Influence of Supplier Selection on Organizational Performance of Saccos in Kenya: A Case Study of Biashara Sacco in Nyeri County

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Abstract: Procurement is increasingly assuming a critical role in the strategic functions of organizations, potentially contributing significantly to operational success, leading to dependable service delivery and enhanced competitiveness. Effective organizational performance relies on the efficiency and efficacy of the procurement function, transitioning from a reactive to a proactive approach to attain predetermined performance objectives. Generally, an organization's overall performance results from a combination of distinct operational performance metrics (Osoro & Shale, 2019)

The aim of this research was to examine how the choice of suppliers affects the performance of an organization, as this decision can furnish valuable insights for potential efficiency enhancements and improved competitiveness. The research was guided by the structural contingency theory. Employing a descriptive research design, the study targeted 48 participants, employing a comprehensive approach. Data collection primarily relied on self-administered questionnaires distributed among staff members in the procurement and finance departments. Data analysis was conducted using the Statistical Package for Social Studies (SPSS). The findings and results were presented through tables, charts, and graphs to establish a hypothesis regarding the impact of supplier selection on organizational performance

Cronbach Alpha, utilized to assess the reliability coefficient, produced a Cronbach's alpha exceeding 0.70. The questionnaire's appropriateness was evaluated through face and content validity for this research. The findings of the study emphasized that effective supplier selection processes played a crucial role in improving both procurement and organizational performance. Establishing a robust buyer-supplier relationship was found to be essential in optimizing procurement practices and organizational performance. Strengthening the organization's capacity was identified as a key factor in enhancing overall procurement and organizational performance. Upholding ethical standards was highlighted as vital in fostering a sustainable and transparent procurement environment, significantly impacting organizational performance. The study recommends that organizations' management and decision-makers should consistently implement standardized supplier selection procedures, encourage collaborative practices between the Sacco and its suppliers, promote the adoption of Information Technology (IT) solutions in the procurement process, and emphasize the importance of maintaining ethical standards in procurement procedures through the implementation of measures that support integrity, transparency, and fairness

1.0 INTRODUCTION

Businesses will continue looking for novel approaches to stay relevant and competitive as the business environment changes and becomes more complicated. This can only be done if a business provides its clients with the final product or service when they need it

and at a price they deem reasonable (Rwoti, 2005). This will be affected by the company's economic worth, which ought to be higher than that of its competitor. Since almost every business needs to buy products or services to run, supply chains are going to get more attention than they have in the past because of the enormous potential for improvement in gaining a competitive advantage, which would lower costs and improve the performance of goods or services Strategic procurement, which is believed to improve an organization's overall performance, will be one of the instruments for the firm's competitiveness.

Strategic procurement initiates the entire acquisition process for all purchases made by commercial banks. Every company's management aims to identify and eradicate the root causes of inefficiencies, facilitating the attainment of a competitive advantage and sustainable positioning against market challenges. As per Aggrey (2011), supplier selection serves as a valuable tool for potential efficiency gains and enhanced competitiveness within the existing resource and technological frameworks. Recent trends highlight unsatisfactory performances within the procurement function, suggesting a failure to meet its primary objectives. This indicates an unrealized value in the procurement function. Despite the well-documented benefits of suppliers, Amaratunga and Baldry (2002) note insufficient strategic incorporation of supplier selection by procurement managers for performance enhancement. Striving for quality product and service delivery and ethical procurement practices that encourage participation and sustainable economic growth remains a persistent challenge for many procurement officers (Artley & Stroh, 2001)

It is commonly acknowledged that in order to remain competitive and sustainable, companies need to actively seek, establish, and sustain cooperative associations with competent suppliers to extract the utmost value from these partnerships (Schiele, 2017). Given the evolving landscape within which organizations operate, combined with unpredictable technological advancements, organizations must reassess their connections with their partners, especially their suppliers.

SPECIFIC OBJECTIVE OF THE STUDY

To determine the influence of supplier selection on the organizational performance of of Saccos in Kenya: a case study of Biashara Sacco in Nyeri county.

