abdallah (2015) focused on the effect of supplier relationship management on humanitarian supply chain performance at the world food programme (WFP) in Somalia where a descriptive statistic was used to summarize the data. On performance of WFP’s humanitarian supply chain performance, results indicated that WFP Somalia delivers defect free food supplies to beneficiaries and that there are no cases of diseases affecting the beneficiaries due to poor quality food supplies. Results also showed that WFP Somalia beneficiaries do not get food supplies when promised. WFP continuously trains employees from then procurement department but does not do much to encourage individual learning. The organization has put in place mechanisms to ensure suppliers conform to quality standards and that the organization is keen on suppliers of critical commodities like food. IT is used in the execution and management of purchase orders.

Kosgei and Gitau (2015) focused on the effect of supplier relationship management on organizational performance: a case study of Kenya Airways Limited where a cross sectional study design was adopted. The study established that understanding and practicing of supply chain management with key focus on supplier relationships is an essential prerequisite for staying competitive in the global race and enhancing profitably in the market. The study also found out that there was a great opportunity for organizations to improve its performances through proper use of SRM strategies and therefore recommended that organizations should show more commitment in SRM by having systems to monitor, appraise and evaluate performance at a strategic level. This would undoubtedly improve chances of survival in the highly competitive market.
2.3 Effect of Procurement Information Systems on Performance of KCB

2.3.1 Procurement Information Systems

Procurement information system may be a collective term for a range of business software solutions which utilize the most recent data and communication advances particularly the portable systems, that can be utilized to mechanize the inner and outside forms related with key sourcing and obtaining, which incorporates catalogue look, thing order ask, endorsement, buy arrange, conveyance, accepting, installment, recognizable proof of sourcing openings, provider assessment, transaction, and contract. Illustrations of the commerce computer program arrangements incorporate obtainment computer program, business-to-business (B2B) barters, B2B advertise trades, acquiring consortia, offering, barters, acquirement stage, and sourcing (Shrewd, 2012). The trade program arrangements that help the acquirement handle robotization utilize the most recent data and communication innovations, such as electronic information compatibility, Web, mobile systems, mail, computer program and equipment, but prohibit other implies of communication such as phone, fax, and so forward. Acquisition innovations on a very basic level point to pound out wasteful aspects related with manual-based obtainment frameworks. Obtainment stage are able to supply providers with consistent, coordinate and cheap get to the worldwide commercial center and commerce administrations, and offer buyers a neighborly environment for securing their items and arranging terms online (Kannan & Tan, 2012).

One of the procurement information systems is the enterprise resource planning (ERP) which integrates internal and external management information across an entire organization, embracing finance/accounting, manufacturing, sales and service and CRM. Its purpose is to facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders (Mabert, Soni & Venkataramanan, 2013). Enterprise resource planning (ERP) as an expansion of material requirements planning (MRP), later bookkeeping asset arranging and computer-integrated bookkeeping. ERP may be a trade administration framework made up from a collection of applications or modules that coordinating company capacities such as promoting, fund, fabricating and coordinations (Lambert, 2016). ERP employments database innovation to control and coordinated data related to a company’s commerce counting information related to clients, providers, representatives and back. All trade
exchanges, such as stock administration, generation arranging and dispersion are entered, recorded, handled, checked and detailed (Schiele, 2017).

Business accomplished through effective acquirement data frameworks activities incorporate taken a toll decreases, closer connections, moved forward data, expanded efficiencies and the vital utilize of acquiring staff. Cost decreases in companies can realize critical diminishments in both the taken a toll of obtained things and the genuine taken a toll of handling a buy arrange. By conglomerating total buys, contract estimating can be based on volume limits. This comes about in lower costs for person things where bigger volumes are obtained (Lui, 2008). Leveraging data in obtainment data frameworks empowers perceivability of organizational acquiring information, making the opportunity to arrange way better terms with providers based on volumes, cost & quality. Similarly, supplier performance metrics for on-time shipments, quality and invoicing can be considered when negotiating terms with suppliers and determining sourcing strategies for items/categories of items (Moore, 2012). By analyzing the purchasing history, organizations can calculate the total cost of ownership rather than just the purchase price. Information can also be leveraged by end users to track status, delivery and payment terms (Tassabehji, 2016).

Procurement information systems increases efficiencies that is workflow from producing a purchase request through to payment can be managed electronically by procurement information systems processes, reducing errors and processing time. These efficiencies enable a reduced cycle time from requisition to payment. The Aberdeen Group estimates the time saved at 70%. This timesaving allowed reduced inventory levels, resulting in additional cost savings through better cash flow and lessened inventory carrying costs (Koorn, 2013). Minimum order quantities and spending amounts can be set for users or departments enabling consolidation of multiple purchase requests. This has the benefit of reducing the total number of purchase orders, which in turn reduces processing costs (Chan, Chin & Ping, 2017).

2.3.2 Procurement Information Systems in Relation to Performance

Any good procurement information system today is designed to greatly reduce effort and time required to complete purchasing transactions by eliminating traditional paper chain of payment reconciliation, approvals, requisitions and receiving (Emmett & Crocker, 2015). The key features of procurement information system approaches enable users to find an
item in an electronic catalog, create a requisition, route the order requisition for approval, create and transmit the order to vendors, and also help to automate the invoicing and payment process (Buchholz & Appelfeller, 2013). Procurement information system also helps in dematerialization. This involves using procurement information system in organization’s operations as an operation standard to trigger dramatic turnaround in paper consumption, given a favourable normative framework. This could happen due to different reasons such as great documents retention in procurement information system platforms; the value of digital signatures which have the same value as the autograph; the use of email instead of fax; the reduced or eliminated need to print hard copies hence facilitating in dematerialization (Field, & Meile, 2018).

Eriksson and Westerberg (2013) conducted a study on procurement information systems adoption and performance among commercial banks in UK. The study took the form of a descriptive research design and data was collected through a structured questionnaire from procurement managers of commercial banks in UK. Frequencies, percentages, mean scores and t test was used to analyze the data. It was established that centralized tracking of transactions offered by procurement information systems system enables full reporting on requisitions, items purchased, orders processes and payments made. Finally, e-tendering adoption explains 86.7 % of performance among commercial banks in UK. Rebecca (2016) conducted a study in Sweden where the objective of the study was to determine the role of procurement information systems on performance of organisations. The questionnaire was used and analyzed using deductive and inductive approaches and descriptive statistics. It was established that procurement information systems automatically signals when more products need to be put on the shelf from the stockroom and also helps in automatically reordering stock at the appropriate time from the main warehouse.

Kennedy and Deeter-Schmelz (2014) on the role of procurement information systems on organisation performance in Turkey used deductive qualitative data analysis procedure to analyse the primary data collected through unstructured interviews. It was established that procurement information systems helps companies better understand a potential supplier’s culture by improving transparency and providing a clearer framework for how an organization is going to market with their goods or services. Min and Galle (2015) focused on the adoption of procurement information systems and its impact on the performance of selected telecommunication companies in Rwanda. The study included employees of New Artel, Rwanda where data was collected using structured questionnaire and analysed
statistically using SPSS. It was revealed that adoption of newer technology & implementing the systems had become the need of time in the midst of competitive environment. Effectiveness, efficiency, innovation was related to the speed of customer service, which was demanded in service industry, like telecommunication industry. Supply chain management (SCM) contributes in the performance of both buyers as well as suppliers. Adoption of procurement information systems contributed in improved customer services, customer satisfaction by improving employee contribution through procurement performance.

Mohammed (2013) focused on adoption of procurement information systems and value addition to Tanzanian public institutions. The research methodology used in the study include the data collection techniques which focus on questionnaire as primary data collection, and secondary data collection involve books, journal and internet search engine like Google scholar. Non-probability sampling was used in this study. In conclusion, the analysis showed that through adoption of procurement information systems the organizations would reduce work reductions, achieve better compliance of procurement procedures and reduction of errors, reduction of ordering cost, achieve more competitive bids, reduction of cycle time in procurement process, standardize procurement procedures and increase the efficiency and transparency in procurement activities.

Osir (2016) studied the role of procurement information systems appropriation on performance in state organizations in Kenya: a case of Kenya Utalii College. T test was conducted to decide the statistical significance between the independent factors and dependent variable. The study uncovered that state organizations have received e-tendering, e-award, e-ordering and e-invoicing to a few degree in arrange to improve their acquirement execution. The t test conducted uncovered that the particular acquirement data frameworks strategies embraced had a noteworthy impact on the acquirement execution of state organizations. Results appear that the usage of procurement information systems had enhanced performance later a long time, but state organizations in Kenya have still not however embraced and utilized acquirement data systems to its full potential.

Kituzi (2016) focused on the influence of procurement information systems on organizational performance: the case of Kenya association of manufacturers firms in Nairobi province, Kenya. The study embraced a descriptive approach and information was analyzed by utilizing expressive insights and inferential investigation utilizing statistical
package for social science (SPSS) and t test investigation. The discoveries show that there's a noteworthy positive relationship between the components of procurement data frameworks to be specific; information transmission, buyer/supplier collaboration, systems administration and charging administration of the acquirement data frameworks with the organizational performance in manufacturing firms in Nairobi County Kenya. The study prescribes that manufacturing firms in Nairobi got to join all the procurement data frameworks components into the framework to empower them to move forward the overall performance of their firms.

