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EFFECT OF MATERIAL SOURCING STRATEGIES ON ORGANIZATIONAL PERFORMANCE: A CASE OF JAMES FINLAY (KENYA) LIMITED

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Abstract

Purpose: The general objective of the study was to investigate the effect of material sourcing strategies on organization performance

Methodology: The study used descriptive research design through a cross-section survey within James Finlay (Kenya). The study targets three departments in the organization namely, procurement and supplies, finance and accounts, and executive management. Combined, the three departments have a population of 450 employees. Furthermore, the research used stratified sampling to narrow down from the 450 target population to 45 sample population. Primary and secondary quantitative and qualitative data were collected through questionnaire, interview, and online published documents. Quantitative data was processed using Statistical Package of Social Sciences (SPSS) version 21.

Results: Results revealed JFL understand the importance of strategic material sourcing and it has invested considerably to ensure a streamlined supply chain. As a result, the study found a positive relationship between strategic material sourcing and organization performance.

Unique Contribution to Theory Practice and Policy: strategic material sourcing is believed to streamlines the company's supply chain. A combination of selecting suppliers on merit basis, supplier relationship management, and supply chain partnership build a strong friendly relationship between the suppliers and the firm.

Keywords: *Material sourcing strategies, organization performance, supply chain*

1.0 INTRODUCTION

1.1 Background to the Study

Chopra and Meindl (2003) explain that gone are the days when corporations used to handle purchasing and supply as a second order function. In the contemporary business environment, supply chain management is characterized by integrated material handling, pulling together production, distribution, and supply functions. With this kind of environment, companies that fail to strategize their purchasing and supply operations are out-competed.

According to IMD (2006) and Pillania (2007), the contemporary global business arena is increasingly becoming competitive and in this regard, competitiveness has become a focal point of companies across the world. As the global market continues to shrink, firms are exposed to an increasing pressure to always be dynamic and responsive in their competitive strategies. Consequently, majority of multinational companies have noted the need for elevating traditionally favored procurement procedures to modern sustainable strategic sourcing with a key objective of value addition in the entire supply chain. Companies that continue to use traditional procurement procedures maintain high sourcing costs signifying roughly 40% to 80% of total the goods traded and 30% to 50% of total revenue (Chopra and Meindl, 2003). This high cost has been maintained not only in companies but also in industries that have not realized the need to adopt strategic sourcing. On the other hand, companies that have been flexible enough to implement strategic sourcing have reduced operational costs almost 20 times. Pillania (2007) noted that the effort needed to realize a 10% reduction of sourcing cost is much less than gaining an equal amount of revenue.

The procurement department is one of the few firm units that spend heavily the organization's cash resources. Thus, it provides a unique opportunity to reduce significant company costs. It implies that firms can improve its efficiency and effectiveness through introducing professional purchasing techniques and strategies. Quayle (2002), argues that savings in terms of quality, agreements, price, delivery, and performance among others are rewards of efficient procurement. For example, during the 1980s in the USA, France and the UK, material cost contributed about 60% of the cost of goods and services sold, (Pillania, 2007). The impact purchasing managers had on performance of the corporations was very significant. The need to reduce the cost of producing goods and services coupled with evolution of electronic procurement systems and growing recognition by senior management of the critical role played by the supply chain management provided the motivation for change.

1.1.1 James Finlay (Kenya) Limited

The study used James Finlay (K) Limited (JFL) as a case study because the company continues to report increasing profitability and better performance in an industry where other players are reporting declining profits due to turf economic times and trade barriers such as high taxation. JFL is a subsidiary company of the James Finlay Limited. The multinational company was founded in 1750 and it is headquartered at London, UK and has cold storage facilities Sri Lanka, Colombia. It owns and operates huge tea estates in Sri Lanka, Kenya, and Argentina, (Bloomberg, 2016). The company has offices and stores in the United Arab Emirates, Kenya, Sri Lanka, Vietnam, Malawi, United States, Indonesia, Argentina, and China. Since 26 September

2000, James Finlay Limited has been operating as a subsidiary of John Swire and Sons Limited, (Companies House, 2017).