2.0 LITERATURE REVIEW

The study was guided by the structural contingency theory developed by Donaldson (2006). In order to maintain and improve performance, firms must modify their organizational structures to account for contingency factors. According to structural contingency theory, no single effective form can be applied to all organizations. Instead, organizations must alter their architecture to take into account the shifting external conditions and internal risks. These are a few examples of contingency factors: strategy, task magnitude, task ambiguity, parent organization, public responsibility, essential assets, and technology.

Donaldson (2006) employs the five-stage structural adaptation to recover fit (SARFIT) model in his hypotheses on the applicability of the theory to enhancing organizational performance. A company is first in shape if it has adapted to its surroundings. The organizational environment changes in the second stage, which is called a contingency change. The organization is therefore out of alignment at the third stage, which negatively affects performance. The organization does structural modification during the fourth stage in order to reverse the mismatch condition and restore its performance level. In the last stage, the organization finds a new fit and performance improves. Organizations must adopt a new structure that suits their new degree of contingency factor in order to minimize performance loss through mismatch, and here is where strategic decisions come into play. Thus, it would be the responsibility of this study to look at how supplier selection affects the organizational performance of Saccos in Kenya: a case study of biashara sacco in Nyeri County.

CONCEPTUAL FRAMEWORK

The study's independent variables were formulated from the aspects of Supplier Selection, encompassing value for money, product and service management during the process, and punctual delivery. The dependent variable, on the other hand, focused on the performance of the procurem

Independent variable

Dependent Variable.

Supplier Selection

- Quality Assessment
- Cost criteria
- Just in Time Delivery
- Supplier Prequalification
- ISO 9000 and 14000 Certification

Organizational performance

- Market share
- Profitability
- Organizational Efficiency

Figure 1. Conceptual Framework

Source: Author's Conceptualization (2023.

INFLUENCE OF SUPPLIER SELECTION ON THE ORGANIZATIONAL PERFORMANCE OF BIASHARA SACCO.

Failure to correctly implement recommended performance standards can lead to excessive operational expenses, disorganized business activities, an inability to achieve domestic policy objectives, and challenges in recruiting and retaining skilled professionals. Therefore, it is crucial to carefully select suppliers who are in line with the objectives of the organization. This research aims to close this gap by investigating the factors associated with supplier selection and their influence on the performance of the organization. According to Awino (2002), the identification and retention of top-notch suppliers play a pivotal role in the procurement function of any progressive organization. To carry out their duties effectively, procurement managers need to establish assessment criteria to appraise and choose suppliers for business transactions and maintain them in the approved vendor list. The parameters integrated into the assessment criteria or evaluation forms should be meticulously chosen to ensure they contribute value and positively impact the organization's performance.

Regarding supplier relationship management, the most crucial aspect for an organization's procurement function is the identification of appropriate suppliers. Businesses are actively working towards cultivating long-lasting and profitable partnerships with their suppliers. The responsibilities and structure of the purchasing function have evolved, acquiring considerable significance in organizational management, attributed to factors such as globalization, enhanced value addition in the supply chain, and rapid technological advancements. Presently, the procurement function's contribution to the overall performance of the organization holds great importance in today's business landscape.

Over time, suppliers and procurement entities will develop a mutual understanding of each other's requirements, thereby enhancing the performance of both the supplier and the procurement function. It is essential for suppliers and procurement entities to consistently seek clarification on the specifications and demands related to the goods and services to be provided. This approach will ultimately have a substantial impact on the performance of both entities. The commonly utilized criteria for supplier selection encompass aspects such as cost, quality, delivery, and services. Analysis of the gathered data indicates that factors such as pricing, the supplier's Process Cost Management, and the Value for Money provided by suppliers also significantly influence the supplier selection process. Consequently, the supplier selection process profoundly affects the performance of any procurement entity and organization. Therefore, conducting an examination of the impact of supplier selection on organizational performance holds paramount importance.

Supplier selection involves the scrutiny, assessment, and selection of suppliers to be integrated into an organization's supply chain (Rajesh & Ravi, 2015). The process of supplier selection is universally acknowledged as a crucial element of organizational performance since an organization's suppliers have the capacity to impact the pricing, quality, delivery reliability, and accessibility of its products (Das & Buddress, 2017).