Mwongela (2014) studied procurement information systems adoption and supply chain performance among commercial banks in Nairobi, Kenya. The study took the shape of a descriptive research plan and information was collected through a organized survey. It was uncovered that commercial banks in Nairobi had accomplished a given degree of acquirement data frameworks selection. This was apparent from the truth that most of the banks were able to do online inside obtainment; share data among offices and centralization of acquirement exercises. The comes about appeared that obtainment data frameworks usage had broadened in reach and extended in scope. This change had come about in more noteworthy selection of working site, online order and online proposition exercises reliable with the move towards more completely operational frameworks and the advancement of more noteworthy e-commerce capabilities.

2.4 Effect of Strategic Sourcing on Performance of KCB

2.4.1 Strategic Sourcing

Sourcing choices ought to be consolidated into the working techniques of the acquiring organizations to back or indeed move forward their competitive points of interest. They encourage clarified that, an organization’s benefit is decided and characterized generally, by its sourcing technique. In this way, sourcing deliberately has been considered as one of the key drivers for organization’s survival and development (Vijay & Kannan, (2016). Be that as it may, Elmuti (2013) contended that, ‘sourcing could be a vital philosophy of selecting merchants in a way that produces them an indispensably portion of the buying organization for the particular components they are to supply’. He encourages pointed out that, the foremost imperative acquiring choice is concerned with selecting the sources of supply. That’s, in case the right source decision is made in a particular occurrence, the buying organization’s needs ought to be met impeccably. In such circumstances, it would
get the correct merchandise within the right condition, within the right amount, at the time and the right price.

Lysons and Farrington (2016) characterizes key sourcing as concerned with the beat-level, longer-term choice relating to tall – benefit, tall supply chance things and low-profit, tall supply chance bottleneck item and administrations. It’s moreover concerned with the definition of long-term obtaining arrangements, supplier base, organization sourcing, complementary and intra-company exchanging, globalization and countertrade, the buy of capital gear and moral issues. Sourcing costs speak to 40 to 80 percent of the taken a toll of merchandise sold, and 30 to 50 percent of incomes – a proportion that has remained consistent in most businesses for numerous a long time. Companies exceeding expectations in key sourcing spare nearly 10 to 20 times as much because it costs to function their sourcing operations. The exertion required to reduce 10 percent of the sourcing fetched is much less than picking up comparable sum of income (Elmuti, 2013).

Strategic sourcing varies in its center and execution from conventional acquiring and offers a few self-evident benefits. Conventional obtaining centers on buy cost, though key sourcing centers on the genuine taken a toll to the client. Strategic sourcing benefits both buyers and providers. It benefits buyers since they can arrange lower unit costs for high-volume buys, in this way decreasing taken a toll of merchandise sold and keeping up the capacity to cost their items competitively. It benefits suppliers since they are able to offer a critical parcel of their yield, which makes arranging less demanding and gives administration long-term cash stream perceivability (Rebecca, 2016). Strategic sourcing has been demonstrated to be full of feeling and result in fetched diminishment, increments in efficiency, quality change, and return on speculation. Considering sourcing as key has been considered as a driver for company development. Key sourcing permits an organization to offers data with its providers in genuine time with the point of cutting the fetched of materials, minimizing stock, decreasing deficiencies, and speeding up conveyances. Strategic sourcing can decrease costs by solidifying buys with a constrained number of providers and by permitting the centralized acquiring divisions arranging use through a buy of expanded volume (Kennedy & Deeter-Schmelz, 2014).

Strategic sourcing can moreover offer assistance diminish requesting costs of obtaining orders in this way diminishing stock dealing with costs. Key sourcing can be embraced to assess providers, particularly company’s capabilities and quality administration.
Companies ought to create a useful organization with vital provider and buyer-supplier connections can be a base of competitive advantage on the off chance that companies combine assets in interesting ways (Koorn, 2013). Strategic sourcing incorporates a wide run of exercises to be specific making an by and large technique for sourcing, assessing and selecting providers, getting materials/services and overseeing provider connections. Sourcing in the event that legitimately organized can viably combine the center competencies of a given firm with the abilities and capabilities of its providers. Sourcing choices are crucial for any organizations that need to use on its center competencies and outsource other exercises in arrange to pick up and hold competitiveness (Lambert, 2016).

Concurring to Baily et al. (2015) on the off chance that a company is looking for competitive advantage by getting to be superior able to reply to client needs as they emerge, at that point it takes after that the company require a more noteworthy degree of responsiveness from its claim providers. The accomplishment of delivery on time could be a standard purchasing objective. On the off chance that goods and fabric arrive late or work isn't completed at the proper time, sales may be misplaced, generation ended and harms clauses may be conjured by disappointed clients driving to moderate down money to cash cycle hence decreasing the organization’s proficiency or productivity. One of the basic parts of vital sourcing is diminishing on lead-time and progressing on conveyance to meet the clients request. Lysons and Farrington (2016) characterize lead time as the period between a customer's arrange and conveyance of the ultimate item. A little arrange of a pre-existing thing may as it were have a couple of hours lead time, but a bigger arrange of custom-made parts may have a lead time of weeks, months or even longer.

2.4.2 Strategic Sourcing in Relation to Performance

Organizations need to consider sourcing when it is trusted that diverse offer assistance capacities can be done speedier, less costly, or way better by an exterior affiliation (Min & Galle, 2015). Those capacities that are not key to the organization ought to be considered as alternatives to contract out. In any case, any aptitude or information that are crucial to the organization to serve its clients superior, directly related to the item or benefit it is attempting to offer out, is one that must stay inhouse. Cost effectiveness is as however the basic clarification for the progression of sourcing. Firms evaluate sourcing to choose whether current operation costs can be lessened and if spared resources can be reinvested in shapes that are more forceful. A couple of researchers fight that an basic wellspring of
fetched diminishments is the sourcing company's entrance to economies of scale and the curiously capacity that a tremendous sourcing shipper can pass on., all of which in turn will serve to boost the organizational performance (Chan, Chin & Ping, 2017).

A foremost thing to inquire is whether crucial sourcing makes strides quality and, especially, paying small regard to whether the firm that handles sourcing appears higher proficiency in this way. In a general sense this ask renders down to the exchanges taken a toll address routinely postured: ought to an association make its claim particular commitments by a few kind of vertical merger or would it be a keen thought for it to endeavor to induce possibly more mightily regarded commitments on the open market? To the finest of a handful of experts' information, there are as it were an astoundingly set number of more cautious quantifiable or econometric examinations looking issue. The confirmation that has been made in such papers, in any case, prescribes that the respect overhauling connect among sourcing and productivity isn't unmistakably settled (Schiele, 2017).

Isolating between sourcing of organizations and non-administrations inputs, O'Brien (2014) found that sourcing of materials is quite related with benefits, whereas there's a negative association among gainfulness and sourced organizations for a example of German amassing firms. The affirmation that has been conveyed in such papers, in any case, suggests that the regard making strides association among sourcing and efficiency isn't unmistakably settled. Particularly, Gordon (2016) does not discover any prove that subcontracting leads to higher benefits in Japanese fabricating firms.

Kaufmann and Carter (2014) conducted a study on the role of strategic sourcing and performance of many large companies in the US and Europe. The study adopted descriptive survey design and t test was employed to decide relationship between the factors. It was built up that numerous firms utilize key sourcing which supply directors expect continued development within the future. In key sourcing, suppliers compete powerfully, in real-time, for a buyer's commerce and regularly offered down the cost of a thing to be obtained. Utilizing the web, providers yield numerous electronic offers amid a settled time period, frequently 30 minutes or less. Strategic sourcing can diminish buy costs, spare time, streamline the bidding process, and empower suppliers from anyplace within the world to compete for a buyer's commerce.
Mueni (2018) focused on the influence of strategic sourcing practices on performance of parastatals in Kenya: a case of Kenya Airport Authority. The study adopted a descriptive research design and a questionnaire with both open ended and closed questions was used. From the findings, the study established that strategic outsourcing had a positive and statistically significant influence on performance of parastatals in Kenya. The study also concluded that inventory management did not have a significant influence on performance of parastatals in Kenya. This was more pronounced when inventory management was combined with other strategic procurement practices (Strategic Outsourcing, Reverse Logistics, and Knowledge Management) and was found to have no significant contribution to performance of parastatals in Kenya.

Munanu (2017) studied impacts of key sourcing on organization execution in Kenya, a case study of organization police preparing college officer stores Embakasi. The think about utilized a case think about inquire about plan including quantitative strategies. Purposive looking at technique was utilized and quantitative information was analyzed utilizing graphic insights (frequencies and rates). The discoveries uncovered that vital sourcing at Organization Police Service emphatically contributed to cost productivity. The study built up that outsourcing at APS some way or another emphatically contributed to moved forward efficiency. It was set up that key sourcing at emphatically contributed to productivity. It was concluded that outsourcing emphatically influences Execution APS. It was prescribed that vital sourcing at ought to be made strides in arrange to move forward on taken a toll proficiency. Vital sourcing ought to be made strides in arrange to make strides efficiency. Strategic sourcing at APS ought to be moved forward in arrange to make strides profitability.