JFL engages in production and marketing of tea products. It blends, sources, packs, and distributes private label cold water soluble, hot water soluble, decaffeinated, and carbohydrate blended leaf tea extracts, (Companies House, 2017). Besides, the company is also well known for selling quality coffee products to a wide variety of customers ranging from start-ups to multinational companies including tea brand owners, beverage companies, and private label suppliers across the globe, (Bloomberg, 2016).

Additionally, JFL manages commercial and conservative forestry. It is known for sustainable handling of plants such as acacia mangium and eucalyptus grandis plantations; timber mahogany, teak, silver oak, fuel wood, and Albizia plantations inter-planted with tea; and coconut, rubber, pepper, and cinnamon in Sri Lanka and Kenya. Furthermore, the firm produces, packs, and distributes flowers such as carnations, roses, lilies, and chrysanthemums, (Companies House, 2017). Other range of commercial crops sold by the company include , solidago, veronica, alstromerias, gyposophilla, and trachelium, bouquet fillers in the UK, Kenya, Germany, and South Africa. JFL processes and distributes vegetables including fine beans, runner beans, mange stouts, sugar snap peas, tender stem broccoli, baby corn, asparagus, and chillies. Besides production of ready to eat products, the company engages in environmental services, insurance brokerage, and general sales agency for in Sri Lanka, (Bloomberg, 2016).

1.2 Statement of the Problem

As companies continue to use operations efficiency strategies to gain competitive edge, clients are becoming more sensitive to demand. The challenge of demand for quality products has made firms realize the role of quality product and service delivery to ensure sustainable competitive advantage. Sourcing plays a critical role in ensuring the companies achieve this goal, thus corporations must ensure that they do not only source, but source strategically. Tayles & Drury (2001), argue that 70% of a firm's total manufacturing costs or sales revenue is spent on procurement of raw materials, finished goods, and components. Thus, if a company can find a way of reducing sourcing costs it is likely to improve its returns on earnings by increasing its asset turnover rate or profit margins, (Bloomberg, 2016).

JFL continue to face major challenges in managing its overall operating cost due to the constant increase of sourcing cost. This is indicated by the company's total comprehensive loss of Sh. 6.9 million and 6.3 million in 2015 and 2014 respectively, (Companies House, 2017). James Finlay's performance as far as sourcing goods and services is concerned has not been stable and roughly below expectation in the recent past, which has raised anxiety among shareholders. According to a customer satisfaction survey conducted by an independent firm in 2014, 2015, and 2016, it was noted that the satisfaction percentage index has been fluctuated from 70%, 78%, and 69% respectively. Besides, the survey noted complaints from suppliers, customers, and the firm's user departments over delays in procuring goods and services, (Bloomberg, 2016).

2.0 LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Stakeholder Theory

This study has uses stakeholder theory framework to investigate the effect of trust in supplier on JFL performance. The theory was developed by Edward Freeman in 1984. It is a view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization (Nyangari et al., 2014). It suggests that the purpose of a business is to create as much value as possible for stakeholders. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. Innovation to keep these interests aligned is more important than the easy strategy of trading off the interests of stakeholders against each other. Hence, by managing stakeholders, executives will also create as much value as possible for shareholders and other financiers.

2.1.2 Grey Theory Model (GMT)

This study has used GMT to investigate the effect of mutually benefiting supplier partnership selection on JFL performance. Supplier selection is a multiple-attribute decision-making (MADM) problem. Since the decision makers (DMs) such as preferences on alternatives or on the attributes of suppliers are often uncertain, supplier selection becomes more difficult. GMT is one of the methods used to study uncertainty, being superior in the mathematical analysis of systems with uncertain information (Thomas et al., 2001). In this study, I propose a new grey-based approach to deal with the supplier selection problem. Firstly, the weights and ratings of attributes for all alternative suppliers should be described by linguistic variables that can be expressed in grey numbers. Secondly, using a grey possibility degree, the ranking order of all alternatives is determined. Finally, the firms should rely on supplier ranking to select the most suitable supplier.

