

# **Effects of Strategic Procurement on Competitiveness of Commercial Banks Operating In Kenya A Case Study Of Standard Chartered Bank Limited Kenya**

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**Abstract:** *Material price volatility, pressure on profits, increasing risk profiles in global markets, a depressing need to innovate and become more sustainable. These are causing executive management to take another look at the contributions procurement departments are making and not just to cost savings. Generating cash by reducing costs may always be the main duty. But the other contributions procurement can make are substantial, from product and service innovations to enhanced productivity to shortened delivery times (Hoek 2011).*

*This study looked into the effects of strategic procurement on competitiveness of commercial Banks operating Kenya. The target population for this study was employees of Standard Chartered Bank Kenya based in Nairobi. The target population consisted of all cadres of employees. The bank has a total of 482 employees with procurement rights of whom 304 are based in Nairobi and were the target population for this study.*

*The primary data was collected by use of questionnaires. A descriptive design was used to collect both qualitative and quantitative data. Data was coded, cleared and entered using statistical package for social sciences (SPSS) version 22. The results was analyzed and results presented using tables and figures. The study also used Pearson coefficient to establish the relationship between the variables.*

*The study established that strategic procurement indeed influences competitiveness of commercial banks operating in Kenya. Strategic procurement was viewed as non- strategic level amongst commercial banks operating in Kenya. Strategic sourcing has not been embraced in sourcing of materials and services, supply chain management is regarded as a strategic senior level position. E-procurement is not well utilised in cost cutting and reduction of turnaround time with employees lacking adequate knowledge regarding E-procurement and its operations. However the firm doesn't believe in supplier development and partnership.*

**Keywords:** *strategic sourcing, supply chain management, E- procurement, supplier relationship management.*

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## **I. Introduction**

That bank executives generally tend to ignore the strategic relevance of procurement should hardly be a surprise. Their focus is on growing market share, on the net consequence, they recruit, train, and compensate their personnel to fulfill core banking activities: collecting deposits, lending money, providing fee-based services. Moreover, during their careers, banking executives generally ascend through a series of line positions: credit, deposits, investments, commercial services, accounting, and marketing. It is a safe bet, however, that no bank president has ever done a stint in purchasing, which is unfortunate in that it ignores what banks spend the most money on day-in and day-out (FIS Consulting 2012).

Strategic procurement can be approached from three main dimensions namely: Development and management of key suppliers, internal operation of procurement function and coordination of purchasing with other functions within the firm, and efforts to meet or exceed customer expectations. It is seen as one of the critical function of an organization with the potential to; save cost, improve operational efficiency, access to trusted suppliers, and improve in quality of product or service, sharing of best practices among others (Magnus, B. 2006). The representation of the strategic procurement can be described in terms of its environment and structure, and what activities take place in the supply link. General performance indicators of the supply link in terms of time, quality, flexibility and cost are used to measure efficiency and effectiveness. The efficiency in the supply link explains how well the resources are utilized. Since resources are scarce, it is in everyone's interest in the organization to maximize the utilization of the resources. The effectiveness of the supply link explains how well the objectives are achieved (Arun, K. and Linet, O. 2005).

In developing an effective strategy that enhances a company's long-term profitability, Porter (1979) suggested that a firm must position itself where the forces of competition are weakest, exploit changes in the forces and reshape the forces in their favour. Porter argues that there are five competitive forces that shape strategy; powerful customers, powerful suppliers, threat of new entrants, threat of substitutes and rivalry among existing competitors. Awareness of the five forces can help an organization understand the structure of its industry and stakeout a position that is more profitable in the long-term and less vulnerable to threats. The strongest competitive force or forces determine the profitability of an industry and become the most important

to strategy formulation. The banking industry in Kenya is one of the most dynamic and important industries to the economy.

The industry has recently experienced phenomenal growth and is one of the fastest growing industries in Africa. The growth has mainly been supported by the expansion of banks into new market segments and especially in East Africa, prudent risk management and enhanced economic prospects. The Central Bank of Kenya (CBK) expects the banking sector to continue on this growth and especially due to ongoing reforms and initiatives by the Government and itself that will serve to further propel the banking sector to new frontiers. Standard Chartered Bank Kenya (SCBK) is a subsidiary of Standard Chartered PLC. Standard Chartered PLC is a multinational banking and financial services company. While the bank is incorporated in the United Kingdom, the bank mainly operates in Asia, Africa and the Middle East with the majority of its profits coming from these regions. The Standard Chartered Bank Kenya Limited was established in 1911 with the first branch opened in Mombasa Treasury Square. The chief executive officer is Lamin Manjang and the chair of the board of directors is Anne Mutahi (Standard Chartered bank limited (K) 2014).

The Standard Chartered Bank Kenya Limited is one of the leading banks in Kenya, with an excellent franchise and brand. It has a total of thirty eight branches spread across the country, ninety automated teller machines (ATMs) and one thousand six hundred and ninety eight employees. The bank has local shareholding of about twenty six percent and has been a public quoted company on the Nairobi Securities Exchange since 1989. The bank trades under the symbol SCBK (Standard Chartered bank Limited Kenya)

### **Statement of the Problem**

Senior banking executives face a vexing dilemma. In this difficult environment, there is great urgency to reduce costs and improve efficiency. But cutting indiscriminately or too deeply may severely hamper the ability to grow revenues when the economic outlook improves. Arbitrary cost reduction based on rationales of "sharing the pain equally across the organization" is longer sufficient, and risk cutting muscle as well as fat (Accenture2008). The differentiating power of procurement is no longer in bringing down prices only. What's needed is a different attitude to external partnering—understanding the market environment, your vendors, their strategies, and what makes them tick.