Kihanya (2015) studied the part of strategic sourcing on organization’s execution: a case consider of Jomo Kenyatta College of Farming and Innovation. Descriptive research plan was utilized in conducting this ponder. The discoveries of this ponder recommended that key sourcing empowered the organization to realize vital advantage and at the same time act as a implies in which a trade condition or issue can be lightened in a more productive and compelling way. In spite of the fact that vital sourcing was fundamental to the college, the respondents shown that quality of goods and administrations was the foremost profoundly appraised variable taken after by fetched of merchandise and administrations, opportune conveyance of supplies, successful obtainment arrange and in conclusion
provider relationship in that order. The performance of strategic sourcing was shown as being influenced by destitute arranging, disappointment to follow to procurement plans and lacking financing. It was concluded that quality products and administrations played a really major part in deciding the organization execution due to its tall rating by the respondents. It was moreover concluded that the taken a toll of merchandise and administrations influenced its competitiveness.

2.5 Chapter Summary
This chapter reviews literature on the three objectives which were; to establish the effect of supplier relationship management on the performance of the KCB Bank, Kenya, to evaluate the effect of procurement information systems in performance of KCB Bank, Kenya, and to explore the effect of strategic sourcing on performance of KCB Bank, Kenya. The next chapter covers the research methodology that will be used, in order to achieve the objectives of the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the research methodology that was used. Attention was focused on the research design, population and sample design. It also discussed the data collection method, instruments and research procedures used. It was put across the data analysis method and chapter summary.

3.2 Research Design

The study adopted a descriptive research design. A descriptive study refers to determining the frequency with which something occurs or the relationship between variables (Saunders, Lewis & Thornhill, 2009). This approach is appropriate for this study, because the researcher intends to collect detailed information through description and is useful for identifying variables and hypothetical constructs (Saunders et al., 2009). This method provides descriptions of the variables in order to answer the research questions in the study. It was therefore be an efficient way to use to obtain information needed to describe the attitudes, opinions and views of the respondents on the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB Bank, Kenya.

3.3 Population and Sampling Design

3.3.1 Population

Population can be defined as a complete set of elements (persons or objects) that possess some common characteristic defined by the sampling criteria established by the researcher (Mugenda & Mugenda, 2008). Target population on the other hand is the specific population about which information is desired (Kothari & Garg, 2014). This definition ensures that population of interest is homogeneous. Population studies are more representative because everyone has an equal chance to be included in the final sample that is drawn (Mugenda & Mugenda, 2008). The target population was limited to 184 formal employees at KCB Bank head office (KCB Bank, Kenya, 2019).
### Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level Management</td>
<td>14</td>
<td>7.21</td>
</tr>
<tr>
<td>Middle Level Management</td>
<td>57</td>
<td>29.38</td>
</tr>
<tr>
<td>Lower Level Management</td>
<td>113</td>
<td>58.25</td>
</tr>
<tr>
<td>Procurement staff</td>
<td>10</td>
<td>5.16</td>
</tr>
</tbody>
</table>

**Total** 194 100.0

KCB, (2019)

### 3.3.2 Sampling Design

#### 3.3.2.1 Sampling Frame

The sampling frame is defined as the set of source materials from which the sample is drawn. It provides a means by which particular members of the target population are chosen (Johnson, Scholes & Whittington, 2008). The sampling frame in essence is a complete list of all the cases in the population from which a sample is drawn (Kombo & Tromp, 2013). Since a researcher rarely has direct access to the entire population of interest in social science research, a researcher must rely upon a sampling frame to represent all of the elements of the population of interest (Kombo & Tromp, 2013). The sampling frame for this study focused on top level management, middle level management and lower level management derived from the human resource department.

#### 3.3.2.2 Sampling Technique

According to Mugenda and Mugenda (2008) sampling is that part of statistical practice which is concerned with the selecting of a subset of individual observations within a population with intention of yielding some knowledge about the population of concern, necessary for making predictions based on statistical inference. Sampling technique is the procedure a researcher uses to gather people, places or things to study (Kombo & Tromp, 2006). The researcher used a stratified random sampling technique because the population was not homogenous and could be divided into small groups or strata for the sample to be fully representative of the population. As noted by Mugenda and Mugenda (2008) this sampling technique is able to provide a more accurate and representative sample from
populations that are non-homogeneous. The technique also eliminates bias since every population element has the same chance of being selected.

### 3.3.2.3 Sample Size

For quantitative data collection an appropriate sample size was computed to achieve the true proportion at 95% confidence level. To calculate the sample size of the population, the study used the Yamane’s formula (1967).

\[ n = \frac{N}{1+N(e)^2} \]

Where \( n \) is the sample size, \( N \) is the population size, and \( e \) is the level of precision (0.05).

\[
\begin{align*}
  n &= \frac{194}{1+194(0.05)^2} \\
  &= \frac{194}{1+194(0.0025)} \\
  &= \frac{194}{1.485} \\
  &= 130
\end{align*}
\]

Mugenda and Mugenda (2008) explain a sample to be a small group that is obtained from an accessible population. It is further recommended that a sample of at least 10% of the total population was be used as a representation for true and accurate data. The sample size had 130 employees and were deemed representative as it conforms Mugenda and Mugenda (2008) argument.

### Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Sample Size</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>10</td>
<td>7.21</td>
</tr>
<tr>
<td>Senior managers</td>
<td>38</td>
<td>29.38</td>
</tr>
<tr>
<td>Heads of departments</td>
<td>75</td>
<td>58.25</td>
</tr>
<tr>
<td>Procurement staff</td>
<td>7</td>
<td>5.16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>130</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Method

The study used questionnaires as a data collection tool. According to Cooper and Schindler (2011) primary data are sought for their proximity to truth and control over error thus primary data was used to obtain realistic and truthful information. The study used a structured questionnaire in an effort to conserve time and money as well as to facilitate
easier analysis as they were in an immediate usable form. Mugenda & Mugenda (2003) consider a structured questionnaire refers to a series of questions that are standardized with a fixed scheme, which specifies the exact wording and order of the questions, for gathering information from respondents. The questionnaire contained organization information that included statements as per research questions. The researcher used the Likert 5-Point Scale; where 1 was to represent ‘strongly disagree’, 2 was to represent ‘disagree’, 3 was to represent ‘agree’, 4 was to represent ‘strongly agree’ and 5 ‘not applicable’. The questionnaire was divided into 2 sections. The 1st section contained demographic information concerning age of the respondents, gender of the respondents, education level and years of experience. The 2nd part of the questionnaire included questions gave information about the organization on a scale of 1-5, according to the agreement of the respondent on the statement given.

3.5 Research Procedure

Once the questionnaire is ready, the researcher obtained permission from the Ministry of Education to collect data. The letter was obtained from National Commission for Science, Technology & Innovation (NACOSTI) after approval from the Ethics and Research Board of USIU Africa. The researcher also had an introduction letter from United States University to assure the respondents that the information that they gave would be treated confidentially and it would be used purely for research purposes when doing actual data collection. The researcher utilized of network to persuade targeted respondents to fill up and return the questionnaires to ensure a high response rate. The researcher also encouraged the respondents to participate without holding back the information that they have as the research instruments would not bear their names. The questionnaire were administered through drop and pick method.

The study pretested the questionnaire in order to ensure its effectiveness. The researcher selected a pilot group of 13 employees from the target population to test the validity of the research instrument. The pilot data was not included in the actual study. The pilot study allows for pre-testing of the research instrument to enhance the instrument’s validity. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identify items that require modification.
The collected data in the pilot study was also used to test for reliability using Cronbach’s alpha. Salda (2012) states that the Cronbach’s alpha is the most commonly used coefficient for the approximation of reliability of test scores for structured questionnaires and for calculating internal consistency. Kumar (2014) notes that the threshold for interpretation of reliability of the research instrument is Cronbach’s alpha value of 0.7. That is calculated using the Statistical Package for Social Science (SPSS). Thus, Cronbach’s alpha values less than 0.7 indicates that the research instrument is unreliable while Cronbach’s alpha values equal to or greater than 0.7 indicates that the research instrument is reliable. Thus, this study retained questions from the questionnaire that had a coefficient of ≥ 0.7. The results shown in Table 3.3 indicates that, the coefficient for the questionnaire items for supplier relationship management was 0.741. The coefficient for procurement information systems was, 0.822 and lastly the coefficient for strategic sourcing was 0.831. These were all >0.7 meaning that the questionnaire was valid.

Table 3.3: Reliability Results

<table>
<thead>
<tr>
<th>Questions</th>
<th>Item No.</th>
<th>Coefficients</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier relationship management</td>
<td>13</td>
<td>.741</td>
<td>Accepted</td>
</tr>
<tr>
<td>Procurement information systems</td>
<td>12</td>
<td>.822</td>
<td>Accepted</td>
</tr>
<tr>
<td>Strategic sourcing</td>
<td>11</td>
<td>.831</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

3.6 Data Analysis Method

Analysis was done quantitatively using descriptive and inferential statistics through SPSS and Ms. Excel. For descriptive statistics it was analyzed in form of means and standard deviations. The study further employed inferential statistics in form of t test. In addition, t-test was used to determine whether to reject the null hypothesis using the t-value which was compare the t-value to the critical value. The critical value is $t_{\alpha/2, n-p-1}$, where $\alpha$ is the significance level, n is the number of observations in the sample, and p is the number of predictors. If the absolute value of the t-value is greater than the critical value, you reject the null hypothesis. If the absolute value of the t-value is less than the critical value, you fail to reject the null hypothesis (Cooper & Schindler, 2011).
Tables were used to summarize responses and facilitate comparison. Cooper and Schindler (2011) notes that the use of percentages is important for two reasons; first it simplifies data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons.