Suppliers play a pivotal role in any organization and are instrumental in the attainment of the organization's predefined goals and objectives. Opting for the right suppliers is crucial in ensuring that the organization receives high-quality goods in the right quantity and at an appropriate cost and time. In a competitive business environment, continuous selection of suitable suppliers is imperative to maintain competitiveness (Dikmen, 2015). The process of strategic supplier selection and evaluation extends beyond the conventional selection criteria of cost, quality, and delivery. When establishing a lasting supplier relationship in strategic sourcing, additional factors such as quality assurance protocols, long-term management strategies, overall profitability, technological innovation, the suppliers' cooperative approach, co-design capabilities, and cost reduction capabilities should be carefully considered (Navasiri et al., 2016).

Suppliers hold a pivotal role in any organization and significantly contribute to the accomplishment of the organization's predetermined goals and objectives. Opting for the appropriate suppliers is essential in ensuring that the organization acquires high-standard goods in the required quantity, at a reasonable cost, and within the designated timeframe. In a fiercely competitive business environment, consistent selection of fitting suppliers is indispensable for maintaining competitiveness (Dikmen, 2015). The process of strategic supplier selection and evaluation surpasses the traditional selection criteria of cost, quality, and delivery. While establishing a enduring supplier relationship in strategic sourcing, additional factors such as quality assurance procedures, long-term management strategies, overall profitability, technological innovation, the suppliers' collaborative approach, co-design capabilities, and cost reduction abilities should be meticulously taken into consideration (Navasiri et al., 2016).

The competitive global business environment heavily relies on the efficiency of the supplier selection process. Mistakes or a lack of coordination during this phase can result in delays or substandard customer service, directly impacting the company's expenditures, profitability, and flexibility. Consequently, the decisions made by the procurement department significantly influence the efficiency and effectiveness of the business (Alatas, Banerjee, Chandrasekhar, Hanna & Olken, 2016). Supplier selection plays a vital role for companies operating in competitive environments, representing a strategic decision that entails risk and uncertainty, necessitating the involvement of decision-makers from various departments, including marketing, finance, and production. This aspect transforms it into a collaborative decision-making process (Das & Buddress, 2017). Supplier selection involves both quantitative and qualitative criteria, some of which may introduce uncertainty and conflicting considerations.

According to Masinde and Osoro (2019), selecting the right suppliers is a critical decision as it significantly reduces procurement costs and enhances the company's competitiveness. However, the decision-making process for supplier selection involves balancing various quantitative and qualitative factors, often leading to conflicting priorities. In contemporary supply chain management, focusing solely on pricing in buyer-supplier relationships is inadequate. There is now a heightened focus on additional strategic and operational factors such as product quality, delivery reliability, and flexibility. Supplier selection decisions should integrate both strategic and operational considerations, encompassing tangible and intangible aspects in the assessment.

The ability of an organization to coordinate its internal resources and capability in order to fulfill its vision and mission is known as performance (Maalu & Dosho, 2016). These can be roughly divided into financial and non-financial categories depending on the evaluation methods used. In the financial context, market-oriented and accounting metrics are utilized to evaluate it. (Iavorska, 2014).

Organizational performance represents the actual accomplishments of an organization compared to its intended objectives and goals. Several researchers have identified different variables as crucial for ensuring robust buyer-supplier relationships (Njeri & Were, 2017). Performance, a crucial element of any company, is demonstrated through valuable outcomes such as increased returns, competitive advantage, and brand presence. It can also be assessed through measures of operational efficiency, using techniques such as parametric methods (stochastic frontier analysis) and non-parametric methods (data envelopment analysis) (Cheptora et al., 2018).

According to Osoro and Shale (2019), critical indicators of operational performance encompass enhanced production efficiency, waste reduction, improved product quality, minimized production defects, decreased customer complaints, reduced worker injuries, heightened production accuracy, lowered production costs, improved product completion levels, shortened cycle time, improved workflow, and adherence to environmental and industry regulations. Solomon and Ayebale (2017) argue that the performance of various sectors within an organization can be influenced by the supplier relationship management strategies adopted by a firm. Given that the competitive advantage of most manufacturing industries depends on their network of suppliers, companies should exert control over their suppliers in terms of the extent and depth of their impact. Essentially, the competitive ability and performance of manufacturing firms often rely on the strength and management of the supplier network (A Raz & Ozkarahan, 2017).

