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Impact of Strategic Sourcing on Firm Performance

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Abstract:

Increasing globalisation has moved the sourcing function from a domestic, operational function to a more strategic border less activity which is recognised as a key part of the firm's product offering. This study evaluates the strategic sourcing process and measures its impact on the performance of a firm. Empirical evidence is provided from top firms in Ghana's Oil and Gas Industry. A sample of 80 respondents purposively selected from the procurement and supply chain section of the company's various plants of operation is used in the study. Data was gathered using a structured questionnaire and analysed statistically with both descriptive and inferential techniques. The study found evidence of employee learning, performance, planning and supplier relational-processes as strategic sourcing practices. Overall, there exist a positive and significant relationship between strategic sourcing and firm productivity. The details reveal that employee leaning, performance, and planning had significant effect on firm productivity. However, there was no support for relational processes. The study proposes that supplier relationship management practices must take centre stage in organisational decision making. Firms must move beyond transactional, adhoc supplier relationships towards more participative, long term partnerships aimed at creating shared values between the buyer and the vendor.

Keywords: Sourcing, Strategic sourcing, productivity, supply chain, firm performance, relational processes, efficiency

1. Introduction

Supply chain management has gained more recognition in the competitive environment, owing to its potential benefits of cost reduction and improvement of service levels. Kocabasoglu and Suresh (2006) recognized purchasing and supply as an area of supply chain management which promises better cost control and resources utilization. In recent times, the purchasing and supply function has grown from an operational, reactive process into a strategic, proactive function that is recognized as an area of cost cutting and source of enormous value creation. Strategic sourcing, as it is known, has become a highly recognized business tool, whereby competitive advantage may be gained when products or services are produced more effectively and efficiently by outside suppliers (McCarthy and Anagnostou, 2004; Leavy, 2004). Sourcing strategies helps with the procedure for companies to establish long-term relationships with their suppliers and achieve the considerations of strategic sourcing (Chiang et al. 2011). Van Weele, (2010) argued that when conducting a plan for strategic sourcing there are some aspects to consider, such as technology, quality, availability, cost and fulfillment.

Strategic sourcing has been proven to be affective and result in cost reduction, increases in productivity, quality improvement, and return on investment. Considering sourcing as strategic has been considered as a driver for company growth. 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 (Van Weele, 2010). Strategic sourcing can reduce costs by consolidating purchases with a limited number of suppliers and by allowing the centralized purchasing departments negotiating leverage via a purchase of increased volume. Strategic sourcing can also help reduce ordering costs of purchasing orders thus reducing inventory handling costs (Thomas, 1999; Rendon, 2005; Van Weele, 2010).

Productivity and cost efficiency have always been a major issue in procurement but in today's ever-increasing competition in the market, strategic sourcing has become an essential area which regularly brings forth some impression of efficiency in various companies. It is important to note that starting sourcing approaches in the contemporary business environment are liable to world class business options which are embraced by the successful companies in the market. Dealing with business complexities has made the buyers to think strategically.

Limiting it to the Ghanaian system, steady recent progress in the Ghanaian oil sector, its future prospects are mixed. The low oil price environment is one obvious challenge, but there are also a number specific to Ghana. Although young, the oil sector at the company level is forced to develop its own global strategic sourcing plan to build up variation in lead times to handle the pressure on keeping inventories lean and to be more responsive for operational requirements and meet strategic objectives. After recognizing the importance of strategic sourcing, a study is needed combining that both

literature issues and nowadays business structures. Furthermore, there is a need of solutions for lack of points regarding to sourcing strategies in order to be adapt to changes and latest trends in the competitive market globally (Christopher, et al., 2011).

This study seeks to answer the question: To what extent does strategic sourcing impact firm performance?