The success of e-procurement solutions has not been as great as expected, a lot of businesses are still relying on to traditional procurement when it comes to the purchasing of indirect goods. In today's fluctuating economy, increased investment in new technologies and tighter control on spending (Davila 2003). Strategic sourcing is instrumental in bolstering procurement maturity through quality improvement and risk reduction from the supply chain. There is need to have a proper management of supply chain in order to curb risks and mitigate risks. A robust supply chain risk management process include a supplier-monitoring framework that includes financial and operational data, industry information, and on-site reviews and the ability to analyze risk data against established limits and industry warning signs and identify suppliers that fall outside risk limits. The more we can plan, the better cost control we can have and the better we can mitigate impact to our plants and, most importantly, mitigate impact to our customers (CPO Rising 2011).

Kakwezi and Sony (2010) found out that procurement planning is an ingredient to service delivery, but the study focused on service delivery ignoring other measures of strategic nature of procurement like financial gains from cost reduction. On the other hand, Nantage (2011) asserts that strategic procurement management has a direct impact on the financial performance of Banks in Uganda. It is critical to replicate the study in a different setting and find out if the same recommendation holds among the commercial banks in Kenya. Hassan (2012) concluded that procurement planning and strategies have a direct positive impact on the performance of humanitarian organization in delivery of relief and emergency services. The study did not bring out the strategic procurement practices to use to realize these benefits. Further, it will be prudent to expand the study and cover other sectors of the Kenyan economy. It is clear from these studies that a lot of research has been conducted on strategic procurement but focused on different aspects and countries other than strategic procurement in the banking industry.

The purpose of this study therefore is to bridge the research gaps by trying to relate procurement strategies and the competitiveness amongst commercial Banks operating in Kenya, and more so dig deeper on what procurement strategies banks needs to concentrate for it to be competitive, also find out the challenges regarding adoption of procurement strategies and its benefits of strategic procurement amongst commercial banks operating in Kenya.

### **General Objective**

The study seeks to determine the role of strategic procurement on competitiveness of commercial banks operating in Kenya.

### **Specific Objectives**

- i. To identify the role of strategic sourcing on competitiveness of commercial banks operating in Kenya.
- ii. To analyze the impacts of supply chain management on competitiveness of commercial banks operating in Kenya.
- iii. To assess the role of E-procurement on competitiveness of commercial banks operating in Kenya.
- iv. To identify the role of Supplier relationship management on competitiveness of commercial banks operating in Kenya.

## **II. Literature Review**

### **Strategic Sourcing**

Strategic sourcing is defined as the process of planning, implementing, controlling, and evaluating highly important purchasing in an effort to meet a firm's goals (Carr and Smeltzer, 2000; Carr and Pearson, 1999 and 2002). A number of articles address the need for purchasing to assume a more strategic role (Carr and Smeltzer, 2000; Carter and Narasimhan, 1994, 1996a, and 1996b; Ellram and Carr, 1994; Narasimhan and Das, 1999; and Pearson and Gritzmacher, 1990).

Strategic sourcing is increasingly seen to be a business capability of firms. Sourcing if properly structured can effectively combine the core competencies of a given firm with the skills and capabilities of its suppliers. Sourcing decisions are vital for any organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness (Pillania 2008). Strategic sourcing is probably the most significant aspect characterizing an organization's transformation to supply management. It is also this aspect of supply management which provides some of the most value-added benefits to the organization.

Sourcing activities includes analyzing expenses, identifying potential suppliers, requesting quotations, negotiating contracts, monitoring and improving suppliers (Kumar et al., 2003). Strategic sourcing aims at streamlining sourcing and purchasing activities to support the total supply chain vision to service the ultimate customer. It aligns the sourcing operations to support overall organizations strategy and service level (Kocabasoglu, 2002; Ellram and Carr, 1994; Pearson and Gritzmacher, 1990). Strategic sourcing aims at identifying and selecting suppliers for long-term partnerships, engages in early involvement of suppliers and supplier development by effectively allocating resources to enhance supplier performance. It provides benchmarks and continuous feedback to suppliers and in some cases engages in supplier pruning activities (Tomas and Hult, 1998; Talluri and Narasimhan, 2004). Strategic sourcing architecture upholds the competitive profile of the company and develops, interconnect and manage the rings constituting the chain (De Toni et al., 1994).

Narasimhan and Das (1999) investigated the influence of strategic sourcing and advanced manufacturing technologies on specific manufacturing flexibilities. The findings suggest that strategic sourcing can assist in the achievement of modification flexibilities. Strategic sourcing can be used to target specific manufacturing flexibilities. Das and Narasimhan (2000) developed purchasing competence as a valid construct and explore its relationship with different manufacturing priorities. An empirical study is conducted among purchasing professionals in manufacturing firms. The results of the research indicate that purchasing competence is found to have a positive impact on manufacturing cost, quality, and delivery, as well as new product introduction and customization performance. Purchasing integration, a component of purchasing competence, is found to relate to all dimensions of manufacturing performance.