3.0 RESEARCH METHODOLOGY

3.1. RESEARCH DESIGN

The research employed a descriptive research design, which, as highlighted by Cooper and Schindler (2016), aims to uncover the 'what, where, and how' of a given phenomenon. This design proved appropriate for examining the impact of supplier selection on the organizational performance of Saccos in Kenya, with a focus on the specific case of Biashara Sacco in Nyeri County. A descriptive research design places particular emphasis on ensuring the quality of data collection and analysis.

3.2. TARGET POPULATION OF THE STUDY

The study's target population consisted of forty-eight (48) employees distributed across four (4) divisions. This specific group was targeted due to their involvement in the operational and managerial aspects of Biashara Sacco. The entire population was considered the sample, resulting in a sample size of 48 respondents, as a census approach was employed. The use of purposive sampling facilitated the researcher in determining the sample's composition based on various respondent characteristics, ensuring their relevance to the study.

Table 3.1: Target Population

Department Category	Target population
Procurement officers	15
Operations Planning And Logistics	13
Stores	11
Corporate Performance	9

Total 48

Source: Human Resource Department Biashara Sacco Nyeri (2023)

3.3. SAMPLE AND SAMPLING PROCEDURE

A sample is a representative of a group of individual units, records or observations from a more important population (Kothari, 2004). The study applied Census for the purpose of collecting data in the entire population. Therefore 48 respondents were considered for this study.

The Supply Chain Department, the Procurement Section, the Operations Planning and Logistics, the Stores, the Staff from the Finance Department, Corporate Performance (regulates purchases against budget), and the Payables Section (pays suppliers) at Biashara Sacco were used in this study.

3.4. DATA COLLECTION METHOD.

The data collection process relied on primary sources, utilizing self-administered questionnaires where respondents provided answers based on their own understanding. A drop and pick method was implemented, allowing respondents to fill out the questionnaires within a one-week period. The questionnaire method was chosen due to its cost-effectiveness compared to other data collection methods and the need for reliable information. Secondary data was collected through reviewing published records, journals, textbooks, and government documents, in addition to industry and annual reports. Meanwhile, primary data collection entailed the use of a self-administered questionnaire that comprised both structured and unstructured components.

3.5. VALIDITY AND RELIABILITY OF RESEARCH INSTRUMENT

The accuracy of the collected data heavily relies on the reliability and validity of the data collection instruments (Mugenda & Mugenda, 2003). Borg and Gall (1989) suggest that instrument validity can be enhanced through expert judgment. In this study, the opinions of faculty lecturers and the researcher's supervisor proved valuable in assessing the content's suitability, relevance, simplicity, validity, and sufficiency.

Reliability refers to the stability of outcomes over time and the potential for the study's items to be replicated using a similar approach. The instrument's reliability in this research was assessed using the Cronbach Alpha coefficient. According to Brown (2002), the Cronbach Alpha coefficient is commonly utilized to evaluate the reliability of language test results, examining the internal consistency or homogeneity of the test instrument. Furthermore, the reliability of this study was tested through a pilot survey conducted among a group resembling the target population, ensuring a comprehensive report on the findings. A reliability threshold of 0.70 was used to interpret the reliability results.

4.0 DATA ANALYSIS AND DISCUSSION.

4.1 DESCRIPTIVE ANALYSIS

The collected data was analyzed using simple descriptive statistics such as mode, mean, median, frequencies, and percentages to analyze the primary data from the questionnaires, while the relationship between the variables was established using the linear regression model. Data was analyzed and tested to draw conclusions in line with the study's objectives.