2. Literature Review and Hypothesis Development

2.1. Sourcing

Pass (2006) describe sourcing as the process of finding suppliers of goods or services for a certain need. Sourcing is not a single act, therefore there is a chain of tasks that are done with the final outcome being the procurement, in other words purchase, of the product or service. According to Kotabe and Murray (2004), sourcing describes management by multinational companies of the flow of components and finished products in serving foreign and domestic markets. Effective sourcing contributes to a firm's competitive and comparative advantages. Firm-specific advantages influence what technologies and activities should be the main focus ultimately leading to competitive advantage. Location-specific advantages determine where organizations should source and market (Kotabe and Murray, 2004). Sourcing in essence is a part of the supply chain of any company. Also, sourcing should have a goal of keeping the costs of the supply chain as low as possible as the end consumer price has about up to 80% of its cost in the price of the product. (Fuchs, Pais & Shulmand 2013)

2.2. Strategic Sourcing

Strategic sourcing according to Chiang et al. (2011) is a critical challenge of designing and managing supply networks in line with the organizations operational and performance objectives. Strategic sourcing comprises concepts of strategic purchasing, supplier development, information sharing with suppliers and inter-functional integration of purchasing (Talluri and Narasimhan, 2004). Talluri and Narasimhan, (2004) and Giunipero et al. (2006) held the view that decisions around strategic sourcing cannot only be based on operational level, such as cost, quality, and delivery, it however, has to incorporate a strategic level and capabilities for evaluation of suppliers, such as highlighting quality management practices, long-term quality output, supplier's strength, process capabilities, management practices, cost reduction at the same time as increasing profit, design and development capabilities (Talluri and Narasimhan, 2004; Rendon, 2005; Giunipero et al. 2006).

One of the key differences of Strategic Sourcing in contrast to conventional sourcing is that it extends beyond purchasing and focuses on converging and sustaining the buyer-supplier-relationships (Skjøtt-Larsen & Schary, 2001). The objective is to leverage them, exploit their capabilities, integrate and complement the core competencies of the various partners in the supply chain (interdependence) in order to provide value and cost efficiencies and uniqueness for the customer.

As Strategic Sourcing incorporate strategic dimensions and capabilities of suppliers such as emphasis on quality management practices, process capabilities, design and development, and cost reduction capabilities into the decision-making process it is possible for firms to achieve accurate information and best-in class market results (Beaty, 2013). In contrast to sourcing, such practices are not followed which consequently led to a lack of visibility, opportunities for collaboration and cost synergies were misled.

Tanskanen & Aminoff, (2015) suggests a general difference between strategic sourcing vs. sourcing, by pointing out that sourcing is merely the transaction between buyers and suppliers, whereas strategic sourcing is the integration and coordination of all local and global domains and resources, being monetary, human, material, informational, etc. Rendering to the expanded competition, strategic sourcing needs to consider the total cost of ownership, company's growth and profit making and comparing different alternative partners (Faes and Matthyssens, 2009). Sourcing strategies helps with the procedure for companies to establish long-term relationships with their suppliers and achieve the considerations of strategic sourcing (Chiang et al., 2011). Van Weele (2010) argued that when conducting a plan for strategic sourcing there are some aspects to consider, such as technology, quality, availability, cost and fulfillment. Rendon (2005), sees the strategic sourcing process as a step in the procurement process that incorporate the identification and selection of the supplier whose costs, qualities, technologies, timeliness, dependability, and service best meet the organization's needs.

2.3. Dimensions of Strategic Sourcing

Four different perspectives can be distinguished in strategic sourcing decision making: learning, relationship, planning and performance.

2.3.1 Employee Learning

Learning-oriented sourcing decisions are make-or-buy decisions and choosing right sourcing alternatives. One sourcing method, the Kraljic Purchasing Analysis, is identified in this decision category. Learning orientation is defined as the degree to which the members of the sourcing unit stress the value of learning for the long-term benefit of the SS system (Hult et al., 2003). Applications of RBV suggest that learning orientation operate as a strategic resource that fosters SS within supply chain organizations (Calantone et al., 2002). Given SS's complex and dynamic nature, learning about a firm's internal and suppliers operations can create competitive advantages (Hult et al., 2002). Prior studies posited learning orientation as a valuable resource that can reduce opportunistic risk while fostering SS (Dwyer et al., 1987).

2.3.2 Performance

Performance is related to evaluation if the buyer's goals are met, in this case the aligned long-term goal, sustainable competitive advantage. A company achieves this by implementing a superior value creating strategy, compared to its competitors (Frynas & Mellahi, 2005). This ideology focusses the sourcing organization on improving demonstrated value creation, which, in SDL terms, is determined uniquely and phenomenologically by the beneficiary (Vargo and Lusch, 2008); the SS system.