### **Supply Chain Management**

In the today's market dynamism and competitive scenario supply chain management assumes a significant importance and must calls for serious research attention, as companies are challenged with finding ways to meet ever-rising customer expectations at a manageable cost. To do so, businesses must search out which parts of their supply-chain process are not competitive, understand which customer needs are not being met, establish improvement goals, and rapidly implement necessary improvements. Jain, Dangayach, Agarwal, Banerjee (2010).

Previously manufacturers were the drivers of the supply chain - managing the pace at which products were manufactured and distributed. Today, customers are calling the shots, and manufacturers are scrambling to meet customer demands for options/styles/ features, quick order fulfillment, and fast delivery. Manufacturing quality - a long-time competitive differentiator - is approaching parity across the board, so meeting customer's specific demands for product delivery has emerged as the next critical opportunity for competitive advantage. Companies that learn how to improve management of their supply chain will become the new success stories in the global market place. Study on Benchmarking shows significant cost differences between organizations that exhibit best-in-class performance and those with average performance. Jain, Dangayach, Agarwal, Banerjee(2010).

Traditionally, Supply Chain Management (SCM) has been a melting pot of various aspects, with influences from logistics and transportation, operations management and materials and distribution management, marketing, as well as purchasing and information technology (IT). Ideally, the all-encompassing philosophy of SCM embraces each of these functions to produce an overall supply chain strategy that ultimately enhances firm performance (Croom et al., 2000; Wisner and Tan 2000). In actuality, the literature is still very fragmented and although several studies purport to discuss supply chain issues, most of the existing research only examines one link of the chain, or most importantly only focuses on one ingredient in the supply chain performance mix. Six major movements can be observed in the evolution of supply chain management studies. Creation, Integration, Globalization and Specialization.

To address inconsistent definitions of sustainability in existing literature of supply chain management, Carter and Rogers (2008) came up with the concept of 'true sustainability'. They argued that consideration of environmental and social issues should be "coupled with economic objectives" and incorporated in company's strategic long-term planning (Carter and Rogers 2008). Such definition of sustainability is though not new and based on the well-known idea of triple bottom line (TBL) perspective. Seuring and Muller (2008) have also noticed high diversity of sustainability comprehension in supply chain management and referred to "the triple bottom line approach, where a minimum performance is to be achieved in the environmental, economic and social dimensions. This can be comprehended as being in line with the notion of order qualifiers a company has to fulfill before it is able to even compete for orders".

### **E-Procurement**

E-Procurement refers to the use of Internet-based (integrated) information and communication technologies (ICTs) to carry out individual or all stages of the procurement process including search, sourcing, negotiation, ordering, receipt, and post-purchase review (Croom & Brandon-Jones, 2004). While there are various forms of e-Procurement that concentrate on one or many stages of the procurement process such as e-Tendering, eMarketplace, e-Auction/Reverse Auction, and e-Catalogue/Purchasing, e-Procurement can be viewed more broadly as an end-to-end solution that integrates and streamlines many procurement processes throughout the organization. Businesses have realized that time and cost savings can be achieved by having a link with major suppliers through private networks such as electronic data interchange (EDI). The internet has enabled firms to even centralize their procurement and logistics systems that previously conducted in every country they operated. Driven by the increasing trend toward purchasing inputs and other raw materials from outside the organization, implementing electronic procurement (e-procurement) has become a significant tactic in most companies' e-business strategies (Deloitte Consulting, 2001)

Internal customer satisfaction, through E-Procurement function can usually contribute to the competitive position of any company in many other ways than first through cost serving Van Weele (2005) presents a few of these was such as: reduction of quality cost – e-procurement can reduce quality costs by making sure that selected suppliers deliver a product of service that does not exceed extensive quality control. E-Procurement can also reduce quality costs by making sure that the components bought do not lead to complaints on the user department or final product to the customer. Product standardization internal customer satisfaction can be enhanced through E-procurement due to the product variety concept. This can be achieved by reducing the number of different components and or the number of suppliers via set product standards. Contribution to product design and innovation of then innovation in industry come from suppliers or are results from intensive interactions between suppliers and user department in any organization. By actively encouraging this kind of interactions E-Procurement can contribute to fast and to continued innovation and improvement of product and user satisfaction.

E-Procurement system is a compound application that contains many usable functions to assist company in processing the activities of purchasing transaction. The use of a Web-based procurement system can strengthen search ability, facilitate faster and more accurate data transmission, provide quicker and more plentiful information, and achieve relatively low communications and coordination cost. Hence, Web-based procurement mainly affects four of the organization's major B2B tasks: search, purchase processing, monitoring and control, and coordination (Subramaniam and Shaw 2002).

E-procurement has covered procurement automation for internal organizational processes, and supplier collaboration for inter-organizational processes. The former addresses automated, paperless internal process from end user item selection, to creation and routing of purchase request and approval to purchase order creation, and receiving. The latter is about connectivity with suppliers for electronic catalogs, transaction management and on-going relationship management. To realize the benefits of Web-based e-procurement, an understanding of the impacts influencing the value forming is needed so that the solution may be developed to facilitate the implementation of Web-based e-procurement system (Subramaniam and Shaw 2002).