2.1.3 Upper Echelon Theory (UET)

This study intends to use UET to establish the effect of merit based supplier evaluation and selection on JFL performance. The theory is based on the behavioral theory of a corporation, the bounded rationality notion, and selective perception. Simon (2007) explains that the nature of the challenges that strategic decision makers face calls the use of rational economic models. Additionally, the choices organization leaders make has behavioral component, which in a way reflects personal idiosyncrasies. Dearborn and Simon (2008) explain that in the upper-echelons model, the impacts of the idiosyncrasies are treated in a similar way that Whittington (2008) proposes the effect on individual preferences and information of action determinism.

2.2 Empirical Review

Material sourcing strategies is a topic that has widely been covered by researchers. Nonetheless, little literature regarding its relationship to organization performance is available. In the Kenyan context, very few studies have been conducted to exploit the many variables of the topic. For instance, a study conducted by Kihanya et al. (2015) revealed that quality of goods and services

plays a very major role in determining the organization performance. Substandard goods and services translate to more cost incurred, wastages and this could mean loss of business to a competitor. The study further indicated that when an organization sources its supplies competitively, it affects the final price charged on the goods and services offered to the consumers. Hence the cost of goods and services sourced affect the organization's competitiveness. Strategic sourcing is attractive to senior management and it's a top level decision making hence it can be used to improve some of the dimensions of organization's performance. This is evident especially in resource allocation as contained in the annual procurement plans generated by each and every department. However, with the fluctuation in prices, increased demand of higher education in the country and continued under funding from the government, the institution is forced to adjust its budget.

Supply chain partnership is defined as a strategic coalition of two or more firms in a supply chain to facilitate joint effort and collaboration in one or more core value creating activities such as research, product development, manufacturing, marketing, sales, and distribution. The objective of supply chain partnership is increasing benefits to all partners by reducing total cost of acquisition, possession, and disposal of goods and services. Supply chain partnership is designed to influence the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits. Strategic partnership with suppliers enables organizations to work more effectively with a few important suppliers who are willing to share responsibility for the success of the products. Strategic supplier partnership in SCM has been reported to yield organization-specific benefits in term of financial performance (Tsai, 2007). Vereecke & Muylee (2006) highlighted that strategic partnerships between suppliers and manufacturers have a significant impact on supply chain performance and various aspects of competitive advantage.

Supply chain partnership in the supply chain management is one of the most popular hybrid organizational forms. It has been increasingly adopted by firms to manage inter-organizational collaboration in the supply chain. Supply chain partnerships provide both large and small firms with numerous opportunities to improve their conduct of business such as wider diffusion of products without costly physical presence in the markets, risk and reward sharing, resource pooling, reduction in coordination and transaction costs, ability to concentrate on core competency, and rapid response to market needs. Li et al. (2006) emphasize that the departments and functions in partnering companies need to work with each other in evaluating inventories, systems, processes, training, work methodologies, equipment utilization, and a host of other opportunities to reduce the cost of operations and explore opportunities for the partnerships.

Supply chain partnerships are resource-intensive investments, which involve both financial and strategic risks. Kotabe, Martin and Domoto (2003) points out that involving suppliers extensively in SCM, organizations could gain more production flexibility, faster product development cycles, lower input costs and higher end product quality in order to gain greater market share and premium prices.

In almost every industry, supplier relationships can either make or break an organization's ability to service customers responsibly and reliably while maintaining cost effectiveness and managing their property effectively. Organizations can establish strategic goals to minimize inventory investment and lower transaction costs while still increasing differential or competitive

advantage and expanding globally. Supplier relationship management (SRM) programs that make effective collaboration and supply chain synchronization with suppliers are critical success factors in serving customers and meeting strategic goals (Tsai, 2007).

SRM is a comprehensive approach to manage the activities and interactions with the firm who supplies goods and services. In the past three decades, SRM has been based on trust and commitment and this has got massive attention from both industry and academic. Companies have received many advantages and values from SRM including lower costs, higher quality, better forecasting, and win-win relationships with suppliers (Fan et al., 2013). The trust and commitment, motivates suppliers to share their manufacturing, engineering, transport expertise with the organization. By gaining access to this intellectual capital, the firm can be able to design better products and implement leaner and more efficient manufacturing processes. Supplier expertise on transport economics can also be employed by the firm to cut distribution costs and get to market quicker. Cost reductions can be passed onto consumers as decreased prices and this, together with increased speed to market, increases the organization's profitability and strategic competitive position.

