

**STRATEGIC SOURCING AND PROCUREMENT PERFORMANCE IN
MANUFACTURING FIRMS IN NIGERIA**

BY

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**BEING A RESEARCH WORK SUBMITTED TO
THE DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN, BENIN CITY.**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
BACHELOR OF SCIENCE (B.Sc) DEGREE IN BUSINESS
ADMINISTRATION.**

DECEMBER 2022

DECLARATION

I declare that:

- i. This project work is based on a study undertaken by me in the department of business administration university of Benin , under the supervision of Mr Martins Ehichoya
- ii. This work has not previously been submitted for the award of degree elsewhere
- iii. All ideas and views are product of personal research and where the views of others have been expressed , they have been duly acknowledged.

.....
ODUSINA OLUWATOMI OLADOTUN

Date:.....

CERTIFICATION

This is to certify that this research project was submitted by **ODUSINA OLUWATOMI OLADOTUN** in the Department Of Business Administration, Faculty Of Management Science, University Of Benin, Benin City in partial fulfillment for the requirements for the award of Bachelor of Science (B.Sc) Degree in Business Administration.

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DATE.....

DEDICATION

I thank the omnipotent God for granting me the ability to finish this project. A special thanks to my wonderful family, who have been a source of encouragement while I've been studying, and to my supportive friends.

ACKNOWLEDGMENT

I would like to thank the Almighty God for His wisdom and strength even at the most difficult times of my study.

I also appreciate the support of my dear Mother , Mrs Mosunmola Odusina and my blood brothers and sisters.

My sincere gratitude also goes to my supervisor, Mr Martins Ehichoya for the support, time and invaluable contribution accorded to me during the project period.

I also appreciate the help of CEO's of various manufacturing companies who took their time to provide the data required. My appreciation also goes to everyone including my family and friends who has been so supportive.

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ABSTRACT

The purpose of this study was to find out the influence of strategic sourcing on the procurement performance of Nigerian Manufacturing companies . This study explored how key sourcing decisions, Supplier selection , Supplier development and supplier partnership influence procurement performance. The population consisted of manufacturing companies in Nigeria . For the purpose of the study primary data through the use of questionnaires was adopted. . Descriptive and inferential statistics were used in data analysis with the Statistical package SPSS being used in analysis of data. Correlation analysis using Spearman correlation coefficient techniques was used to establish the kind of relationship that existed between variables to draw key findings and inform recommendations for further research. The study concluded that if a manufacturing organization has an effective structure in place, strategic sourcing can be used to improve the performance of procurement. The study also discovered that properly selecting suppliers can reduce production costs and improve the quality of a company's output. It was suggested, in light of the findings, that Nigerian manufacturing firms enhance the way they source the raw materials used in production and regard the purchasing department as a significant department within the company. The study further recommended that suppliers be chosen based on factors such as quality, price, technical expertise, and other factors essential to the organization's operations. The study also advised businesses to offer their suppliers training if they have the resources to do so in order to foster a strong supplier base that is dedicated to the company's success. This study contributed immensely towards filling gaps in knowledge and information in the area of strategic sourcing as it related to procurement performance of Nigeria Manufacturing companies.

CHAPTER ONE

INTRODUCTION

1.1 Background To The Study

Today's corporate environment has given significant emphasis to globalization as more companies operate on a global scale. Cost, however, is a crucial factor in this trend's hurdles, as customers seek lower-cost products without sacrificing quality. Since it has been established that the majority of a manufacturing company's product costs are locked up in its raw materials, strategic sourcing is one of the activities being used to achieve this objective. As a result, strategic sourcing is essential for any organization that wants to remain relevant in a cutthroat and fast-paced business environment.

The process of discovering and choosing a supplier whose price, characteristics, technologies, timeliness, dependability, and service best satisfy the organizational demand is known as sourcing, according to Reed, Bowman, and Knipper (2005). Additionally, Anderson and Katz (1998) stated that sourcing involves a wide range of tasks, including developing an overall sourcing strategy, assessing and choosing suppliers, obtaining material services, and managing supplier relationships.

At this stage, it is crucial to emphasize the distinction between traditional and strategic sourcing. In traditional procurement, the goal is to find a lower cost supplier to provide the needed material to be used for production, but in strategic sourcing, the goal is to develop a longer-term

relationship with a supplier who offers quality, value, a willingness to collaborate, and the flexibility to meet the changing supply requirements in addition to searching for suppliers who will supply at a lower cost.

A well-coordinated strategic sourcing program also helps an organization understand how competences and processes support a clearly defined business strategy, according to study conducted by UPS in 2005. In the end, an organization will choose its supplier based on their ability to support and assist in improving in a process, providing a product or service at a lower total cost, or offering a better product or service that helps to differentiate it. The initiative presents the opportunity to clarify and communicate corporate goals (UPS 2005). Strategic sourcing thus reflects the fusion of company strategy and procurement or sourcing strategy (Porter 1998).