### **Supplier Relationship Management**

The study of supplier-customer relationships has shifted from a focus on the organizational traits associated with relationships to a focus in which personal trust between the parties has been acknowledged as an important ingredient (Ganesan 1994; Handy 1995; Heide and Miner 1992; Kumar et al., 1995). McAllister (1995) concluded that trust occurs in cognitive and affect-based forms. The former has its roots in reliable role performance, cultural-ethnic similarity, and professional credentials, while the latter is a function of individual behavior and interaction frequency. Both forms were found to enhance coordination by lowering administrative costs. Coordination is related to trust through boundary definition, and reflects the set of tasks each party expects the other to perform (Mohr and Spekman 1994). Trust has also emerged as an important component of supplier/manufacturer relational exchange norms (Young, Gilbert, and McIntyre 1993), and firms are beginning to acknowledge the importance of trust and coordination in cooperative relationships (Pilling and Zhang 1992).

Gulati (1995) found that suppliers and customers are less likely to use equity sharing agreements as they gain more experience with each other through ongoing relationships. Moreover, greater familiarity between the parties bred trust, which replaced legal relationships. The underlying theme of these studies is that trust develops when tangible benefits appear to both parties from the business relationship. Interestingly, even as firms increase the length of their agreements, research has concluded that many supplier/customer relationships are still characterized by a lack of trust (Coviello et al., 2002). Thus, opportunistic behavior by one party can lead to a lack of trust by the other party (Stump and Heide 1996).

Communication and the sharing of information are fundamental to most aspects of supplier-customer relationships (Kapp and Barnett 1983; Mohr and Nevin 1990). Indeed, it has been proposed that the exchange of information between the parties serves to "create" a necessary environment for the conduct of business relationships (Pfeffer and Salancik 1978; Weick 1969). Therefore, as boundary spanners exchange information, that information provides cues to the other party as to what the communicating boundary spanner considers important to his/her organization and the relationship.

Dependence exists when one of the boundary spanners does not entirely control all of the conditions necessary for achievement of a desired outcome performed by the other party (Emerson 1962; Ganesan 1994). Resource dependence theory specifies the conditions under which one unit is able to obtain compliance with its demands when dependence between the parties is present (Pfeffer and Salancik 1978). Three critical factors that affect the degree of perceived dependence include the importance of the resource, the extent to which the group has discretion over the resource, and the extent to which there are limited alternatives. For instance, Provan and Skinner (1989) found that dealers of agriculture equipment were less opportunistic when they depended on a primary supplier, whereas suppliers with greater control over dealers' decisions exhibited greater opportunism. Therefore, as the dealer became more dependent on the supplier, they chose to minimize their opportunism in the supply market and limit their business with the supplier. However, those that sense guaranteed business from a dependent supplier or customer will pursue opportunities for other business relationships at the expense of the existing relationship. Also,

The influence of asset specificity on organizational relationships was originally described by transaction cost theorists (Williamson 1979), and the concept was later extended to help explain the formation of "clans" (Ouchi 1980).

## **III. Research Methodology**

### **Research Design**

The study adopted a descriptive survey research design. According to Creswell (2002) descriptive survey design is designed to describe the characteristics or behaviours of a particular population in a systematic and accurate fashion. Shaughnessy et al. (2003) note that the results of a survey research are often used to describe peoples' opinions and preferences. Descriptive survey studies are preferred by researchers as they enable collection of data about a large number of people. Survey research's principal strength is the ability to generalise about an entire population by drawing inferences based on data drawn from a small portion of that population. Accuracy of inferences made from data collected from surveys depends on careful selection of the research sample.

The research used questionnaire to conduct a research, a survey research design provides a quantitative or qualitative description of trends, attitudes or opinions of a population by studying a sample of that population. Therefore, descriptive research uses questionnaires to collect data about people's attitudes, beliefs, feelings, behavior and lifestyles. Descriptive research can be either quantitative or qualitative or both. According to Mugenda and Mugenda (2003) qualitative and quantitative research is used simultaneously in situations where the study has several objectives. This study, through descriptive research design, attempted to describe Standard Chartered Bank employees' view of Standard Chartered competitiveness through strategic procurement.

## **Population**

This study was conducted in Nairobi because Standard Chartered procurement office because most purchasing and supplies operations is done in the capital city of Kenya. Besides housing the head office, twenty (20) out of the thirty eight (38) bank's branches are located there. The target population for this study was Standard Chartered Bank Kenya based in Nairobi because they directly deal with procurement functions. The target population consisted of executive management, procurement managers, branch managers, line managers, operations managers and employees who directly influence procurement functions. The bank had a total of 482 employees who directly deal procurement of whom 304 are based in Nairobi and was the target population for this study.

## **Sample Size**

The study employed cluster sampling method where 34 SCBK employees based in Nairobi out of the 304 target population were used to conduct this study, which represented 11 percent. This sample size fell within Smith's (2004) recommendation of between 10-30% of the targeted population in a survey research. The study sampled seven of the 20 branches in Nairobi and this represents 35% of Nairobi based branches and will be considered adequate as Shaughnessy et al., (2005) point out that 30 percent of the population yields adequate sample when carrying out a descriptive study. The bank's records on number of staff in Nairobi branches indicate nine of the branches had more than 30 employees. The 7 branches were selected because they had larger staff numbers and hence diversity in responses was expected.

The study used simple random sampling to select seven branches from which data was collected. Specifically, the study used a random number table to select seven branches from which data was collected. Due to the nature of work and varying procurement rights each employee has, judgmental sampling was preferred to intentionally pick two senior management staff where they provided crucial information deemed critical for this research. Purposive and judgment sampling was used in selecting the two interviewees. This research interviewed the bank's Head of country sourcing and Head of operations Kenya.