This study utilized descriptive statistics, summarizing key characteristics of the study variables through mean and standard deviation. Cronbach's alpha was employed to assess the questionnaire's reliability, with a minimum value of 0.70 serving as the threshold for satisfactory reliability. Following the pilot test, each variable demonstrated a Cronbach's alpha exceeding 0.70. The questionnaire's suitability was evaluated using face validity and content validity in this study.

The findings and discussions of the study are derived from 35 responses obtained from the sampled population, representing a response rate of 72.92%.

INFLUENCE OF SUPPLIER SELECTION PROCEDURE AND ORGANISATIONAL PERFORMANCE

This section aimed to investigate the critical role of supplier selection procedures within the operations of Biashara Sacco in Nyeri County, Kenya. The findings are presented in Table 4.6, showcasing the frequency, percentage, mean, and standard deviations of the responses, shedding light on the significance of this procedure for the Sacco's operational efficiency and effectiveness.

Table 4.6 Supplier Selection Procedure and Organisational Performance

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Buyer-Supplier	NE	LE	ME	GE	VGA	Mean	Std.
Relationship							Dev.
Contacting previous customers to confirm supply performance	0 (0%)	1 (2.9%)	(8.6%)	14 (40%)	17 (48.6%)	4.3429	.76477
and obedience to contract							
Background checks	0	0	1	7	27	4.7429	.50543
of suppliers	(0%)	(0%)	(2.9%)	(20%)	(77.1%)		
Checking supplier's	0	0	1	9	25	4.6857	.52979
ability to add delivery on short notice	(0%)	(0%)	(2.9%)	(25.7%)	(71.4%)		
Confirming that	1	2	8	8	16	4.0286	1.09774
supplier has ISO 9000 and 14000 certifications	(2.9%)	(5.7%)	(22.9%)	(22.9%)	(45.7%)		
Site visits to confirm supplier's capabilities	0	0	3	7	25	4.6286	.64561
	(0%)	(0%)	(8.6%)	(20%)	(71.4%)		
Total	35	<u>I</u>	<u> </u>	1	Overall		
					Mean		

Source: Field Data (2023)

Table 4.6 presents a detailed breakdown of the assessment of different aspects of the Supplier Selection Procedure and Organizational Performance. Each aspect was evaluated across various levels, including No Extent (NE), Less Extent (LE), Moderate Extent (ME), Great Extent (GE), and Very Great Extent (VGE). The mean and standard deviation provide an overall understanding of the respondents' perceptions concerning these factors.

The findings from Table 4.6 indicate that the Buyer-Supplier Relationship significantly influences the supplier selection process. Contacting previous customers to verify supply performance and contract compliance was deemed of Very Great Extent by 48.6% of the respondents, underscoring the importance of prior experiences in supplier evaluation. The high mean score of 4.3429 reinforces the significance of this practice, while the moderate standard deviation of 0.76477 suggests a relatively consistent agreement among respondents.

Additionally, conducting background checks on suppliers emerged as a crucial element of the selection process, with 77.1% of the participants perceiving it to be of Very Great Extent. The high mean score of 4.7429 emphasizes the critical role of due diligence, while the low standard deviation of 0.50543 indicates a strong consensus on its significance. Similarly, assessing the supplier's ability to deliver on short notice was also considered of Very Great Extent by 71.4% of the respondents, highlighting the importance of supplier flexibility in meeting dynamic demand requirements. The mean score of 4.6857 underscores the reliance on this criterion, while the moderate standard deviation of 0.52979 suggests a moderate consensus.

Verification of the supplier's ISO 9000 and 14000 certifications was regarded as a crucial practice by 45.7% of the respondents as being of Very Great Extent, with an additional 22.9% viewing it as of Great Extent. This result underscores the significance of adhering to quality standards in supplier selection. The mean score of 4.0286 indicates a generally positive perception, although the relatively high standard deviation of 1.09774 suggests varying levels of importance attributed to this practice. Finally, site visits to confirm the supplier's capabilities were considered of Very Great Extent by 71.4% of the respondents, emphasizing the pivotal role of firsthand assessment in the supplier evaluation process. The mean score of 4.6286 underscores the strong reliance on this aspect, while the moderate standard deviation of 0.64561 suggests a moderate consensus among respondents.