3.7 Chapter Summary

This chapter presented the research methodology that was used in analyzing the research questions. The study adopted a descriptive research design. The target population comprised of 194 formal employees at KCB head office and stratified random technique was used to obtain 126 respondents. The study used closed questions to gather primary data. The researcher selected a pilot group of 15 employees to test for the validity of the research instrument. Analysis was done quantitatively by use of descriptive and inferential statistics. The results and findings of this study were presented in chapter four.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
The chapter discusses the analysis of the data, interpretations and presentation. The quantitative data was analyzed using descriptive and inferential statistics while qualitative data was analyzed using content analysis. Data was presented in frequency distributions, percentages and frequency tables for ease of understanding and interpreting of the findings. The study had a sample population of 126 respondents. Of the sample population 108 respondents completed the questionnaires making a response rate of 85.7%. The response rate is considered sufficient based on the Mugenda & Mugenda (2012) who indicated that a response rate of 50% is inadequate for analysis and reporting, a response rate of 60% is good while that of 70% and above is excellent.

4.2 Background Information
The study commenced with an in-depth analysis of the respondent’s background information. Specifically, the areas sought include gender category, level of education, period of service work department and job designation.

4.2.1 Distribution of Respondents’ by Gender
Participants were required to indicate their gender category. This was sought in view of ensuring fair engagement of male and female respondent’s. Results are presented in Table 4.1. Results display that, majority of the respondents’ (63%) were males while 37% were females, though the study was dominated by males the ratio however depict fair involvement of both gender, signifying that the finding of this study were unlikely to suffer from gender biasness.

Table 4.1: Distribution of Respondents’ by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>68</td>
<td>63.0</td>
</tr>
<tr>
<td>Female</td>
<td>40</td>
<td>37.0</td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.2 Age of Respondents
Given that individuals of deferent age groups may hold variety opinion regarding different subjects, this study sought to embrace and gather opinions from all these groups. Results are presented in Table 4.2. From the research findings, 32.4% of the respondents’ were
aged between 36 to 45 years 26.9% of the respondents’ were aged between 30 to 35 years, 18.5% of the respondents’ were aged above 45 years, and 14.8% of the respondents’ were aged between 24 to 29 years, while 7.4 % of the respondents’ were aged between18 to 25 years. This implies that respondents from various age categories were fairly involved in this study.

Table 4.2: Age Category

<table>
<thead>
<tr>
<th>Age group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 to 25</td>
<td>8</td>
<td>7.4</td>
</tr>
<tr>
<td>24- 29 years</td>
<td>16</td>
<td>14.8</td>
</tr>
<tr>
<td>30-35 years</td>
<td>29</td>
<td>26.9</td>
</tr>
<tr>
<td>36-45 years</td>
<td>35</td>
<td>32.4</td>
</tr>
<tr>
<td>Above 45 years</td>
<td>20</td>
<td>18.5</td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.3 Education level of Employees in the Bank

Participants were required to indicate their highest educational; qualifications. This was sought in view of ensuring estimating the employee’s ability of respond to the research tool and subject. Results show that most of the respondent’s 42.6% held master’s degree, 25.9% of the respondent’s held bachelor’s degree 21.3% of the respondent’s held diploma while 10.2% of the respondent’s held PhD, drawing from the finding all the respondents were well educated which implies that they were in a position to respond to the research subject with ease.

Table 4.3: Education level of Employees in the Bank

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>23</td>
<td>21.3</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>28</td>
<td>25.9</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>46</td>
<td>42.6</td>
</tr>
<tr>
<td>PhD</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.4 Employee Period of Service

Employee period of service is closely related organizational execution of internal and external operations. In order to estimate the employees understanding on the research concept and especially in relation with his current organization, participants were required
to indicate their term-service in employment. Results show that 31.5% of the respondents had served the bank for a period of more than 10 years, 30.6% of the respondent indicated 6 to 10 years, 22.2% of the respondent indicated 3 to 5 years while 15.7% of the respondent indicated 1 to 2 years. This implies that majority of the respondents had served the bank for a period of for a considerable period of time which implies that they were in a position to give credible information reseated to this study.

Table 4.4: Employee Period of Service

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 -2 years</td>
<td>17</td>
<td>15.7</td>
</tr>
<tr>
<td>3-5 Years</td>
<td>24</td>
<td>22.2</td>
</tr>
<tr>
<td>6-10 Year</td>
<td>33</td>
<td>30.6</td>
</tr>
<tr>
<td>Over 10 Years</td>
<td>34</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.5 Work Department

Participants required indicating the department. This was sought in view of ensuring that respondents were fairly drawn from all organizational departments. From the findings 23.1% of the respondent indicated that they worked with Retail & Marketing or the Administration department, 204% of the respondent indicated that they worked with Procurement department, 17.6% of the respondent indicated that they worked with Finance department, while 15.7% of the respondent indicated that they worked with ICT department. This implies that respondents were fairly drawn from all organization key departments.

Table 4.5: Work Department

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>22</td>
<td>20.4</td>
</tr>
<tr>
<td>Finance</td>
<td>19</td>
<td>17.6</td>
</tr>
<tr>
<td>Retail &amp; Marketing</td>
<td>25</td>
<td>23.1</td>
</tr>
<tr>
<td>Administration</td>
<td>25</td>
<td>23.1</td>
</tr>
<tr>
<td>ICT</td>
<td>17</td>
<td>15.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.2.6 Position within the Organization

Participants were required to indicate their job designation. Results are presented in Table 4.6 below. Results show that 47.2% of the respondent’s worked with lower management, 28.7% of the respondents worked with middle level 24.1% of the respondents worked with top management level. This implies that respondents were fairly drawn from all organization levels of management.

Table 4.6: Position within the Organization

<table>
<thead>
<tr>
<th>Position within the Organization</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>26</td>
<td>24.1</td>
</tr>
<tr>
<td>Middle management</td>
<td>31</td>
<td>28.7</td>
</tr>
<tr>
<td>Lower management</td>
<td>51</td>
<td>47.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3 Effect of Supplier Relationships Management on the Performance of KCB

4.3.1 Statements on Effect of Supplier Relationship Management on Performance

The study sought to determine the extent to which agreed with the following statements assessing the effect of supplier relationship management on the performance of the KCB. Majority of the respondent’s agreed that there is good alignment of the strategic orientation process in the bank (M= 4.18 SD=0.59). Strategic orientation enables a firm to split suppliers into diverse groups with divergent requirements, characteristics or behavior (Nasra, 2014). There is proper evaluation of supplier’s abilities before undertaking a decision to source products or services (M= 4.17 SD=0.56). Good relationship with the supplier is able to save on transactional costs such as those that may result from delayed deliveries, poor quality materials or spare parts and lack of flexibility (Abdallah, 2015).

SRM has contributed to the increase of improved profits at the KCB bank and KCB considers SRM a strategic policy within the organization (M= 4.14). When SRM is well implemented through varied strategies, it will help a firm to gain superior performance. An organization has to do better than its competitors in the management of suppliers for it to experience good performance (Emmett & Crocker, 2015). Suppliers under SRM occasionally provide training to staff also the study revealed SRM has contributed to the
improvement of internal customer satisfaction (M= 4.09 SD= 0.68). Supplier development undertakings also lead to superior partnerships between buyers and their suppliers as well as ways to efficiently and effectively utilize capital by incorporating lean practices (Krause, Handfield & Tyler, 2017). SRM has led to economic value addition to investment, SRM has led to economic value addition to investment (M= 4.08 SD=0.70). These findings go hand in hand with the study findings by O’Brien (2014) that When SRM is well implemented through varied strategies; it will help a firm to gain superior performance.

Further the study established that SRM has led to increased workflow (M= 3.98 SD=0.97) and SRM within the bank has led to waste reduction (M= 3.88 SD=0.71). Eliminating the waste of resources across the entire supply chain helps in making it “lean” and “green” (Krause, Handfield & Tyler, 2017). SRM within the bank has led to the improvement of quality of goods procured. (M= 3.97 SD=0.68) and when supplier relationship management is well done, it will result in the development and connecting of the customers (M= 3.89 SD=0.75). When supplier relationship management is well done, it will result in the development and connecting of the customers, as well as the suppliers and which eventually will lead to enhancement of the supply chain (Smart, 2012). SRM has improved the competitive advantage of the bank (M= 3.87 SD=0.70). These findings are in support of study findings by Emmett & Crocker, (2015) of SRM helps to streamline and make more effective the sourcing processes between an enterprise and its suppliers.
Table 4.7: Statements on Effect of Supplier Relationship Management on Performance