Haven discussed strategic sourcing as a way to lower a product's cost as well as a component that aids a firm in being relevant and surviving in a changing environment. It is equally crucial to emphasize the need for a system for assessing how well these procurement efforts are performing. The procurement function's ability to accomplish the goals and objectives with the least amount of expense is measured by the procurement function's performance (Van Weele, 2002). In order to shift from being reactive to being proactive and achieve predetermined performance levels in an institution, Knudsen (1999) further indicated that procurement performance begins with purchasing efficiency and effectiveness in the procurement function.

The focus of this study is the Nigerian manufacturing industry, which faces a number of difficulties that ultimately have an impact on their productivity, capacity utilization, and particularly competitiveness. The first quarter of 2019 saw a number of difficulties affecting Nigeria's productivity sector, according to the manufacturers CEOs confidence index (MCCI) poll performed by the manufacturers Association of Nigeria (MAN). The MCCI reported that CEO confidence was 51.3 points in the first quarter of the year, which is somewhat higher than the threshold of 50 points for good performance.

The top executives of Nigerian businesses noted a number of difficulties impeding the sector's expansion, including those relating to raw materials, government capital implementation various taxes, foreign currencies, bank loan rates, and overregulation. So we see that raw material which is one major part of strategic sourcing was part of issues confronting the manufacturing sector, hence the need to go further into studying this subject matter.

1.2 Statement Of Problem

Globally, extensive study has been done on the performance of strategic sourcing and procurement. However, very little has been done with regard to this topic, particularly in Nigeria. For instance, John N.N. Ugoani and Anthony Ugoani (2017) conducted a study on supply chain management and productivity in Nigeria, where it was found that there is a correlation between supply chain management and a firm's productivity. Additionally, Muyiwa Adeleke et al. did a study in Nigeria on the impact of supplier relationship management practices on the performance of listed food and beverage firms in Nigeria (2021). Following thorough investigation, it was

shown that the components of supplier relationship management—supplier assessment, supplier development, and supplier involvement—have a beneficial effect on organizational performance.

Other studies on sourcing have also been conducted, although the majority of them are now being analyzed to see how they affect a firm's productivity or performance. But a study on the impact of strategic sourcing on the performance of Kenyan commercial banks' procurement was carried out BY Kenya by Mutua C, N, and Juma D (2018). Strategic sourcing and procurement performance are found to be positively correlated in this study conducted in Kenya. That is, strategic sourcing significantly enhances Kenyan commercial banks' procurement performance.

After some of the research conducted by different researchers in Nigeria and outside of Nigeria, it is important to note that while a lot of research has been done on supply chain management and other topics related to strategic sourcing, little to no research has been done on how these topics affect procurement performance. This leaves a gap that needs to be filled in this study.

1.3 Research Questions

The following are the research question to be considered in this study:

1. How can we determine the influence of strategic sourcing on procurement performance.
2. How can we ascertain the influence of supplier selection on procurement performance.
3. How can we establish the influence of supplier development on procurement performance.
4. How can we ascertain the impact of supplier partnership on procurement performance.

1.4 Objectives Of The Study

The general objective of the study is to determine the influence of strategic sourcing on procurement performance of manufacturing companies in Nigeria. But specifically, the research objective are:

1. To determine the influence of strategic sourcing decision on procurement performance.
2. To investigate the influence of supplier selection on procurement performance.
3. To establish the influence of supplier development on procurement performance .
4. To investigate the impact of supplier partnership on procurement performance.

1.5 Research Hypothesis

To achieve the objective of the study; four hypotheses were formulated

H₀₁: Sourcing decision has no significant influence on procurement performance.

H₀₂: Supplier selection has no significant influence on procurement performance.

H₀₃: Supplier development has no significant influence on procurement performance.

H₀₄: Supplier partnership has no significance on procurement performance.

1.6 Significance Of The Study

The result of the study will enable students, researchers, academics, policy makers, manufacturers, and others interested in operations and production management have an insight

on the power of strategic sourcing on procurement performance which ultimately also affect the firm's performance.

1.7 Limitations Of The Study

The study was constrained by lack of current literature in the areas of interest. However these limitations did not impair the quality of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides an overview of different theories related to strategic sourcing, as well as a conceptual framework that includes both dependent and independent variables, a review of variables, an empirical review of the literature that has already been written about the topic, and a discussion of the research gap.

2.2 Conceptual Review

2.2.1 Strategic Sourcing

The process of organizing, carrying out, regulating, and evaluating significant sourcing decisions in order to accomplish a company's long-term goals and objectives is referred to as strategic sourcing (Carr & Pearson, 1999,2002; Carr & Smeltzer, 1999, 2000). In general, strategic sourcing is a process that concentrates all sourcing efforts on options that will enable a corporation to accomplish its long-term operational and organizational performance objectives. Lawson and colleagues (2009); Kocabasoglu and Suresh (2006)).