Adapting VandeWalle (1997)'s definition of performance orientation we define it as the degree to which the members of the sourcing unit stress the demonstrated adequacy of SS's competence for the long-term benefit of the SS system. According to SDL, adequacy of SS competence is idiosyncratic, contextual, and meaning laden (Vargo and Lusch, 2008), particularly in today's SS complex and layered systems. This very complexity, in RBV terms, makes performance orientation a valuable, and difficult to replicate, resource. In other words, performance orientation transpires in a desire to prove SS "competence and to gain favorable judgments about it" (VandeWalle, 1997), which implies a focus on, for example, improvements in firm's profits and competitiveness and/or suppliers' prosperity. A performance orientation focusses the SS unit on improving value and encourages its members to work harder to demonstrate it (Naor et al., 2010).

2.3.3 Planning

The planning decision category focuses on defining decisions related to the general goals and strategy of the company and specific goals of the procurement department. Therefore, a distinction is made between general management and procurement-based decisions and different questions and sourcing metrics can be determined. Planning orientation captures the emphasis that firms place upon the use of planning tools and analytical skills with respect to SS and the degree to which the plan supports the overall business strategy (Lukas et al., 2007). SDL implies that SS planning should be placed at the core of the firm's strategy (Vargo and Lusch, 2004), since the more widely absorbed the plan, the more the firm conveys the importance it attaches to the plan.

Klassen (2001) described it as a dimension of managerial orientation embedded in the scope and depth of integration of environmental issues into planning – ranging from none to extensive and Lukas et al. (2007) posited it to be determined by the level of permeation a plan achieves within the firm. Adapting the above conceptualizations and building on the preceding discussion we define planning orientation as the degree to which the members of the sourcing unit stress the use of strategic planning tools and analytical skills to monitor the firm's general business conditions and support the overall business strategy and the SS system.

2.3.4 Relational-Process

Each company needs to understand its industry environment so as to create value-adding strategies. From the viewpoint of a buying company, it stands in relation with its customers and suppliers, and needs to understand them. (Frynas & Mellahi, 2005). Relational-process orientation describes the SS managers' predilection to systematically and routinely seek and disseminate the information needs of SS to maintain ongoing supplier relationships (Tuli et al., 2007). The "processual dimension" here reflects the dynamic aspects of the exchange: actions and behavior within the relationship (Izquierdo and Cillian, 2004). The ability to seek and disseminate SS' information allows a firm to convert solutions from suppliers to value for the organization. Focusing on relational-processes is consistent with the SDL that argues for a shift from goods-dominant logic to process-centric thinking (Gummesson, 2008). This shift implies that sourcing managers are seeking "solutions", thus ongoing, relational communications with suppliers that entails meeting and supporting their SS's evolving needs – rather than just customized bundles of products from their suppliers (Tuli et al., 2007).

2.4. Firm Productivity

The ability to measure firm-level productivity is critical to understanding the company's level of efficiency being utilized through its business activities. At the base form, productivity is a comparison between material inputs (which could be labour, materials, or capital) and produced outputs. Productivity is paramount to a business entity' success because every business must produce a material gain from the conversion of inputs to outputs to achieve viability and overall longevity of the entity. (Anderson et al. 1997).

2.4.1 capital Stock

Rajan, and Zingales, (1995) explained capital stock as the total amount of a firm's capital, represented by the value of its issued common and preferred stock. The net stock is designed to reflect the wealth of the owner of the asset at a particular point in time (Corrado et al. 2005). Productive stocks are directly related to the quantity and production aspect of capital. Productive stocks constitute an intermediate step towards the measurement of capital services. By applying the age-efficiency profile to quantities of past investment, all vintages are expressed in new-equivalent efficiency units. The computation of the productive stock via addition of efficiency-adjusted investments of past period implies complete substitutability of past vintages, once adjusted for efficiency differences (Schreyer, 2004).