Two of the greatest benefits of SRM are co-maker ship and the development of more responsive and competitive supply chains. According to Du Plessis et al. (2001), co-maker ship, as mentioned above, is based on the concept that a traditional organization's supplier contact is characterized by interaction over quality, price and delivery. However, through SRM, the firm and their suppliers come to realize that their businesses can be much more profitable if they adopt close co-operation and implement comprehensive communication with suppliers that include the areas of product development, quality, engineering and logistics. Mutual trust, continuity of the relationship, and the willingness of each party to create a profitable business for the other, are the foundations on which the relationship is built (Tsai, 2007). These relationships have impacts on a number of specific areas such as: product specification, quality, and lead time flexibility.

In another study, Benito (2007) noted that many blue chip companies across the globe including KPMG, Price Waterhouse Coopers, and AT Kearney have implemented strategic material sourcing in large scale. With the wide implementation of strategic material sourcing, it has become a procurement department norm and in the 21st century it is increasingly becoming a standard work procedure. Golicic, and Mentzer (2006) explain that it is imperative to note that strategic material sourcing is a dynamic concern and every company modify it to suit its internal and external needs. Thus, the composition and structure of material sourcing keeps on varying. Several researchers have examining the relationship between strategic material sourcing and different aspects of organization performance.

3.0 METHODOLOGY

This study intends to use a case-study research design. According to Kothari (2004), case-study research design is a research approach involving an up-close, in-depth, and detailed examination of a subject of study. This study specifically targeted JFL in Kenya. It targeted the company's three offices in Nairobi, Mombasa and Kisumu. It is imperative to note that the study targeted three key departments, inter alia, procurement and supplies, executive management, and accounting and finance department. The three departments in all the three branches had an

estimated population of 450 employees. This study intends to use a sample population of 45 respondents. This study intended to use stratified sampling, which entailed dividing the target population into smaller groups such as supervisors, managers, and supply chain staff. Random sampling were used to identify respondents from each stratum. Data was collected through interviews and questionnaire. The collected data was analyzed through descriptive statistics and inferential statistics. Data presentation was through the use of pie charts, bar charts, graphs and frequency tables. Regression analysis was used to establish the relationship between the independent and dependent variables.

4.0 DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Demographic Information

4.1.1 Gender

Results indicated that majority of the respondents were male employees (62%) and the rest were female employees (38%).

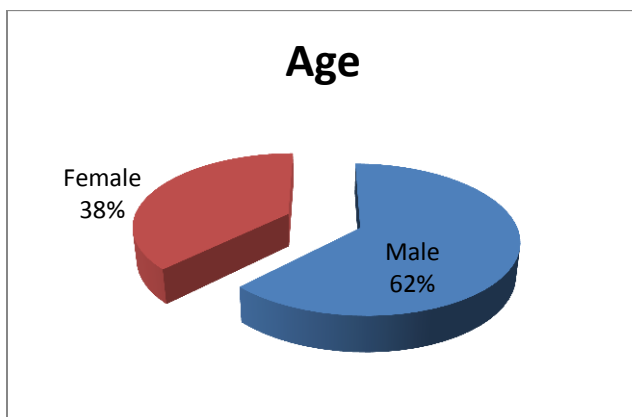


Figure1: Gender Distribution

4.1.2 Number of years worked

The study established that majority of the respondents (60%) had worked for more than 10 years and minority of them (5%) had worked for less than a year. A significant percentage of the respondents (25%) had worked for at least 5 years and at most 10 years