5.0 SUMMARY OF THE FINDINGS

The study successfully attained a response rate of 72.92%, surpassing the commonly accepted 50% threshold. This high response rate establishes a solid foundation for drawing reliable conclusions. The reliability test, utilizing Cronbach's alpha, demonstrated robust internal consistency for all constructs, with values ranging from 0.799 to 0.911, surpassing the acceptable threshold of 0.70. The credibility of the data collection instrument was enhanced through rigorous face validity assessment and valuable input from the research supervisor, ensuring its alignment with the study's objectives.

An insightful demographic analysis unveiled the diverse roles of the participants within Biashara Sacco, comprising 20.0% managers, 37.1% front office staff, and 42.9% back office staff. Moreover, the educational background of the participants revealed that 25.7% held a college or university diploma, 57.1% possessed a bachelor's degree, and 17.1% had acquired a master's degree. The distribution of work experience indicated that 5.7% had less than 1 year of experience, 40.0% had 2-5 years, 22.9% had 5-10 years, and 31.4% had more than 10 years of experience.

6.0 CONCLUSIONS

The study delved into the dynamics of the Buyer-Supplier Relationship within the procurement process, shedding light on pivotal determinants crucial for effective supplier selection. Notably, the assessment revealed the significance of prior experiences in evaluating suppliers, with contacting previous customers for supply performance confirmation being highly regarded by 48.6% of the respondents. The high mean score of 4.3429 accentuates the crucial role of this practice, supported by a consistent consensus among the respondents.

Moreover, the meticulous background checks of suppliers were unveiled as an integral component of the selection process, with a significant 77.1% of participants perceiving it to be of utmost importance. The high mean score of 4.7429 further underscores the critical role of due diligence, with respondents demonstrating a strong consensus on its significance. The study also highlighted the substantial emphasis placed on confirming a supplier's ability to deliver on short notice, a practice considered of great significance by 71.4% of the respondents, as indicated by a notable mean score of 4.6857.

Additionally, the recognition of the importance of suppliers possessing ISO 9000 and 14000 certifications was evident, with 45.7% of the respondents emphasizing its significance to a considerable extent. Although the mean score of 4.0286 suggests a generally positive perception, the relatively high standard deviation of 1.09774 implies varying degrees of importance attributed to this practice. Finally, the study underlined the criticality of site visits in confirming the supplier's capabilities, as evidenced by 71.4% of the respondents emphasizing its significance to a great extent, reflected in the substantial mean score of 4.6286 and a moderate level of consensus among respondents.

These findings underscore the critical role of effective Buyer-Supplier Relationships and supplier selection procedures in the procurement process, emphasizing the pivotal role of prior experiences, due diligence, flexibility, adherence to quality standards, and first-hand assessments in ensuring successful supplier selections. The study's insights align with existing research in the field, corroborating the significance of these practices as crucial determinants of successful procurement management and organizational performance (Cebi and Bayraktar, 2003; Huang and Keskar, 2007; Gosling et al., 2010; Khorramshahgol, 2012). The implications of these findings are significant for Biashara Sacco and other similar institutions, providing a comprehensive understanding of effective Supplier Selection strategies and procedures to enhance organizational performance and competitiveness within the public sector.

7.0 RECOMMENDATIONS

From the findings and conclusions above, this thesis deduced that:

Policy and decision-makers should prioritize the establishment of standardized supplier selection procedures. Emphasize the significance of comprehensive background checks, including verification of previous supply performance and adherence to quality standards, to ensure the selection of reliable and competent suppliers.

Organizations should encourage the implementation of collaborative practices between themselves and their suppliers. Promote the value of joint improvements, information sharing, and effective supplier supervision to foster stronger buyer-supplier relationships and improve overall procurement function and organizational efficiency.

The study provides robust evidence supporting the notion that the quality of products and services significantly impacts performance. Therefore, it is imperative to foster an environment that encourages suppliers to consistently prioritize the delivery of high-quality supplies. This practice enables the organization to reduce the costs associated with maintaining such standards that could otherwise be fulfilled by the supplier. By doing so, the organization can effectively navigate the evolving trends within customer-demanding environments.

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