2.4.2 Efficiency

The idea of finding changes in efficiency is strategically different from comparing the changes in technology. The concept of maximum efficiency in an engineering term defines a production process that has attained the maximum output that is physically achievable with the current technology with the available fixed amount of inputs (Davenport and Short, 1990). Improving upon technical efficiency within the production process will move the entity towards a state of

“best practice” (when a firm is producing output with minimal or zero waste) due to the elimination or maximum decrease in technical and organizational inefficiencies.

2.4.2.1 Sales

Sales productivity is the ratio of effectiveness (outputs) versus efficiency (inputs). In other words, it means maximizing sales results while minimizing resources expended, such as cost, time, and effort (Sheth and Sisodia, 2002). Increasing sales productivity is one of the most powerful levers a company can pull to improve the overall health of the business, and one of the best forward-looking metrics for growth and financial performance (Sujan et al., 1988). Actual sales productivity is greater than the assumed level of productivity that what was built into the sales plan.

2.5. Conceptual Framework

Based on the review of literature, it was ascertained that strategic sourcing has an influence of firm performance (Elmuti, 2003; Jin et al., 2012; Kihanya et al., 2015). From this background, a conceptual model is developed to guide the conduct of the study adopted from Eltantawy et al. (2014). The conceptual model in Figure 2.1 is consequently constructed to show how strategic sourcing practices influences firm productivity.

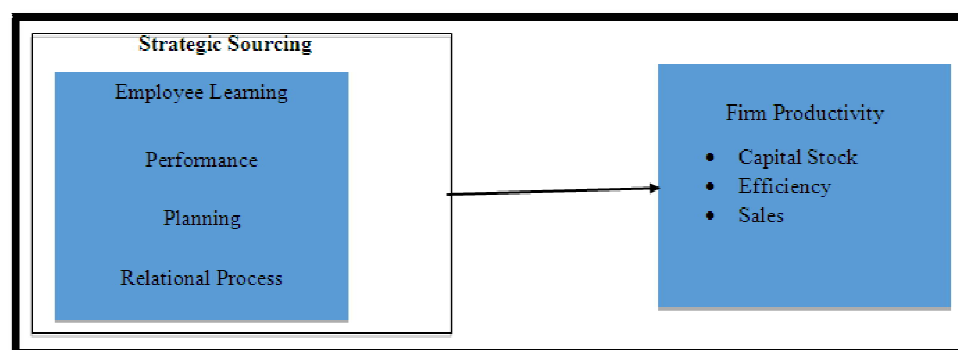


Figure 1: Conceptual Framework
Source: Eltantawy Et Al, 2014

2.5.1. Strategic Sourcing and Firm Productivity

Strategic sourcing has been proven to be affective and result in cost reduction, increases in productivity, quality improvement, and return on investment. Considering sourcing as strategic has been considered as a driver for company growth. 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 (Van Weele, 2010). Strategic sourcing can reduce costs by consolidating purchases with a limited number of suppliers and by allowing the centralized purchasing departments negotiating leverage via a purchase of increased volume. Strategic sourcing can also help reduce ordering costs of purchasing orders thus reducing inventory handling costs (Thomas, 1999; Rendon, 2005; Van Weele, 2010).

Quality of goods and services determines the performance of an organization through increased sales, customer retention and business sustainability (Barker, 2006). Organizations products evolve over time and it is critical to form relationships with suppliers that can effectively meet the changing requirements from the perspective of new product development, design, manufacturing processes and manufacturing capability, at lower costs. Such suppliers are more likely in the long run to have the infrastructure and organizational capabilities in place to effectively meet the changing demands of the buying firms (Tummala et al. 1997, Coughlan and Wood, 1992). Quality management practices with strategic implications such as total quality management, zero defects, process improvement, statistical process control, and continuous process improvement lead to tangible improvements in quality and cost reduction (Barker, 2006, Tummala et al, 1997, Coughlan and Wood, 1992).

According to Baily et al. (2005), if a company is seeking competitive advantage by becoming better able to respond to customer needs as they arise, then it follows that the company require a greater degree of responsiveness from its own suppliers. The achievement of delivery on time is a standard purchasing objective. If goods and material arrive late or work is not completed at the right time, sales may be lost, production halted and damages clauses may be invoked by dissatisfied customers leading to slow down the cash to cash cycle thus reducing the organization's efficiency or profitability. One of the critical roles of strategic sourcing is reducing on lead- time and improving on delivery to meet the customers demand.