<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>N</th>
<th>Min</th>
<th>Maxi</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank considers SRM a strategic policy within the organization.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.14</td>
<td>0.62</td>
</tr>
<tr>
<td>When supplier relationship management is well done, it will result in the development and connecting of the customers</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.89</td>
<td>0.75</td>
</tr>
<tr>
<td>There is proper evaluation of supplier’s abilities before undertaking a decision to source products or services</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.17</td>
<td>0.56</td>
</tr>
<tr>
<td>SRM within the bank has led to the improvement of quality of goods procured.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.97</td>
<td>0.68</td>
</tr>
<tr>
<td>SRM has led to economic value addition to investment</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.08</td>
<td>0.70</td>
</tr>
<tr>
<td>SRM within the bank has led to waste reduction.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.88</td>
<td>0.71</td>
</tr>
<tr>
<td>SRM has led to increased workflow.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.98</td>
<td>0.67</td>
</tr>
<tr>
<td>SRM has led to reduced cycle time.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.08</td>
<td>0.75</td>
</tr>
<tr>
<td>SRM has contributed to the improvement of internal customer satisfaction.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.09</td>
<td>0.66</td>
</tr>
<tr>
<td>Suppliers under SRM occasionally provide training to staff.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.09</td>
<td>0.68</td>
</tr>
<tr>
<td>SRM has contributed to the increase of improved profits.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.14</td>
<td>0.63</td>
</tr>
<tr>
<td>There is good alignment of the strategic orientation process in the bank.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.18</td>
<td>0.59</td>
</tr>
<tr>
<td>SRM has improved the competitive advantage of the bank.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.87</td>
<td>0.70</td>
</tr>
</tbody>
</table>

4.3.2 T Test on Supplier Relationship Management and Performance

The value of t-test calculated was 2.824 which was greater that the value of t from the t-table (1.9822) and thus we reject the null hypothesis and thus conclude that supplier relationship management affect the performance of commercial banks in Kenya. The findings concurred with Kibe and Ndivo (2015), when SRM is well implemented through varied strategies; it will help a firm to gain superior performance.
Table 4.8: T Test on Supplier Relationship Management and Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.613</td>
</tr>
<tr>
<td></td>
<td>Supplier relationship management (X1)</td>
<td>.396</td>
</tr>
</tbody>
</table>

4.4 Statements on Effect of Procurement Information Systems on Performance

4.4.1 Statements on Effect of Procurement Information Systems on Performance

The study sought to determine the extent to which agreed with the following statements assessing the effect of procurement information systems on the performance of the KCB. Majority of the respondent’s agreed that adoption of procurement information systems is considered a strategic policy within the bank to help it achieve its vision (M= 4.11 SD=0.73). Procurement technologies fundamentally aim to hammer out inefficiencies associated with manual-based procurement systems (Kannan & Tan, 2012). Information systems used in procurement lead to improved workflow (M= 4.09 SD=0.60). Procurement information systems facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders (Mabert, Soni & Venkataramanan, 2013).

Information systems used in procurement reduce cycle time (M= 4.04 SD=0.76) and information systems used in procurement improves accuracy of orders (M= 4.01 SD= 0.69). By analyzing the purchasing history, organizations can calculate the total cost of ownership rather than just the purchase price. Information can also be leveraged by end users to track status, delivery and payment terms (Tassabehji, 2016). Procurement information systems provide easy and real time information sharing to and from the market (M= 4.00 SD= 0.70) These findings go hand in hand with the study findings by Min & Galle, (2015) E-procurement advantages are significant bottom-line benefits, including cost reduction, process efficiencies, spending controls and compliance.

Further the study established that information systems used in procurement has increases transparency and accountability in procurement (M= 3.99 SD=0.70) and information
Procurement information systems increase efficiencies that is workflow from producing a purchase request through to payment can be managed electronically by procurement information systems processes, reducing errors and processing time (Koorn, 2013). Procurement information systems helps companies better understand a potential supplier’s culture by improving transparency (M= 3.97 SD=0.70). Any good procurement information system today is designed to greatly reduce effort and time required to complete purchasing transactions by eliminating traditional paper chain of payment reconciliation, approvals, requisitions and receiving (Emmett & Crocker, 2015).

Procurement information systems helps companies better understand a potential supplier’s culture by providing a clearer framework for how an organization is going to market with their goods or services (M= 3.93 SD=0.71). Procurement information systems automatically signals when more products need to be put on the shelf from the stockroom and also helps in automatically reordering stock at the appropriate time from the main warehouse (Eriksson & Westerberg, 2013).

System integration of various departments e.g. finance, user departments has been achieved due to the use of information systems (M= 3.82 SD = 0.72). Procurement information systems adoption enabled the banks do online internal procurement; share information among departments and centralization of procurement activities. Finally, the use of information systems within procurement has led to cost reductions (M = 3.77 SD = 0.66).

These findings are in support of study findings by Smart, (2012) E procurement systems provided Standardized approval processes and formal workflows that ensure correct level of authorization is applied to each transaction and that spend is directed to draw off existing contracts.
Table 4.9: Statements on Effect of Procurement Information Systems on Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of procurement information systems is considered a strategic policy within the bank to help it achieve its vision.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.11</td>
<td>0.73</td>
</tr>
<tr>
<td>Procurement information systems helps companies better understand a potential supplier’s culture by improving transparency</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.97</td>
<td>0.72</td>
</tr>
<tr>
<td>Procurement information systems helps companies better understand a potential supplier’s culture by providing a clearer framework for how an organization is going to market with their goods or services</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.93</td>
<td>0.71</td>
</tr>
<tr>
<td>Information systems used in procurement reduce cycle time.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.04</td>
<td>0.76</td>
</tr>
<tr>
<td>Information systems used in procurement lead to improved workflow.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.09</td>
<td>0.60</td>
</tr>
<tr>
<td>Information systems lead to increased efficiency within the organization.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.98</td>
<td>0.75</td>
</tr>
<tr>
<td>Information systems used in procurement improves accuracy of orders.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.01</td>
<td>0.69</td>
</tr>
<tr>
<td>Procurement information systems provide easy and real time information sharing to and from the market.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.00</td>
<td>0.70</td>
</tr>
<tr>
<td>System integration of various departments e.g. finance, user departments has been achieved due to the use of information systems.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.82</td>
<td>0.72</td>
</tr>
<tr>
<td>Information systems used in procurement lead to higher internal customer satisfaction.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.97</td>
<td>0.70</td>
</tr>
<tr>
<td>Information systems used in procurement has increases transparency and accountability in procurement.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.99</td>
<td>0.70</td>
</tr>
<tr>
<td>The use of information systems within procurement has led to cost reductions.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.77</td>
<td>0.66</td>
</tr>
</tbody>
</table>

4.4.2 T Test on Procurement Information Systems on Performance

The value of t-test calculated was 4.608 which was greater that the value of t from the t-table (1.9822) and thus we reject the null hypothesis and thus conclude that procurement information systems affects the performance of commercial banks in Kenya. The findings concurred with Kibe and Ndivo (2015), E procurement systems provided Standardized
approval processes and formal workflows that ensure correct level of authorization is applied to each transaction and that spend is directed to draw off existing contracts.

Table 4.10: Coefficients\(^a\) and T test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.335</td>
<td>.164</td>
</tr>
<tr>
<td>Procurement information</td>
<td>.615</td>
<td>.134</td>
</tr>
</tbody>
</table>

4.5 Statements Assessing Effect of Strategic Sourcing on Performance

The study sought to determine the extent to which agreed with the following statements assessing the effect of strategic sourcing on the performance of the KCB.

4.5.1 Statements Assessing Effect of Strategic Sourcing on Performance

Majority of the respondent’s agreed that strategic sourcing leads to the compliance with environmental and industry regulations and laws (M= 4.19 SD=0.84) and strategic sourcing increases the competitive advantage of the bank. Strategic sourcing benefits both buyers and suppliers. It benefits buyers because they can negotiate lower unit prices for high-volume purchases, thus reducing cost of goods sold and maintaining the ability to price their products competitively. It benefits suppliers because they are able to sell a significant portion of their output, which makes planning easier and gives management long-term cash flow visibility (Rebecca, 2016).

The bank considers strategic sourcing a strategic tool towards achieving growth (M= 4.16 SD=0.76). Strategic sourcing has been proven to be affective and result in cost reduction, increases in productivity, quality improvement, and return on investment. Strategic sourcing allows an organization to shares information with its suppliers in real time with the aim of cutting the cost of materials, minimizing inventory, reducing shortages, and expediting deliveries (Kennedy & Deeter-Schmelz, 2014). Strategic sourcing has enabled KCB bank achieve strategic advantage (M= 4.15 SD=0.64). Strategic sourcing can also
help reduce ordering costs of purchasing orders thus reducing inventory handling costs. Strategic sourcing can be adopted to evaluate suppliers, especially company’s capabilities and quality management. Companies need to develop a functional partnership with strategic supplier and buyer-supplier relationships can be a base of competitive advantage if companies combine resources in unique ways (Koorn, 2013).

Strategic sourcing leads to cost reduction for the organization. (M= 4.07 SD=0.67). These findings go hand in hand with the study findings by Rebecca, (2016) Strategic sourcing results in cost reduction, increases in productivity, quality improvement, and return on investment. Further the study established strategic sourcing leads to an increase in the quality of goods procured (M= 4.05 SD=0.65). Sourcing if properly structured can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. Sourcing decisions are vital for any organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness (Lambert, 2016).

Strategic sourcing has increased efficiency within the organization (M=4.03 SD=0.59). Cost efficiency is as yet the essential clarification for the advancement of sourcing. Firms assess sourcing to decide whether current operation expenses can be diminished and if spared assets can be reinvested in forms that are more aggressive. Strategic sourcing has led to higher profits (M=4.02 SD=0.82). Strategic sourcing can reduce purchase prices, save time, streamline the bidding process, and enable suppliers from anywhere in the world to compete for a buyer's business (Kaufmann & Carter, 2014).