## **Sample and Sampling Techniques**

A study sample was selected from a sampling frame. According to Shaughnessy et al. (2003) argues that the extent to which the sampling frame reflects the population of interest determines the adequacy of the sample the researcher ultimately selects. The sample helped in lowering cost, greater accuracy of results, and greater speed of data collection and inaccessibility of population elements in this study, the sampling frame consisted of 304 employees of Standard Chartered Bank based in Nairobi. For the study to effectively collect data from this target population a representative sample was selected from which the data collected was analyzed and generalised to the entire population.

Probability and non-probability sampling was used to select a sample; Probability sampling approach emphasized on random selection of participants from the population. The study intended to collect data from employees of Standard Chartered Bank on the assumption that all employees had opinions, perception and attitudes towards strategic procurement. Therefore the study sought to find out how SCBK employees can view the effects of strategic procurement on competitiveness of commercial banks operating in Kenya hence each employee needs to be given an equal opportunity to be sampled for the study. The study used simple random sampling method to select the 32 employees from seven branches involved in this research. This sampling technique provided an equal chance for all the selected branch employees with procurement rights to participate as respondents in this study. All the names of the employees in the selected seven SCBK branches in Nairobi were assigned a unique identification number. A random number table was used to select 32 employees in 7 branches and use of judgmental sampling to select 2 employees who participated in this study giving a total of 34 respondents who formed the study's sample.

## **Data Collection**

The researcher will collect primary data using a structured interview guide (closed ended), unstructured (open ended) questions and by observation. Ten line managers from the various functions of the bank will be targeted as the interview respondents. The researcher will conduct the interviews and the direct observation in person. Secondary data will be collected from already existing materials such as company's website, company's reports and announcements and other external sources such as the media.

## **Data processing and Analysis**

Data was analysed using both qualitative and quantitative techniques. Qualitative data was analysed by giving explanation of information obtained from the empirical literature. Quantitative data was analysed using descriptive statistics and inferential statistics with the help of Statistical Package for Social Sciences (SPSS) version 22.

This will be done through editing and coding variables into common themes to facilitate generation of statistics (Obure, 2002). Statistics in terms of correlations, frequency and percentages was generated to reveal the distribution trend in the variables under study. The output was presented in tables and charts and interpretations will be done based on study objectives and research questions

In order to produce useful results, the researcher ensured that the questionnaire was reliable and valid. Principal axis factoring method with varimax and equimax was used to examine the validity of the questionnaire in SPSS. Reliability will ensure that the questionnaire instrument has internal consistency while validity will ensure that the questionnaire measures what it is intended for. Results will be presented in tables, pie charts, graphs and percentages to ease comprehension.

#### **IV. Research Findings And Discussion**

This chapter presents the findings obtained from primary data. Data collected were both qualitative and quantitative. The data was analysed using SPSS version 22 among which included: correlations, frequencies inform of tables and also use of chart builders in inform of histograms, bars and pie charts

##### **Response Rate.**

A total of 34 questionnaires were given out to the SCBK employees in five departments with access and rights of procurement systems in SCBK Nairobi, all questionnaires were filled and returned giving a response rate of 100%. According Mugenda and Mugenda(1999), a response above 50% is adequate, 60% good and above 70% is very good. Based on this assertion the response rate for this study can be said to be very good at 100%.

##### **Social Demographic Characteristics.**

The researcher sought to know of the level of years worked in the organization so as to gauge the level of experience and knowledge the respondent. Whereby 41% of the respondents are above 10 years, 44% of the respondents are between 5 to 10 years while below the age of 10 years in the organization are 15%. This indicated that 85% of the respondent are experienced and understand how procurement works in the organization. The main reason of large number of experienced staff is that SCBK believes in staff retention and employee development which motivates staff thus reducing staff turn out. Therefore this was concluded that most employees had reliable working experience. There were significantly high number of male respondents as compared to the female respondents which is reflected by 68% of the respondents being male and 32% of the respondents being female. This was attributed by the fact that there is a lot of male dominance in key positions in the banking industry.

There was high number of respondents from operations department representing 41% of the respondents, business clients representing 18%, corporate clients being 14%, SME consisting of 12%, compliance 9% and sourcing 6%. This was based from the population size of each department. The reason why there is high percentage of respondents from operations, business clients and corporate department is because of high number of the have rights and frequently access and use procurement systems. This chapter presents the findings obtained from primary data. Data collected were both qualitative and quantitative. The data was analysed using SPSS version 22 among which included: correlations, frequencies inform of tables and also use of chart builders in inform of histograms, bars and pie charts.

##### **Role of Strategic Sourcing on Competitiveness of Commercial Banks Operating In Kenya.**

The study sought to investigate the role of strategic sourcing on competitiveness of commercial banks operating in Kenya. On the aspect of strategic suppliers meeting regularly with the top executives, if there are Specific strategies employed for the sourcing function, if purchasing and supplies function participates in strategic setting group meetings, whether Purchasing and supplies function takes part in entry evaluation into new markets or new line of business, the firm is shifting towards end-item focus instead of commodities and whether there is emphasis on purchasing and sourcing systems development. From the basis of findings we can attest that an average of 47.1% indicated very the organization is very poor in adoption and implementing of strategic sourcing. Whereas 14.7%, 29.4%, 5.9% and 2.9% citing poor, good and very good respectively.