Lysons and Farrington (2006), define lead time as the period between a customer's order and delivery of the final product. A small order of a pre-existing item may only have a few hours lead time, but a larger order of custom-made parts may have a lead time of weeks, months or even longer.

Lead time can mean the difference between making the sale and watching a competitor sign the contract. If a company can deliver the product weeks ahead of the competition, it stands a better chance of receiving future orders. Companies must remain realistic with their lead time estimates, but constantly strive to improve their manufacturing process or service provision and reduce lead times. Organizations face challenges when attempting to improve lead time on a product line.

Some processes simply take more time to create a high-quality product. It can be challenging to offer a competitive lead time to the customer while still maintaining quality control over production

3. Research Methodology

The study was conducted among procurement officers in selected firms in the oil and Gas industry of Ghana. The study utilized a quantitative approach for data gathering and analysis. A sample of 80 respondents took part in the study. A structured questionnaire, administered in person by the researcher, was used to gather primary data for the study.

3.1. Factor Analysis and Reliability test

Exploratory factor analysis is performed on strategic sourcing and firm's productivity in order to determine whether all the scales applied in this study have construct validity (Abdul-Halim and Che-Ha, 2009). From the Table 1 the construct for strategic sourcing and firm's productivity all follow the rules of Kaiser-Meyer-Olkin and Bartlett's Test of Sphericity hence the sample for the data is suitable for analysis.

Cronbach's alpha coefficient was calculated for each field of the questionnaire. George and Mallery (2003) proposed rule of thumb for interpreting the Cronbach's alpha values was applied where Cronbach alpha ≥ 0.9 is excellent, $0.9 < \text{but} \geq 0.8$ is very good, $0.8 < \text{but} \geq 0.7$ is good, $0.7 < \text{but} \geq 0.6$ is acceptable, $0.6 < \text{but} \geq 0.5$ is questionable, $0.5 < \text{but} \geq 0.4$ is poor, and $0.4 >$ is unacceptable. Table 1 illustrates the values of Cronbach's alpha for each field of the questionnaire. For the various fields, values of Cronbach's alpha ranged from 0.525 to 0.810; this range is high and good. The table below also shows that the value of Cronbach's alpha was 0.888 for the entire questionnaire, which indicates very good reliability for the entire questionnaire. Hence, the evidence presented suggested that the questionnaire was valid and reliable.

	KMO	Bartlett's Test (App. X ²)	P-value	Number of items	Cronbach's alpha
Employee learning	0.756	298.83	0.000	4	0.801
Performance	0.651	6.00	0.048	3	0.525
Planning	0.656	32.67	0.011	4	0.632
Relational-process	0.526	6.60	0.036	3	0.583
Sale	0.714	190.19	0.000	4	0.740
Capital stock	0.749	299.39	0.000	4	0.810
Efficiency	0.594	126.49	0.000	4	0.646

Table 1: Factor Analysis with KMO and Bartlett's Test and Cronbach's Alpha

4. Data Presentation and Analysis

4.1. Demographic Characteristics of Respondents

This section presents the demographics of the respondents indicating gender, age, level of education, years of service, level of management and training on sourcing.

		Frequency	Percent (%)
Gender	Male	57	71.3
	Female	23	28.7
Age	Below 25	6	7.5
	26-35	38	47.5
	36-45	22	27.5
	46-55	10	12.5
	56 and above	4	5.0
Level of Education	HND/Diploma	28	35.0
	Bachelor's Degree	36	45.0
	Post-graduate	16	20.0
Years of Service	0-5 years	15	18.7
	6-10 years	38	47.5
	11-15 years	24	30.0
	16-20 years	3	3.8
Level in the organization	Senior Management	20	25.0
	Middle management	36	45.0
	Junior Management	24	30.0
Training on Sourcing	Yes	80	100
	No	0	0.0

Table 2: Socio-Demographic Characteristics of Respondents

Source: Field Data, 2019

4.2 Strategic Sourcing

This section presents the descriptive analysis for the major construct of strategic sourcing. The results are presented in Table 2.