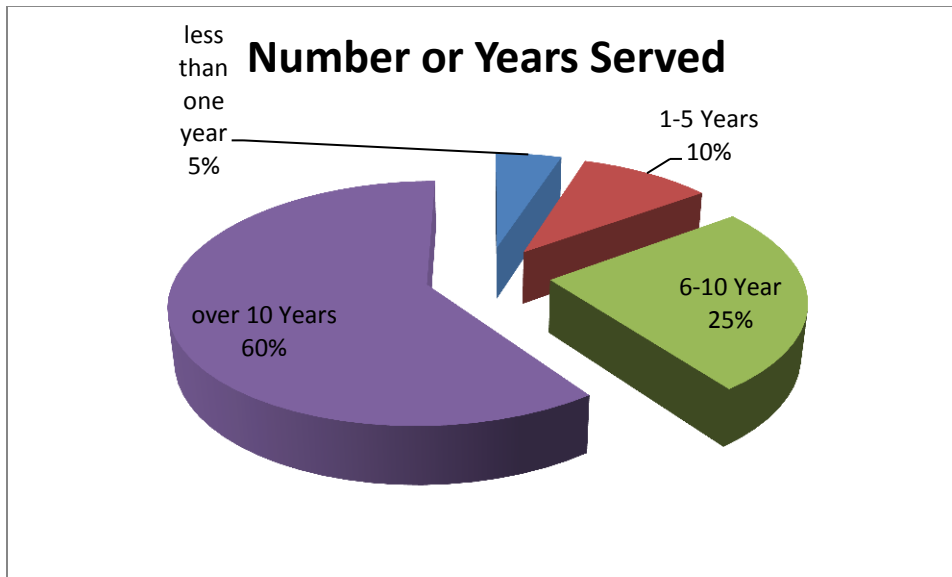


Figure 2: Number of years worked

4.1.3 Level of Education

Results in table 1 indicate that majority of the respondents (70%) were bachelor degree holders. Post-graduate degree holders were the least (10%). Combined, 80% of the respondents had at least a bachelor degree.

Table 1: Level of Education

Level of Education	Frequency	Percentage
Diploma	8	20%
Bachelor Degree	28	70%
Master	4	10%

4.1.4 Level of Management

It was important to understand the management level the respondents occupied in the company. Table 2 reveals that majority of the respondents (55%) occupied middle level management, 12% of them were occupied lower levels, while 8% were senior managers.

Table 2: Level of Management

Level of Management	Frequency	Percentage
Lower Level	12	30%
Middle Level	22	55%
Senior Level	6	15%

4.2 Descriptive Analysis

4.2.1 Merit Based Supplier Evaluation

Merit based supplier selection is one of the material sourcing strategies used by JFL. This study sought to establish measures used by the organization to ensure that suppliers are selected based on merit and not using any form of bias. Table 3 shows some practices that are applied in the firm. Results indicated that at least 80% of the respondents were satisfied with supplier selection process. They explained that JFL does not favor specific suppliers. Besides supplier selection on merit, the respondents were satisfied with the terms of engagement between them and the company. Some of the criterion used in determining the most suitable supplier includes supplier experience, quality of supplies, supplier history, and supplier capital base. JFL appears to yield maximum utility from selection of supplies basing purely on merit. It explains why all of the respondents indicated that supplies reach the company in good time and in the right quantity as ordered.

Table 3: Some Practices that are applied in the Firm

Criteria	SCALE			
	Unsatisfactory	Satisfactory	Good	Excellent
	Percentage			
Supplier Experience	10%	40%	35%	15%
Quality of supplies	15%	20%	40%	25%
Supplier History	8%	30%	45%	18%
Supplier Capital Base	10%	40%	38%	13%
Mechanism of supplier selection	10%	15%	50%	25%
Quality of suppliers selected	5%	20%	55%	20%
Terms of engagement with suppliers	10%	23%	50%	18%

4.2.2 Supply Chain Partnership (SCP)

As JFL continues to contract suppliers on merit basis, it recognizes the need to identify strategic partners who can cooperate with the company in the long-run. Table.4. illustrates the response results on how supply chain practices are applied in the company. It is evident that majority (more than 70%) of the respondents were satisfies that the firm does a good job in all the nine criterion. It implies that after suppliers are selected, the company keeps the on the loop through regular communication. Furthermore, 85% of the respondents reported that the company prioritizes its old suppliers while inviting new tenders.

Table 4: Supply Chain Partnership

Criteria	SCALE			
	Unsatisfactory	Satisfactory	Good	Excellent
	Percentage			
Contact with suppliers	20%	25%	35%	20%
Communication with suppliers	23%	38%	25%	15%
Long-term service with suppliers	23%	20%	45%	13%
Regularly updating old suppliers on new tenders	25%	30%	20%	25%
Prioritizing old suppliers while inviting tenders	25%	20%	38%	18%
Periodical correspondence	28%	25%	35%	15%
Regular calls	30%	30%	35%	5%

The results of the study indicates that competitive forces in the tea sector has forced JFL to explore possible alternatives of improving quality, delivery performance, and respond to customer desires while being keen to keep costs as low as possible. Additionally, JFL appears to have turned to systematically evaluation of the responsibilities of suppliers. Giving old suppliers a priority in new tenders is an example of an incentive designed to improve the quality of supplies. Strategic partnership with suppliers identifies optimum practices that improve supply chain process integration and alignment. JFL further expedites collaboration by implementing latest collaborative information systems that drive performance, efficiencies, and quality.