##### **Correlation Coefficients Between Strategic Sourcing Adoption And Strategic Procurement Competitiveness.**

**Table 1** Correlation Coefficients Between Strategic Sourcing Adoption And Strategic Procurement Competitiveness

Strategic suppliers meet regularly with	strategic setting group comes to an impasse based on	There are specific strategies employed for the sourcing	Emphasis on purchasing and sourcing systems
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		top executives	cost targets	function.	development.
Strategic suppliers meet regularly with top executives	Pearson	1	.958**	.857**	.962**
	Correlation				
	Sig. (2-tailed)		.000	.000	.000
strategic setting group comes to an impasse based on cost targets	N	34	34	34	34
	Pearson	.958**	1	.876**	.946**
	Correlation				
There are specific strategies employed for the sourcing function.	Sig. (2-tailed)	.000	.000	.000	.000
	N	34	34	34	34
	Pearson	.857**	.876**	1	.901**
Emphasis on purchasing and sourcing systems development.	Correlation				1
	Sig. (2-tailed)	.000	.000	.000	.000
	N	34	34	34	34

\*\* Correlation is significant at the 0.01 level (2-tailed).

There was a positive correlation between Strategic suppliers meeting regularly with top executives and emphasis on purchasing and sourcing systems development with a correlation figure of 0.962, it was clear that there was a positive correlation between the Strategic suppliers meeting regularly with top executives and strategic setting group comes to an impasse based on cost targets as shown by a correlation figure of 0.958, it was also clear that there was a positive correlation between the Strategic suppliers meeting regularly with top executives and specific strategies employed for the sourcing function. With a correlation figure of 0.857, where  $p = 0.000$  hence significant at 0.01 level. This shows that there was positive correlation between the variables.

From the findings it is clear that strategic sourcing has never been embraced by commercial banks operating in Kenya. They view the process of planning, implementing, controlling, and evaluating highly important purchasing in an effort to meet a firm's goals as non-strategic. The firms' Executive management rarely meet and discuss with strategic suppliers regarding key purchases, they have rather channeled most of their energies to marketing, lending and customer services. However there are no specific strategies employed for the sourcing function as sourcing decisions not vital for the organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness. The firm's doesn't involve procurement department for discussions whenever the organisation strategic setting group comes into an impasse bases on cost issues, but rather they have placed procurement as sub function of Finance department. Finally, it was established that the firm is not keen on shifting to end-item focus which has slowed emergence of hybrid structures and neglect emphasis on purchasing and sourcing systems development in the organisation.

**The role of supply chain management on competitiveness of commercial banks operating in Kenya.**

The study sought to investigate the role of supply chain management on competitiveness of commercial banks operating in Kenya. The researcher sought to find out using the following the following model questions; whether supply chain is a senior strategic level, whether quality is built into their supply chain, impact of supply chain on amount of touches and touch times in supply chain transactions, if there is a built-in change management process that constantly reviews elements of your supply chain, if there is incorporation of suggested quality improvement and procedures for measuring quality attainment levels in the supply chains and whether there are Clear roadmaps and plans that manages supply chain risks. From the basis of findings we can attest that an average of 55.9% of the respondents felt that the role of supply chain management on competitiveness of commercial banks operating in Kenya is moderate, with 23.5 %, 11.7%, 5.9% and 2.9% cited poor and very poor, good and very good respectively.

**Correlation coefficients between supply chain management adoption and strategic procurement competitiveness.**

**Table 2** Correlation coefficients between supply chain management adoption and strategic procurement competitiveness.

		Supply chain management as a strategic level position.	Quality is built into supply chain.	Supply chain minimizes the amount of touches and the touch time.	There is built-in-change management process.
supply chain management as a	Pearson Correlation	1	.637**	.651**	.697**



strategic senior level position	Sig. (2-tailed)		.000	.000	.000
	N	34	34	34	34
Quality is built into supply chain	Pearson Correlation	.637**	1	.981**	.883**
	Sig. (2-tailed)	.000		.000	.000
	N	34	34	34	34
Supply chain minimizes the amount of touches and the touch time.	Pearson Correlation	.651**	.981**	1	.874**
	Sig. (2-tailed)	.000	.000		.000
	N	34	34	34	34
There is built-in-change management process that constantly reviews the elements of your supply chain.	Pearson Correlation	.697**	.883**	.874**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	34	34	34	34

\*\* . Correlation is significant at the 0.01 level (2-tailed).

There was a positive correlation between supply chain management as a strategic senior level position and quality built into supply chain with a correlation figure of 0.637, it was clear that there was a positive correlation between the supply chain management as a strategic senior level position and supply chain minimizing the amount of touches and the touch time.as shown by a correlation figure of 0.651, it was also clear that there was a positive correlation between supply chain management as a strategic senior level position and there is built-in-change management process., with a correlation figure of 0.697, where p = 0.000 hence significant at 0.01 level. This shows that there was positive correlation between the variables.