Strategic sourcing leads to waste reduction within the organization (M= 3.96 SD=0.76). strategic sourcing enabled the organization to achieve strategic advantage and at the same time act as a means in which a business condition or problem can be alleviated in a more efficient and effective manner. Strategic sourcing increases internal customer satisfaction (M= 3.94 SD=0.74) and that strategic sourcing leads to improved workflow (M=3.84 SD=0.61). These findings are in support of study findings by Tassabehji, (2016) strategic sourcing benefits both buyers and suppliers in that benefits buyers because can negotiate lower unit prices for high-volume purchases, thus reducing cost of goods sold and maintaining the ability to price their products competitively.
Table 4.11: Statements Assessing Effect of Strategic Sourcing on Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank considers strategic sourcing a strategic tool towards achieving growth</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.16</td>
<td>0.76</td>
</tr>
<tr>
<td>Strategic sourcing has enabled KCB bank achieve strategic advantage</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.15</td>
<td>0.64</td>
</tr>
<tr>
<td>Strategic sourcing leads to an increase in the quality of goods procured.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.05</td>
<td>0.65</td>
</tr>
<tr>
<td>Strategic sourcing leads to cost reduction for the organization.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.07</td>
<td>0.67</td>
</tr>
<tr>
<td>Strategic sourcing increases the competitive advantage of the bank.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.16</td>
<td>0.61</td>
</tr>
<tr>
<td>Strategic sourcing leads to waste reduction within the organization.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.96</td>
<td>0.76</td>
</tr>
<tr>
<td>Strategic sourcing leads to improved workflow.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.84</td>
<td>0.61</td>
</tr>
<tr>
<td>Strategic sourcing has led to higher profits.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.02</td>
<td>0.82</td>
</tr>
<tr>
<td>Strategic sourcing has increased efficiency within the organization.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.03</td>
<td>0.59</td>
</tr>
<tr>
<td>Strategic sourcing leads to the compliance with environmental and industry regulations and laws.</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>4.19</td>
<td>0.84</td>
</tr>
<tr>
<td>Strategic sourcing increases internal customer satisfaction</td>
<td>108</td>
<td>3.00</td>
<td>5.00</td>
<td>3.94</td>
<td>0.74</td>
</tr>
</tbody>
</table>

4.5.3 T Test on Strategic Sourcing Practice and Performance

The value of t-test calculated was 3.336 which was greater that the value of t from the t-table (1.9822) and thus we reject the null hypothesis and thus conclude that strategic sourcing affects the performance of commercial banks in Kenya. The findings concurred with Rebecca, (2016) those strategic sourcing results in cost reduction, increases in productivity, quality improvement, and return on investment.
Table 4.12: Coefficientsa and T test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.475</td>
<td>.183</td>
</tr>
<tr>
<td>Strategic Sourcing (X3)</td>
<td>.512</td>
<td>.154</td>
</tr>
</tbody>
</table>

4.6 Chapter Summary

This chapter sought to find out the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB. The study had a sample population of 126 respondents. Of the sample population 108 respondents completed the questionnaires making a response rate of 85.7%. The study established that adoption of strategic sourcing practice while holding the other factors constant would promote the performance of KCB. Information systems lead to increased efficiency within the organization, procurement information systems help companies better understand a potential supplier’s culture by improving transparency, procurement information systems helps companies better understand a potential supplier’s culture by providing a clearer framework for how an organization is going to market with their goods or services. Utilization of adoption procurement information systems while holding the other factors constant would promote the performance of KCB. Strategic sourcing has led to higher profits, strategic sourcing leads to waste reduction within the organization, strategic sourcing increases internal customer satisfaction and that strategic sourcing leads to improved workflow. Chapter five illustrates the discussion, conclusion and recommendations of the findings of this research.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary of the research findings, discussion of the findings, conclusion and recommendations. The chapter is guided by the study objectives which were to establish the effect of supplier relationship management on the performance of the KCB, to evaluate the effect of procurement information systems in performance of KCB and to explore the effect of strategic sourcing on performance of KCB.

5.2 Summary

The general objective of the study was to establish the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB. The specific objectives of this study were, to establish the effect of supplier relationship management on the performance of the KCB, to evaluate the effect of procurement information systems in performance of KCB and to explore the effect of strategic sourcing on performance of KCB.

This study adopted a descriptive research design. The target population was limited to 184 formal employees at KCB Bank head office. The researcher used a stratified random sampling technique because the population was not homogenous and could be divided into small groups or strata for the sample to be fully representative of the population. The study sample size had 130 employees and were deemed representative. The study used questionnaires as a data collection tool. Data analysis was done quantitatively using descriptive and inferential statistics. For descriptive statistics it was analyzed in form of means and standard deviations. The study further employed inferential statistics in form of t test. In addition, t-test was used to determine whether to reject the null hypothesis using the t-value which was compared to the critical value.

SRM within the bank has led to the improvement of quality of goods procured and there was proper evaluation of supplier's abilities before undertaking a decision to source products or services. SRM within the bank has led to waste reduction. SRM has contributed to the improvement of internal customer satisfaction most of the banks have good alignment of the strategic orientation process, when supplier relationship management is well done, it will result in the development and connecting of the customers. SRM has
improved the competitive advantage of the bank and that the bank considers SRM a strategic policy within the organization.

Procurement information systems helped companies better understand a potential supplier’s culture by improving transparency, procurement information systems provide easy and real time information sharing to and from the market. Further system integration of various departments e.g. finance, user departments had been achieved due to the use of information systems information systems used in procurement that led to increased transparency and accountability in procurement. Information systems used in procurement led to improved workflow, and that information systems used in procurement improved accuracy of orders. Finally, the findings showed that information systems used in procurement led to higher internal customer satisfaction.

The study established that the bank considers strategic sourcing a strategic tool towards achieving growth and strategic sourcing led to improved workflow. Strategic sourcing increased efficiency within the organization strategic sourcing and led to the compliance with environmental and industry regulations and laws. Strategic sourcing led to an increase in the quality of goods procured and that strategic sourcing led to waste reduction within the organization. Further the study revealed that strategic sourcing enabled the bank achieve strategic advantage and strategic sourcing increased the competitive advantage of the bank. Strategic sourcing increased internal customer satisfaction, led to cost reduction for the organization and led to higher profits.

5.3 Discussion

5.3.1 Supplier Relationship Management

Majority of the respondent’s agreed that there is good alignment of the strategic orientation process in the bank. Strategic orientation enables a firm to split suppliers into diverse groups with divergent requirements, characteristics or behavior (Nasra, 2014). There is proper evaluation of supplier’s abilities before undertaking a decision to source products or services. The findings agreed with Smart (2012) that when firms are deliberately connected, they share social characteristics such as the eagerness to share chance as well as rewards and also, the eagerness to share assets. Good relationship with the supplier is able to save on transactional costs such as those that may result from delayed deliveries, poor quality materials or spare parts and lack of flexibility (Abdallah, 2015).
SRM has contributed to the increase of improved profits at the KCB bank and KCB considers SRM a strategic policy within the organization. When SRM is well implemented through varied strategies, it will help a firm to gain superior performance. An organization has to do better than its competitors in the management of suppliers for it to experience good performance (Emmett & Crocker, 2015). Suppliers under SRM occasionally provide training to staff also the study revealed SRM has contributed to the improvement of internal customer satisfaction. Supplier development undertakings also lead to superior partnerships between buyers and their suppliers as well as ways to efficiently and effectively utilize capital by incorporating lean practices (Krause, Handfield & Tyler, 2017). SRM has led to economic value addition to investment, SRM has led to economic value addition to investment. These findings go hand in hand with the study findings by O’Brien (2014) that When SRM is well implemented through varied strategies; it will help a firm to gain superior performance. Also when SRM is well actualized through varied strategies, it'll help a firm to pick up predominant execution. An organization should do superior than its competitors within the administration of suppliers for it to encounter great performance (Emmett & Crocker, 2015).

Further the study established that SRM has led to increased workflow and SRM within the bank has led to waste reduction. Eliminating the waste of resources across the entire supply chain helps in making it “lean” and “green” (Krause, Handfield & Tyler, 2017). SRM within the bank has led to the improvement of quality of goods procured. The findings supported Kiarie (2017) SRM hones had a bearing on the operational execution of expansive fabricating organizations. The by and large execution of organizations within the fabricating segment in Kenya was influenced by way in which providers are overseen by the different organizations.

When supplier relationship management is well done, it will result in the development and connecting of the customers. When supplier relationship management is well done, it will result in the development and connecting of the customers, as well as the suppliers and which eventually will lead to enhancement of the supply chain (Smart, 2012). SRM has improved the competitive advantage of the bank. These findings are in support of study findings by Emmett & Crocker, (2015) of SRM helps to streamline and make more effective the sourcing processes between an enterprise and its suppliers. Also, Kosgei and Gitau (2015) noted understanding and practicing of supply chain management with key
focus on supplier relationships is an essential prerequisite for staying competitive in the global race and enhancing profitably in the market.