The study sought to understand the effect of supply chain partnership on improvement of quality of good supplied. Figure 3 shows the results of the responses. All the respondents agreed that SCP improves the quality of supplies. 25% of them indicated that it improved quality by 76%-100% while another 20% of them explained that it improves quality by 51% to 75%. Thus, it justifies the proposition that good conduct with suppliers does not only minimize supply chain conflicts, but also improves the quality of supplies. Ultimately, it improves the quality of the company output.

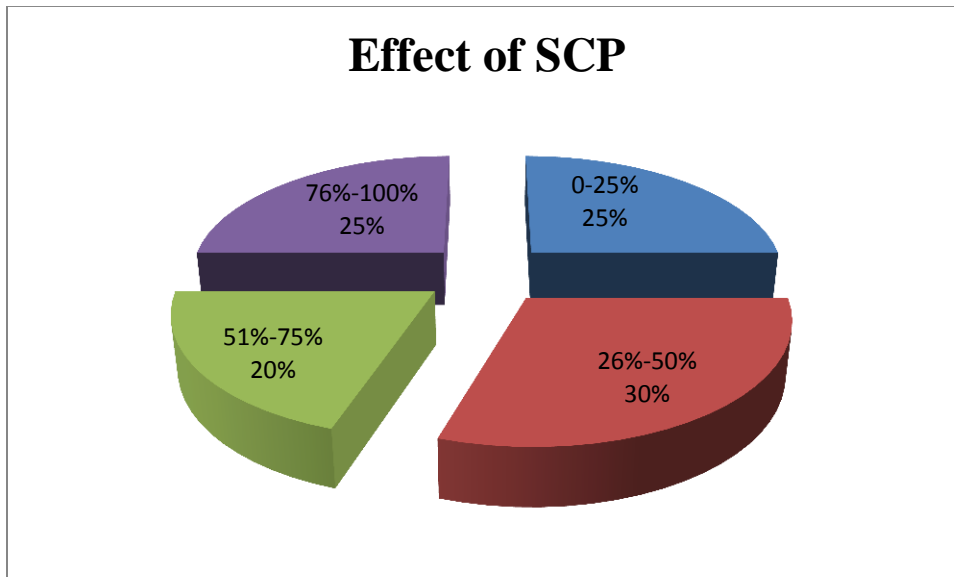


Figure 3: Effect of SCP

4.2.3 Supplier Relationship Management

Findings reveal that JFL is so far performing well in SRM. Respondents were asked to comment on how the company performs in SRM criteria listed in table 5. Majority of the respondents indicated that the company scored well in the four criteria listed. Respondents indicated that the company has well-laid out framework on handling suppliers who contravene terms of agreement. Even though 20% of the respondents indicated that they are dissatisfied with the disciplinary measures the company has against misbehaving suppliers, 80% of them were satisfied and happy with the punitive steps the company takes. Nonetheless, it is worrying to note that 43% of the respondents were unsatisfied with reconciliatory steps the company takes whenever a dispute arises. It implies that on that note, the company needs to develop a better framework. However, overall, JFL is keen in creating good rapport with its suppliers. Properly handling suppliers provides what is critically imperative in a business. Ultimately, it offers an opportunity to the company to improve its supply chain, which consequently improves the quality of goods manufactured. The results of JFL's proper management of suppliers is evident in the responses overall effect of SRM. More than 60% of the respondents explained that SRM has improved the company performance by more than 40% as in figure 4.