From the results of the findings it was established that supply chain management is not a strategic senior level position. In a banking set up finance, operations, human resources, risk and compliance, credit departments and audit departments are viewed critical parts of the banking setups. SCM management is left to the operations and sourcing department as its subsections. However quality is moderately built into their supply chain and slowly incorporating quality into their supply chain. It was further established that supply chain moderately minimizes the amount of touches and touch times in supply chain transactions. However the built-in change management process does not review the element in their supply chains. This indicates that the bank has a poorly developed continuous improvement plans to check on quality and operational efficiencies. Further it was established that there are minimal provisions for incorporating quality improvement and procedures for measuring quality attainment levels in the supply chains with the organisation having poor roadmaps to manage its supply chain

### The role of E-procurement on competitiveness of commercial banks operating in Kenya.

The study sought to investigate the role of E-Procurement on competitiveness of commercial banks operating in Kenya. The researcher sought to find out using the following model questions; E-procurement improvement on the organizational purchase function through cost reduction, E-procurement on the response time to customer’s demand and inventory investment, Online buying on customer support and collaboration of new product development decisions, Fast growing technology on fashion and tastes and preferences for goods and services, Suppliers and buying firms on effective communication and Employees and staff knowledge regarding the E-procurement and its operations. From the basis of findings we can attest that an average of 52.9% of the respondent which is the highest had moderate feeling E-procurement has a role on competitiveness of commercial banks operating in Kenya. However 23.5%, 11.76, 8.82 and 2.94% of the respondents is felt it is poor, good, very poor and very good respectively.

### Correlation coefficients between E-Procurement adoption and strategic procurement competitiveness.

**Table 3** Correlation coefficients between E-Procurement adoption and strategic procurement competitiveness.

		E-procurement has improved on the organisational purchase	E-procurement is to shorten response time and reduce inventory investment	Online buying provides customers with support for new products development	Employees have adequate knowledge regarding E-procurement and its operations
E-procurement has improved on the organisational purchase.	Pearson Correlation	1	.894**	.790**	.788**
	Sig. (2-tailed)		.000	.000	.000
	N	34	34	34	34
E-procurement is to shorten response time and reduce inventory investment.	Pearson Correlation	.894**	1	.777**	.833**
	Sig. (2-tailed)	.000		.000	.000
	N	34	34	34	34
Online buying provides customers with support for new products	Pearson Correlation	.790**	.777**	1	.918**
	Sig. (2-tailed)	.000	.000		.000

development	N	34	34	34	34
Employees have adequate knowledge regarding E-procurement and its operations.	Pearson Correlation	.788**	.833**	.918**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	34	34	34	34

\*\* . Correlation is significant at the 0.01 level (2-tailed).

There was a positive correlation between E-procurement improvement on the organisational purchase and E-procurement shortening of response time and reduce inventory investment with a correlation figure of 0.894, it was clear that there was a positive correlation between the E-procurement improvement on the organisational purchase and online buying providing customers with support for new products development as shown by a correlation figure of 0.790, it was also clear that there was a positive correlation between E-procurement improvement on the organisational purchase and employees having adequate knowledge regarding E-procurement and its operations with a correlation figure of 0.788, where p = 0.000 hence significant at 0.01 level. This shows that there was positive correlation between the variables.

It was established that E-procurement has moderately improved on the organisational purchase function through cost reduction and reduce on turnaround time of purchases and inventory investment. E-procurement is slowly being introduced to the banks with the main aim of cost cutting and reducing the turnaround time. However online buying provides support to customers and collaboration for new product development decisions though customers has not embraced online buying. However the fast growing technology has not only attracted commercial banks trends and rails but also on tastes, preferences and fashion growing technology. With communication between suppliers and buying firms has not able effect timely their E-procurement system is not well utilised, this may be due to lack of adequate knowledge regarding E-procurement and its operations amongst staff and employees.

**The role of supplier relationship management on competitiveness of commercial banks operating in Kenya.**

The study sought to investigate the role of supplier relationship management on competitiveness of commercial banks operating in Kenya. The researcher sought to find out using the following the following model questions; The firm on supplier development and partnership, developed supplier relationship management program, advice from suppliers regarding key purchases on its indirect purchasing, suppliers are treated as partners and others as single transactions, Regular review of current suppliers and supplier database to capture tacit supplier knowledge and SRM practices and performance role in reducing procurement costs. From the basis of findings we can attest that an average of 64.7% felt that the organization is very poor in adoption and implementation of supplier relationship management strategies towards creating a competitive advantage, with 20.6%, 5.9%, 5.9% and 2.9% indicating poor, moderate, good and very poor respectively.

**Correlation coefficients between SRM adoption and strategic procurement competitiveness.**

**Table 4** Correlation coefficients between SRM adoption and strategic procurement competitiveness.

		The firm has a SRM program which is well developed	The firm believes in supplier development and partnership	The company usually seeks advice from suppliers	Suppliers are treated as partners and others as single transactions
The firm has a well-developed SRM program.	Pearson Correlation	1	.894**	.871**	.882**
	Sig. (2-tailed)		.000	.000	.000
	N	34	34	34	34
The firm believes in supplier development and partnership.	Pearson Correlation	.894**	1	.822**	.943**
	Sig. (2-tailed)	.000		.000	.000
	N	34	34	34	34
The company usually seeks advice from suppliers.	Pearson Correlation	.871**	.822**	1	.817**
	Sig. (2-tailed)	.000	.000		.000
	N	34	34	34	34
Suppliers are treated as partners and others as single transactions	Pearson Correlation	.882**	.943**	.817**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	34	34	34	34

\*\* . Correlation is significant at the 0.01 level (2-tailed).

There was a positive correlation between the firm having a well-developed supplier relationship management program and the firm believing in supplier development and partnership with a correlation figure of 0.894, it was clear that there was a positive correlation between the firm having a well-developed supplier relationship management program and the company usually seeking advice from suppliers as shown by a correlation figure of 0.871, it was also clear that there was a positive correlation between firm having a well-developed supplier relationship management program and Suppliers being treated as partners and others as single transactions with a correlation figure of 0.882, where  $p = 0.000$  hence significant at 0.01 level. This shows that there was positive correlation between the variables.