Strategic Sourcing	Mean	SD
Employee learning		
The sense around here is that employee learning is an investment, not an expense in the purchasing organization	3.41	1.38
The basic values of the purchasing process include learning as a key to improvement	3.75	1.35
We agree that our ability to learn is the key to improvement in purchasing	3.88	1.18
Once we quit learning in purchasing, we endanger our future	3.94	1.10
Overall	3.74	0.99
Performance		
Our organization's competency in supply management assures greater profits for our firm	3.92	1.13
Our organization's competency in supply management assures greater profits for our suppliers	2.82	1.35
Our approach to managing suppliers is viewed by upper management as a source of competitive advantage	3.70	1.02
Overall	3.48	0.71
Planning		
Purchasing professionals need to apply analytical skills to understand changes in the general business conditions	2.44	1.21
Purchasing professionals should monitor changes in the general business conditions	2.94	1.36
The purchasing function should utilize planning tools	3.86	1.17
Comprehensive purchasing strategic thinking supports the overall business strategy	3.39	1.24
Overall	3.16	0.72
Relational-process		
Structuring supplier relationships reflects an important aspect of sourcing	2.35	1.24
Managing the supply base reflects an important aspect of sourcing	4.10	1.18
Utilizing project management programs offers the sense of interconnectedness of sourcing	3.51	1.24
Overall	3.29	0.72

*Table 3: Descriptive Analysis for Strategic Sourcing
Source: Field Data, 2019*

The results in Table 2 shows high mean score for employee learning (mean=3.74, SD=0.99). Performance, planning and relational-process had means of 3.48 (0.71), 3.16 (0.72) and 3.29 (0.72) respectively.

4.3 Firm's Productivity

This section presents the descriptive analysis for the major construct of firm's productivity. The results are presented in Table 3

Firm's Productivity	Mean	SD
Sale		
The companies local market sales have increased	3.55	1.09
The company has seen increased sales productivity	3.98	1.07
Efficiency of sales of the firm has improved	3.89	1.16
Effectiveness of sales of the firm has improved	3.94	1.16
Overall	3.84	0.84
Capital stock		
Total user cost and productive capital of the firm has increased	3.94	1.17
Value of depreciation has increased	3.51	1.38
The firm has seen increases on its capital returns	3.75	1.35
The firm has seen increases on net capital stock	3.88	1.18
Overall	3.74	1.02
Efficiency		
The utilization of plant, processes and labor has improved	3.94	1.10
The quality of service rendered has increased	3.92	1.13
Product quality of the firm has improved	2.82	1.35
Total cost of the firm has reduced	3.70	1.02
Overall	3.60	0.71

Table 4: Descriptive Analysis for Firm's Productivity
Source: Field Data, 2019

The results presented on firm productivity in Table 4.3, shows high mean scores for sales (mean=3.84, SD=0.84), capital stock (mean=3.74, SD=1.02) and efficiency (mean=3.60, SD=0.71).

4.4. Regression Analysis

This section presents the regression analysis for the causal relationships between strategic sourcing and firm's productivity. This was achieved via the use of regression analysis of the variables strategic sourcing and firm's productivity, given t-ratio, coefficient of regression and its significance at $p < 0.05$. The ANOVA and Coefficients result from regression are presented as follows.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.125	0.155		0.803	0.424
	EL	0.606	0.025	0.784	24.173	0.000
	PF	0.307	0.036	0.284	8.637	0.000
	PL	0.069	0.031	0.065	2.208	0.030
	RP	0.014	0.032	0.013	0.43	0.669
Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
1	.873a	0.762	0.759	0.377327	F Change	Sig. F Change
					249.204	0.000

Table 5: Effect of Individual Strategic Sourcing Variables on Firm's Productivity
Predictors: Employee Learning=EL; Performance=PF;
Planning=PL; Relational-Process=RP; Sale=SL; Capital Stock=CS; Efficiency=EF
Dependent Variable: Firm's Productivity

The results in Table 6 shows that employee leaning (EL) has a significant effect on firm productivity ($t=24.17$, $p=0.000$). Performance (PF) was observed to have a significant effect on firm productivity ($t=8.64$, $p=0.000$). Similarly, planning (PL) had a significant effect on firm productivity ($t=2.21$, $p=0.030$). However, the effect of relational-process on firm productivity was not significant ($t=0.43$, $p=0.669$). The results show an R^2 of 0.762 indicating that 76.2% of the variation in firm's productivity results significantly from employee leaning, performance, planning and relational=process [$R^2=0.762$, $p=0.000$].