The value of t-test calculated was 2.824 which was greater that the value of t from the t-table (1.9822) and thus we reject the null hypothesis and thus conclude that supplier relationship management affect the performance of commercial banks in Kenya. The findings concurred with Kibe and Ndivo (2015), when SRM is well implemented through varied strategies; it will help a firm to gain superior performance. Also when supplier relationship management is well done, it'll result within the improvement and interfacing of the clients, as well as the suppliers and which eventually will lead to enhancement of the supply chain. For there to be success in the selection of the supplier and progress of a good relationship, there has to be the alignment of the strategic orientation and the socialization of the supply chain partners (Smart, 2012).

5.3.2 Procurement Information Systems

Majority of the respondent’s agreed that adoption of procurement information systems is considered a strategic policy within the bank to help it achieve its vision. The findings supported Kannan and Tan (2012) that acquirement innovations on a very basic level point to pound out wasteful aspects related with manual-based obtainment frameworks. Obtainment stage are able to supply providers with consistent, coordinate and cheap get to the worldwide commercial center and commerce administrations, and offer buyers a neighborly environment for securing their items and arranging terms online. Information systems used in procurement lead to improved workflow. One of the procurement information systems is the enterprise resource planning (ERP) which integrates internal and external management information across an entire organization, embracing finance/accounting, manufacturing, sales and service and CRM. Its purpose is to facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders (Mabert, Soni & Venkataramanan, 2013).

Information systems used in procurement reduce cycle time and information systems used in procurement improves accuracy of orders. By analyzing the purchasing history, organizations can calculate the total cost of ownership rather than just the purchase price. Information can also be leveraged by end users to track status, delivery and payment terms (Tassabehji, 2016). Similarly, supplier performance metrics for on-time shipments, quality
and invoicing can be considered when negotiating terms with suppliers and determining sourcing strategies for items/categories of items (Moore, 2012). Procurement information systems provide easy and real-time information sharing to and from the market. These findings go hand in hand with the study findings by Min & Galle, (2015) E-procurement advantages are significant bottom-line benefits, including cost reduction, process efficiencies, spending controls, and compliance. The findings supported Chan, Chin, and Ping (2017) findings that minimum order quantities and spending amounts can be set for users or departments enabling consolidation of multiple purchase requests. This has the benefit of reducing the total number of purchase orders, which in turn reduces processing costs.

Further the study established that information systems used in procurement have increased transparency and accountability in procurement and information systems lead to increased efficiency within the organization. Procurement information systems increase efficiencies that is workflow from producing a purchase request through to payment can be managed electronically by procurement information systems processes, reducing errors and processing time (Koorn, 2013). Procurement information systems help companies better understand a potential supplier’s culture by improving transparency. Any good procurement information system today is designed to greatly reduce effort and time required to complete purchasing transactions by eliminating traditional paper chain of payment reconciliation, approvals, requisitions, and receiving (Emmett & Crocker, 2015).

Procurement information systems help companies better understand a potential supplier’s culture by providing a clearer framework for how an organization is going to market with their goods or services. Procurement information systems automatically signal when more products need to be put on the shelf from the stockroom and also helps in automatically reordering stock at the appropriate time from the main warehouse (Eriksson & Westerberg, 2013). Also Rebecca (2016) established that procurement information systems automatically signal when more products need to be put on the shelf from the stockroom and also helps in automatically reordering stock at the appropriate time from the main warehouse.

System integration of various departments e.g. finance, user departments has been achieved due to the use of information systems. Procurement information systems adoption enabled the banks to do online internal procurement; share information among departments and
centralization of procurement activities. Kennedy and Deeter-Schmelz (2014) established that procurement information systems help companies better understand a potential supplier’s culture by improving transparency and providing a clearer framework for how an organization is going to market with their goods or services. Finally, the use of information systems within procurement has led to cost reductions. These findings are in support of study findings by Smart, (2012) E procurement systems provided standardized approval processes and formal workflows that ensure correct level of authorization is applied to each transaction and that spend is directed to draw off existing contracts.

The value of t-test calculated was 4.608 which was greater that the value of t from the t-table (1.9822) and thus we reject the null hypothesis and thus conclude that procurement information systems affect the performance of commercial banks in Kenya. The findings concurred with Kibe and Ndivo (2015), E procurement systems provided standardized approval processes and formal workflows that ensure correct level of authorization is applied to each transaction and that spend is directed to draw off existing contracts. Also, Kituzi (2016) noted that there's a noteworthy positive relationship between the components of procurement data frameworks to be specific; information transmission, buyer/supplier collaboration, systems administration and charging administration of the acquirement data frameworks with the organizational performance in manufacturing firms in Nairobi County Kenya.

5.2.3 Strategic Sourcing

Majority of the respondent’s agreed that strategic sourcing leads to the compliance with environmental and industry regulations and laws and strategic sourcing increases the competitive advantage of the bank. Strategic sourcing benefits both buyers and suppliers. It benefits buyers because they can negotiate lower unit prices for high-volume purchases, thus reducing cost of goods sold and maintaining the ability to price their products competitively. It benefits suppliers because they are able to sell a significant portion of their output, which makes planning easier and gives management long-term cash flow visibility (Rebecca, 2016).

The bank considers strategic sourcing a strategic tool towards achieving growth. Strategic sourcing has been proven to be affective and result in cost reduction, increases in productivity, quality improvement, and return on investment. Strategic sourcing allows an organization to shares information with its suppliers in real time with the aim of cutting the
cost of materials, minimizing inventory, reducing shortages, and expediting deliveries (Kennedy & Deeter-Schmelz, 2014). Strategic sourcing has enabled KCB bank achieve strategic advantage \((M=\ldots)\). Strategic sourcing can also help reduce ordering costs of purchasing orders thus reducing inventory handling costs. Strategic sourcing can be adopted to evaluate suppliers, especially company’s capabilities and quality management. Companies need to develop a functional partnership with strategic supplier and buyer-supplier relationships can be a base of competitive advantage if companies combine resources in unique ways (Koorn, 2013).

Strategic sourcing leads to cost reduction for the organization. These findings go hand in hand with the study findings by Rebecca, (2016) Strategic sourcing results in cost reduction, increases in productivity, quality improvement, and return on investment. Further the study established strategic sourcing leads to an increase in the quality of goods procured. Sourcing if properly structured can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. Sourcing decisions are vital for any organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness (Lambert, 2016).

Strategic sourcing has increased efficiency within the organization. Cost efficiency is as yet the essential clarification for the advancement of sourcing. Firms assess sourcing to decide whether current operation expenses can be diminished and if spared assets can be reinvested in forms that are more aggressive. Strategic sourcing has led to higher profits. Strategic sourcing can reduce purchase prices, save time, streamline the bidding process, and enable suppliers from anywhere in the world to compete for a buyer's business (Kaufmann & Carter, 2014).

Strategic sourcing leads to waste reduction within the organization. Strategic sourcing enabled the organization to achieve strategic advantage and at the same time act as a means in which a business condition or problem can be alleviated in a more efficient and effective manner. The findings supported Min and Galle (2015) that cost effectiveness is as however the basic clarification for the progression of sourcing. Firms evaluate sourcing to choose whether current operation costs can be lessened and if spared resources can be reinvested in shapes that are more forceful. It was also established that strategic sourcing increases internal customer satisfaction and that strategic sourcing leads to improved workflow. These findings are in support of study findings by Tassabehji, (2016) strategic sourcing
benefits both buyers and suppliers in that benefits buyers because can negotiate lower unit prices for high-volume purchases, thus reducing cost of goods sold and maintaining the ability to price their products competitively.

The value of t-test calculated was 3.336 which was greater that the value of t from the t-table (1.9822) and thus we reject the null hypothesis and thus conclude that strategic sourcing affects the performance of commercial banks in Kenya. The findings concurred with Rebecca, (2016) those strategic sourcing results in cost reduction, increases in productivity, quality improvement, and return on investment. Further, Kaufmann and Carter (2014) noted that utilizing the web, providers yield numerous electronic offers amid a settled time period, frequently 30 minutes or less. Strategic sourcing can diminish buy costs, spare time, streamline the bidding process, and empower suppliers from anywhere within the world to compete for a buyer's commerce.

5.4 Conclusions

5.4.1 Supplier Relationship Management

Drawing from the findings, this study concluded that SRM has contributed to the improvement of internal customer satisfaction most of banks. The bank had a good alignment of the strategic orientation process, SRM has led to economic value addition to investment; SRM also led to increased workflow, SRM has led to reduced cycle time, SRM has improved the competitive advantage of the bank, SRM has contributed to the increase of improved profits and that suppliers under SRM occasionally provide training to staff.

5.4.2 Procurement Information Systems

The study concluded that procurement information systems enhanced procurement efficiencies at KCB group, information systems used in procurement led to improved workflow and information systems used in procurement had increases transparency and accountability in procurement. System integration of various departments e.g. finance, user departments had been achieved due to the use of information systems, procurement information systems provide easy and real time information sharing to and from the market and that information systems used in procurement improves accuracy of orders.
5.4.3 Strategic Sourcing
The study concluded that strategic sourcing led to an increase in the quality of goods procured and that they led to waste reduction within the organization. Strategic sources led to cost reduction for the KCB group and had led to higher profits. Strategic sourcing led to the compliance with environmental and industry regulations and laws. Finally, strategic sourcing had enabled the banks achieve strategic advantage, increased the competitive advantage of the banks and that increased internal customer satisfaction.