It was established that the firm does not believe is supplier development and partnership with the aim of benefiting from innovation instead the kind of their relationship is adversarial. It was further evident that SRM program was not well developed with the firm rarely seeking advice from suppliers regarding key purchases in its indirect purchasing. The firm is very poor when it comes to reviewing of current suppliers and supplier database to capture tacit supplier knowledge. However it was learned SRM practices and performance is not well capitalised in reducing procurement costs in the organisation.

#### **Performance of Procurement Department.**

The study sought to investigate the role of procurement in contributing towards competitiveness of commercial banks operating in Kenya. The researcher sought to find out using the following the following model questions; Procurement of goods on time, Procuring goods of the right quality, maintaining good relationships with suppliers, sharing information with user department and Performance monitoring. Most respondents 44.1% felt that performance of procurement department is poor, very 29.4% of the respondents indicated very poor. With 17.6% citing it moderate, 5.9% feeling it was good and 2.9% of the respondents indicating very good.

### **V. Conclusions**

The study therefore concludes that;

- i. This study reveals that the strategic sourcing role does not account for potential sourcing approaches considering the commercial strategy, the strategic importance and financial relevance of the item to be sourced and the supplier market conditions.
- ii. Strategic sourcing is not utilized in effective value creation. They are poor in identifying key saving potential areas and driving innovative sourcing models which can enable operators to reinvent their cost structures i.e. turning traditionally fixed costs into variable through outsourcing models.
- iii. From the study supply chain management has never assumed a significant importance and has never called for serious attention, as companies are challenged with finding ways to meet ever-rising customer expectations at a manageable cost. Customers are calling the shots, with commercial banks in Kenya scrambling to meet customer demands for tastes, preferences, features, quick order fulfillment, and fast delivery. Service delivery and good interest rates a long-time competitive differentiator - is approaching parity across the board, so meeting customer's specific demands for product delivery has emerged as the next critical opportunity to gaining competitive advantage.
- iv. From the findings, the bank faces particular organizational and capability challenges in delivering systematic savings in external spend. The main drivers behind this are the presence of decentralized structures and unclear governance issues regarding procurement.
- v. The banks nature of relationship with suppliers is short term and adversarial (win-lose situation). They prefer transactional relationship than mutual relationship where suppliers are developed, supported and grown. Suppliers are a good source of market information and trends, innovation. Suppliers tend to control entire supply chain of goods in the market. The bank tends to miss a lot on information regarding current market developments and trends, innovation, external spend and advice regarding the market volatility.
- vi. There is poor governance structure to ensure ownership and gain traction with senior management and entire user department. There is no independent procurement office role to transform and establish procedures for managing relationships with suppliers and implementing procurement guidelines
- vii. Most of the commercial banks operating in Kenya have adopted the e-procurement system even though several procurement functions are still carried out in the traditional manual system. Some of the functions that are yet to be done through the e-procurement system include: online tendering, online submission of proposals and advertisement or required items online.
- viii. E-procurement is associated with a number of effects on the performance of commercial banks operating in Kenya. Among these effects include: real-time response to both the customers and the market;

improves transparency and accountability; improves information flow in the supply chain; assists the bank in reducing costs and improvement in competitive bidding and sourcing. However there is underinvestment in E-procurement expertise due to the perception of top executives regarding procurement while overlooking other key banking sectors like marketing, lending and customer services.

## **VI. Recommendations**

The study therefore recommends the following measures to be undertaken by SCBK:

- i. They need to lay more emphasis on the strategic sourcing role so as to carefully account for potential sourcing approaches considering the commercial strategy, the strategic importance and financial relevance of the item to be sourced and the supplier market conditions.
- ii. There is need to identifying key saving potential areas and driving innovative sourcing models which can enable operators to reinvent their cost structures. For example by turning traditionally fixed costs into variable through outsourcing models so as to contribute to effective value creation.
- iii. Supply chain management practices, tools and techniques needs to be relooked into with significant importance and must call for serious attention, when it comes to strategy development and seeking advice regarding external market environment and be involved in the strategy formulation.
- iv. They need to centralize its structures and develop clear governance issues regarding procurement. However the bank needs to benchmark especially from non-banking institutions regarding supply chain operations and practices in order to manage its organizational and capability challenges in delivering systematic savings in external spend.
- v. The bank should have a good supplier relationship management with suppliers so as to create a long lasting relationship based on a win-win situation, where the firm will benefit from crucial information regarding the market and innovation and also be able to curb goods and material shortages, supply chain risks, inventory costs and handling costs.
- vi. Align the governance structure to ensure ownership and gain traction with senior management and entire user department. However create an independent procurement office role, transform and establish procedures for managing SRM and implementing policies. Finally, monitor business demand and cost saving initiatives to ensure the successful procurement function through SRM.
- vii. Employees need to be trained on usage of the e-procurement system. This will enable them to operationalize the system and also put more resources and support to the E-procurement team so that they may realize full potentials of procurement.
- viii. The study revealed that despite the fact that most commercial banks operating in Kenya have adopted the e-procurement system, some procurement activities are still handled manually. There is need to emphasize on the need to carry out all the procurement functions through e-procurement. However there is also need to integrate the various functions so that e-procurement can thrive. They need to regularly update the website with the latest information regarding procurement activities. Suppliers should be encouraged to submit their quotations online.

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