5. Discussion of Findings

According to Chiang et al. (2011), strategic sourcing is a critical challenge of designing and managing supply networks in line with the organizations operational and performance objectives. The study found that as part of strategic sourcing strategies, respondent firms consider employee learning, performance, planning and relational-process oriented sourcing. Dutton et al. (1994) contends that learning, performance, planning, and relational-process orientations reinforce

each other and create higher levels of organizational identification for strategic sourcing, resulting stronger perceptions of its strategic, value-adding contribution to the strategic sourcing system.

The study found firm productivity was high. This was measured with sales, capital stock and efficiency. The study found increase in local market sales, increased sales productivity, improved efficiency of sales and improved effectiveness of sales. Sujan et al. (1988) contends that increasing sales productivity is one of the most powerful levers a company can pull to improve the overall health of the business, and one of the best forward-looking metrics for growth and financial performance. The study found that total user cost and productive capital of the firm has increased, value of depreciation has increased, increases on its capital returns and increases on net capital stock. Rajan, and Zingales, (1995) explained capital stock as the total amount of a firm's capital, represented by the value of its issued common and preferred stock. The net stock is designed to reflect the wealth of the owner of the asset at a particular point in time (Corrado et al. 2005). The net capital stock measures the (market) value of capital, and is therefore a measure of wealth. Regarding efficiency, the study found that utilization of plant, processes and labour has improved, quality of service rendered has increased, and total cost of the firm has reduced.

The study found that employee leaning has a significant effect on firm productivity. Prior studies posited learning orientation as a valuable resource can reduce opportunistic risk while fostering strategic sourcing (Dwyer et al., 1987). Performance was observed to have a significant effect on firm productivity. Performance is related to evaluation if the buyer's goals are met, in this case the aligned long-term goal, sustainable competitive advantage. A company achieves this by implementing a superior value creating strategy, compared to its competitors (Frynas & Mellahi, 2005). Similarly, planning had a significant effect on firm productivity. However, the effect of relational-process on firm productivity was not significant.

Strategic sourcing has been proven to be affective and result in cost reduction, increases in productivity, quality improvement, and return on investment (Frynas & Mellahi, 2005). The study found that strategic sourcing has a significant effect on firm's productivity. Consistently, Van Weele, (2010) contends that strategic sourcing can reduce costs by consolidating purchases with a limited number of suppliers and by allowing the centralized purchasing departments negotiating leverage via a purchase of increased volume. Lysons and Farrington (2006), mentioned that one of the critical roles of strategic sourcing is reducing on lead- time and improving on delivery to meet the customers demand.

The individual contributions of the components have revealed that Employee Learning, performance and planning produces significant impacts on firm performance in contrast with relational processes. Even though it is desired that all components of SS be significant to produce a higher impact, the choice of a type of relationship to have with suppliers will be dependent on several factors in the market and the firm's internal structure. In some cases, firms may decide as part of the strategic sourcing process to result to purely contractual relations with some suppliers especially when relational initiatives have been problematic in the past. That nonetheless, relational processes are a key part of strategic sourcing to create a shared purpose and contribute to long term partnership between firms and key suppliers.

6. Conclusion

Strategic sourcing is now recognized as a crucial part of firms' operations which has significant impact on important KPIs such as cost, quality and customer service level. The study examined the impact of strategic sourcing, measure via employee learning, performance, planning and relational process on firm performance. Findings have shown that employee leaning, performance, and planning had significant effect on firm productivity aside relational process which was not significant. The study found that strategic sourcing has a significant effect on firm's productivity. Firms will likely improve their capital stock, efficiency and sales if strategic sourcing practices are adhered to.

7. Research Implications

Strategic sourcing offers an important route via which firms can reduce cost, improve quality and service levels. Thus, supplier relationship management practices must take centre stage in organisational decision-making Firms must move beyond transactional, adhoc supplier relationships towards more participative, long term partnerships aimed at creating shared values between the buyer and the vendor.

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