5.5 Recommendations for improvement

5.5.1.1 Supplier Relationship Management
KCB group needs to continually build on supplier relationship. This will help create positive buyer-supplier relationships and determines which activities to engage in with each supplier. KCB group should not underestimate supplier relationship management. To ensure best practice in SRM at KCB group, the organization should put in place management software, such as Purchase Control, this will help the bank to streamline its supplier relationship management, give clear guidelines for purchasing.

5.5.1.2 Procurement Information Systems
Financial institution needs to have in placed strong procurement information systems. Through adoption of e-procurement systems, costs incurred by the banks will be reduced by leveraging volume. E-procurement will eliminate paperwork, rework and errors, centralized tracking of transactions provided by procurement information systems will enable full reporting on requisitions, items purchased, orders processes and payments made.

5.5.1.3 Strategic Sourcing
KCB group needs to continually build on strategic sourcing as this was found to be positively related with organizational performance measured through reduce procurement costs, streamlining of procurement operations, strengthening of trustworthy on relationships with existing and new vendors. To improve on strategic sources the bank needs to keenly conduct an internal needs analysis, conduct an assessment of the supplier's market, collect supplier information then develop a sourcing/outsourcing strategy and negotiate with suppliers and select the winning bid.
5.5.2 Recommendation for Further Studies

The study focused on establishing the effect of strategic procurement practices on performance of commercial banks in Kenya, a case of KCB. Future studies may seek to explore on effect of procurement practices on performance of other commercial banks in Kenya. A study can also be done on the factors affecting performance of commercial banks in Kenya. Studies can also be done on the challenges in adoption of procurement practices in other institutions apart from the commercial banks so as to compare the above findings with other institutions.


Mohammed, S. (2013). Adoption of procurement information systems and value addition to Tanzanian public institutions a case of Tanzania public institutions. Degree of Masters of Science in Procurement and Supply Chain management (MSc) of Mzumbe University.


Nutakor, F. (2016) Challenges with the implementation of sustainable procurement practices in the mining industry in western region of Ghana. A Thesis submitted to the College of Art and Built Environment in partial fulfillment of the requirements for the degree of Master of Science.


Singh, H. P., Jindal, S., & Samin, S. A., (2017). Role of human resource managements in banking industry of developing countries. Special Issue of the International Journal of the Computer, the Internet and Management, 19(1); 65-72


APPENDICES

Appendix I: Letter of Introduction

Dear respondent:

I am a USIU-A student undertaking a Master’s Degree in Business Administration. As part of the requirement of my program, I am carrying out a study on EFFECT OF STRATEGIC PROCUREMENT PRACTICES ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA, A CASE OF KCB. To achieve this, you have been invited to participate in this academic research by filling out the questionnaire. The information obtained will be used for academic purposes only and will remain confidential. The results obtained from the survey will be presented in summary form and will not disclose any individual or company information.

Thank you for your participation.
Appendix II: USIU-A Introduction Letter

5 July 2019

To whom it may concern

RESEARCH PROJECT BY DEBORAH MUKAMI MUNGAI - STUDENT ID: 656472

The bearer of this letter is a student at the United States International University-Africa pursuing a Master of Business Administration-Strategic Management.

As part of the program, she is required to undertake a research project on “The effect of strategic procurement on the performance of banks a case study Kenya Commercial Bank”. This requires her to collect data and information from various relevant institutions.

Kindly assist by enabling her access data, information and contacts with respondents who can complete his questionnaires. I assure you that the information provided will be treated with the utmost confidentiality.

Should you have any queries regarding the student research please feel free to contact me on my email, tlinge@usi.ac.ke or phone, +254 730116419

Yours sincerely

Dr. Teresia Linge
Associate Dean, Chandaria School of Business
Appendix III: NACOSTI License

Ref No: 618823
Date of Issue: 19th August 2019

RESEARCH LICENSE

This is to certify that Miss. Deborah Mungai of United States International University, Africa, has been licensed to conduct research in Nairobi on the topic "Effect of strategic procurement practices on the performance of Banks: a case study of Kenya Commercial Bank for the period ending 19th August 2020.

License No: NACOSTI/19/853

618823
 Applicant Identification Number

NOTE: This is a computer generated License. To verify the authenticity of this document, scan the QR Code using QR scanner application.
Appendix IV: Questionnaire

This questionnaire is designed to collect data from employees within the organization on the effects of strategic procurement practices on the performance of commercial banks. A case of KCB.

SECTION A: BACKGROUND INFORMATION

Kindly answer all the questions either by ticking in the boxes or writing in the spaces provided.

1. Gender
   - Male
   - Female

2. Age of Respondents
   - 18-23 years
   - 24-29 years
   - 30-35 years
   - 36-45 years
   - Above 45 years

3. Education level of Employees in the Bank
   - Certificate
   - Diploma
   - Bachelor’s Degree
   - Master’s degree
   - PhD

4. How many years have you worked in the bank?
   - 0 - 0.25 years
   - 0.5 - 2 years
   - 3-5 Years
   - 6-10 Year
   - Over 10 Years

5. Which department do you work in.
   - Procurement
   - Finance
SECTION B: EFFECT OF SUPPLIER RELATIONSHIPS MANAGEMENT ON THE PERFORMANCE OF KENYA COMMERCIAL BANK.

Please use a scale of 1-5, where 1= Strongly Disagree (SD); 2=Disagree (D); 3=Moderate Agree (N); 4=Agree (A); 5= Strongly Agree (SA), please indicate the extent to which you agree with the following statements in relation to the effect of supplier relationship management on the performance of the Kenya Commercial Bank.

<table>
<thead>
<tr>
<th>No.</th>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>The bank considers SRM a strategic policy within the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii.</td>
<td>When supplier relationship management is well done, it will result in the development and connecting of the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii.</td>
<td>There is proper evaluation of supplier’s abilities before undertaking a decision to source products or services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv.</td>
<td>SRM within the bank has led to the improvement of quality of goods procured.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v.</td>
<td>SRM has led to economic value addition to investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi.</td>
<td>SRM within the bank has led to waste reduction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii.</td>
<td>SRM has led to increased workflow.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>viii.</td>
<td>SRM has led to reduced cycle time.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ix.</td>
<td>SRM has contributed to the improvement of internal customer satisfaction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
x. Suppliers under SRM occasionally provide training to staff.

xi. SRM has contributed to the increase of improved profits.

xii. There is good alignment of the strategic orientation process in the bank.

xiii. SRM has improved the competitive advantage of the bank.

SECTION C: EFFECT OF PROCUREMENT INFORMATION SYSTEMS ON THE PERFORMANCE OF KENYA COMMERCIAL BANK

Please use a scale of 1-5, where 1 = Strongly Disagree (SD); 2 = Disagree (D); 3 = Moderate Agree (N); 4 = Agree (A); 5 = Strongly Agree (SA), please indicate the extent to which you agree with the following statements in relation to the effect of procurement information systems on the performance of the Kenya Commercial Bank.

<table>
<thead>
<tr>
<th>NO</th>
<th>STATEMENTS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>Adoption of procurement information systems is considered a strategic policy within the bank to help it achieve its vision.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii</td>
<td>Procurement information systems helps companies better understand a potential supplier’s culture by improving transparency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii</td>
<td>Procurement information systems helps companies better understand a potential supplier’s culture by providing a clearer framework for how an organization is going to market with their goods or services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv</td>
<td>Information systems used in procurement reduce cycle time.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v</td>
<td>Information systems used in procurement lead to improved workflow.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi</td>
<td>Information systems lead to increased efficiency within the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii</td>
<td>Information systems used in procurement improves accuracy of orders.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>viii</td>
<td>Procurement information systems provide easy and real time information sharing to and from the market.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ix</td>
<td>System integration of various departments e.g. finance, user departments has been achieved due to the use of information systems.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>x</td>
<td>Information systems used in procurement lead to higher internal customer satisfaction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
xi. Information systems used in procurement has increases transparency and accountability in procurement.

xii. The use of information systems within procurement has led to cost reductions.

SECTION D: EFFECT OF STRATEGIC SOURCING ON THE PERFORMANCE OF THE KENYA COMMERCIAL BANK.

Please use a scale of 1-5, where 1= Strongly Disagree (SD); 2=Disagree (D); 3=Moderate Agree (N); 4=Agree (A); 5= Strongly Agree (SA), please indicate the extent to which you agree with the following statements in relation to effect of strategic sourcing on the performance of the Kenya Commercial Bank.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>The bank considers strategic sourcing a strategic tool towards achieving growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii.</td>
<td>Strategic sourcing has enabled our bank achieve strategic advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii.</td>
<td>Strategic sourcing leads to an increase in the quality of goods procured.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv.</td>
<td>Strategic sourcing leads to cost reduction for the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v.</td>
<td>Strategic sourcing increases the competitive advantage of the bank.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi.</td>
<td>Strategic sourcing leads to waste reduction within the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii.</td>
<td>Strategic sourcing leads to improved workflow.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>viii.</td>
<td>Strategic sourcing has led to higher profits.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ix.</td>
<td>Strategic sourcing has increased efficiency within the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>x.</td>
<td>Strategic sourcing leads to the compliance with environmental and industry regulations and laws.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>xi.</td>
<td>Strategic sourcing increases internal customer satisfaction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THANK YOU!