Table 5: Supplier relationship management

Criteria	SCALE			
	Unsatisfactory	Satisfactory	Good	Excellent
	Percentage			
Handling suppliers	25%	30%	25%	20%
Disciplinary actions to suppliers	20%	30%	25%	25%
Reconciliatory actions with suppliers	43%	25%	20%	13%

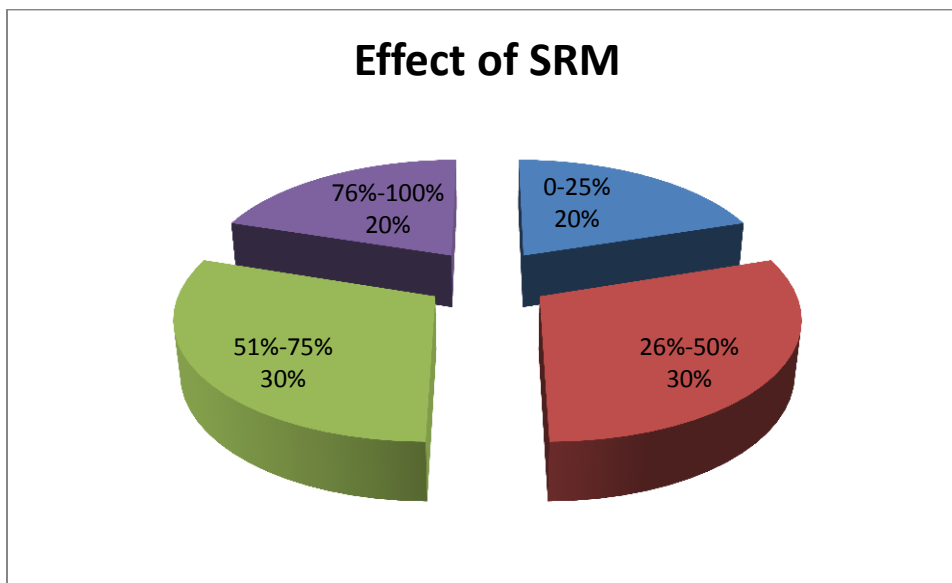


Figure 4: Effect of SRM on JFL Performance

4.2.4 Supplier-Firm Trust

Maintaining good and sustainable trust between the firm and suppliers is a result of proper management of the relationship. As discussed previously, respondents demonstrated that JFL has an efficient framework of managing its relationship with suppliers. The company adopts an avoidance approach towards conflicts, besides reacting fast to resolve conflicts. As a result, results revealed that the company has been successful in maintain supplier-firm trust as shown in table 6. Respondents were asked to express their opinion on the parameters indicated in the table. More than 50% of them were satisfied with the firm’s response to conflicts, speedy conflict resolution, conflict avoidance, and overall trust.

Table 6: Supplier-Firm Trust

Criteria	SCALE			
	Unsatisfactory	Satisfactory	Good	Excellent
	Percentage			
Trust between the firm and suppliers	25%	30%	25%	20%
Conflict avoidance	35%	30%	20%	15%
Speedy conflict resolution measures	48%	25%	23%	5%
General response to conflicts	25%	38%	20%	18%

4.3 Inferential Analysis

Inferential analysis determines the probability of the population characteristics based on the sample population characteristics. It helps examine the degree of relationship between independent and dependent variables.

4.3.1 Correlations of the Study Variables

Table 7 shows the correlation matrix among the variables. The correlation matrix indicates that all the variables are positively related to organization performance. According to table 7, the correlation coefficients of the four variables are: merit-based supplier selection (0.580), supply chain partnership (0.480), supplier relationship management (0.412), and supplier firm trust (0.319). Notably, the fact that the p values of all the variables are less than 0.04 implies that their relationships are significant.

Table 7: Correlation Analysis

		Merit-Based Supplier	Supply Chain Partnership	Supplier-Relationship management	Supplier-Firm Trust	Organization Performance
Merit-Based Supplier Selection	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	36				
Supply Chain Partnership	Pearson Correlation	.821**	1			
	Sig. (2-tailed)	0				
	N	36	36			
Supplier-Relationship management	Pearson Correlation	.462**	.455**	1		
	Sig. (2-tailed)	.006	.006			
	N	36	36	36		
Supplier-Firm Trust	Pearson Correlation	.380**	.320**	.422**	1	
	Sig. (2-tailed)	.170	.402	.339		
	N	36	36	36	36	1
Organization Performance	Pearson Correlation	.580**	.480**	.412**	.319**	1
	Sig. (2-tailed)	.000	.004	.012	0.004	
	N	36	36	36	36	36

4.3.2 Regression Analysis

The study conducted a linear regression analysis to investigate the relationship between the dependent and the independent variables. Results of the examination are shown in table 8. Note that the adjusted R^2 represents the coefficient of determination. The value represents how organization performance varied with supplier selection, supply chain partnership, supplier relationship management, and supplier firm trust. The positive relationship between the dependent and the independent variables is justified by the Pearson correlation value of 0.875. Additionally, the determination coefficient values of 0.780 and 0.763 after justification implies that the independent variables contribute 76.3% of the change in organization performance. The study further used Durbin-Watson test to establish whether or not the residual of the model was not auto-related. The DW value was 1.789, which is close to the prescribed value of 2.0, which implies that there was no auto-correlation.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.875 ^a	0.780	0.763	0.940	1.789

a. Predictors: (Constant), Supplier firm trust, Supply chain partnership, Supplier relationship management, Merit-based Supplier Selection
 b. Dependent Variable: Overall performance

4.3.3 Analysis of Variance (ANOVA)

The study used ANOVA to test simultaneous association between two or more means. Particularly, ANOVA was used to further analyze the relationship between dependent and independent variables, which assisted in determining the significance of the regression model. Table 9 shows the results of the analysis. It indicates that the regression model had a margin error of 0.004. It means that the model had a risk of 0.4% of providing a misleading prediction. Furthermore, the F-ratio (F=23.928, p=.004) was statistically significant. It means that the study used an appropriate model and the relationship of the variables was not by chance.

Table 9: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.602	1	16.602	23.928	.004 ^b
	Residual	101.204	151	.618		
	Total	117.806	152			

a. Dependent Variable: Overall performance

b. Predictors: (Constant), Supplier firm trust, Supply chain partnership, Supplier relationship management, Merit-based Supplier Selection

4.3.5 Coefficient of Determination

Table 10 shows the results of the estimated coefficient, which illustrates the contribution of the independent variables to the variation in the dependent variable. It is evident that merit-based supplier selection ($\beta=.546$, $p=.020$) significantly and positively affected organization performance. Furthermore, the results indicated that supply chain partnership ($\beta=.636$, $p=.010$), supplier-relationship management ($\beta=.346$, $p=.010$), and supplier-firm trust ($\beta=.292$, $p=.012$) positively and significantly affected organization performance.

Table 10: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	3.321	0.823		4.089	0.003
1	merit-based supplier selection	0.546	0.309	-0.388	-1.235	0.002
	supply chain partnership	0.466	0.312	0.672	2.956	0.001
	supplier-relationship management	0.346	0.288	-0.114	-0.456	0.001
	supplier-firm trust	0.292	0.241	0.212	1.256	0.001

a. Dependent Variable: Overall overview

In reference to the findings shown in table 10, the regression model is expressed as follows:

$$\gamma = 3.321 + 0.546V_{mss} + 0.466V_{scp} + 0.346V_{srm} + 0.292V_{sft} + \varepsilon$$

The established regression equation indicates that *ceteris paribus*, organization performance is 3.321 units. Additionally, *ceteris paribus*, an increase in merit-based supplier selection by one unit will increase organization by 0.546, an increase in supply chain partnership by one unit will increase organization performance by 0.466, an increase in supplier-relationship management by one unit will increase organization performance by 0.346, and an increase in supplier-firm trust by one unit will increase organization performance by 0.292. Thus, this study has established that among the four predictors used in this study, capital base has the greatest contribution to procurement performance.

5.0 CONCLUSION

Following the findings of this study, it is prudent to conclude that strategic material sourcing has a positive effect on organization performance. Through employing various material sourcing strategies, JFL has improved its performance in the Kenyan tea sector. All respondents to this study reported confidence in strategic material sourcing because they believed streamlines the company's supply chain. It is imperative to note that material sourcing strategies is not limited the few variables examined in this study. The study analyzed merit-based supplier selection, supply chain partnership, supplier relationship management, and supplier-firm trust. Other variables can be investigated as well. This study has established that a well-managed strategic material sourcing results to better organization performance.

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