Sourcing is a component of the company's strategic planning, and it receives the same level of importance as other important business responsibilities (Kocabasoglu & Suresh, 2006; Carr & Pearson, 2002, 1999). Strategic sourcing therefore aims to manage supply, demand, and

competitiveness challenges by lowering uncertainty and increasing flexibility (Sinha et al., 2011; Paulraj & Chen, 2007; Kocabasoglu & Suresh, 2006; Narasimhan & Das, 1999).

Furthermore, we see that from a theoretical perspective, senior management views strategic sourcing as a highly important resource of a company that can be used to enhance or support the firm's capabilities and improve the firm's market standing. Due to its proactive and long-term focus, top management support, sourcing contributions to the success of the company, and strategically managed supplier relationships, strategic sourcing is now best recognized as one of the fundamental components of successful supply chain management (Chopra & Meindl, 2010). (Paulraj & Chen, 2007; Pressey et al., 2007).

2.2.2 Supplier Selection

As a result of technical advancements, globalization, and increased industrial competition, the science of procurement has improved tremendously. As the organization's focus increasingly shifts to procurement, an inefficient procurement process could negatively impact the organization's ability to operate and achieve success. This process's important phase of evaluating and choosing suppliers is based on a variety of information sources and specific supplier evaluation criteria.

Selecting the ideal service is a time-consuming procedure. The selection procedure is essential for cutting costs and the time it takes to market while also improving product quality. It is important to emphasize at this point how important supplier selection has become due to the

procurement managers' exposure to supplier risk. Therefore, supplier risk refers to the possibility that a supplier won't keep their commitments to the business. Projects and company operations that heavily depend on suppliers may be seriously jeopardized. Some businesses choose to use supplier diversity and supply risk management strategies to lower these risks. Although the method for managing supply risk has changed, the risks that follow from picking the wrong suppliers are still very much a part of how supply risk is managed (Smeltzer & Siferd, 1998; Giunipero & Eltantawy, 2004). For this reason, initial supplier selection, according to Pearson and Ellram (1995), must follow a strict and thorough technique in order to get the best results and effectively limit supply risk.

Not to mention, Dickson (1966) was the first researcher to do a complete analysis of criteria. His research aimed to identify, narrow down, and analyse the selection criteria used when selecting a business to be a supplier. He asserted that "quality" is the most important criterion. As part of their additional analysis, Weber, Current, and Benton (1991) provided a classification of all the publications released since 1966 in accordance with the discussed criteria. The findings, based on 74 studies, reveal that location, pricing, delivery, quality, and manufacturing capacity were the topics that were most frequently discussed in the literature (Tahriri et al., 2008). In addition to these universal traits, various studies have urged examining additional critical elements like adaptability, technology, or certification frameworks (Sarkis & Talluri, 2002; Huang).

2.2.3 Supplier Development

The method of working one-on-one with particular suppliers to improve their performance (and capabilities) for the advantage of the purchasing organization is referred to as supplier development. Both the buying and supplying organizations engage in supplier development in an effort to jointly improve the supplier's performance with regard to price, quality, delivery, and other selection criteria. Supplier development, as defined by Krause, is "any effort by a buying firm to improve a supplier's performance and/or capabilities to suit the buying firm's short-and/or long-term supply demands" (1999). Therefore, efforts to grow suppliers lead to improved relationships between the company and its suppliers, which in turn foster effective and fruitful business operations. Supplier development is often overseen by the buyer, and benefits of supplier development are commonly mentioned from the buyer's perspective. What are the supply development techniques that the purchasing company may employ to get the most out of the act given that supplier development procedures require both the supplier and the buyer to put forth their best efforts in order to get the most out of the program. Krause (1997) used factor analysis to identify the three supplier development variables of direct participation, incentives, and imposed competition. Direct intervention encompasses actions such as formal supplier evaluation, certification of suppliers, site visits, supplier recognition, feedback to suppliers, training, informal supplier evaluation, inviting suppliers' staff to the firm's facilities, and verbal or written requests to improve performance. One of the motivating elements was the provider's assurance of present and future advantages in exchange for increased performance. Using four or more vendors and two or three suppliers for each item purchased was referred to as the

mandatory competition component. Forker et al. (1999) and Forker and Hershauer (2000) used seven representative practices to define supplier development, including the importance of supplier evaluations, sourcing from a small number of trustworthy suppliers, offering education and/or technical assistance to suppliers, participating in the supplier's new product development process, long-term contracts with suppliers, and clarity of agreements.

2.2.4 Supplier Partnership

Business partners that form a partnership agree to cooperate in order to further their shared goals. Partnership sourcing is a collaborative technique in which a purchasing organization closely collaborates with a limited number of its suppliers, sharing the hazards and benefits of a cooperative partnership that places a priority on continuous development (Ellram & Edis 1996). The partnership sourcing philosophy departs significantly from the conventional model of buyer and supply relations. In a partnership, the company (buyer) and the supplier are dedicated to ongoing improvement and share the rewards by exchanging pertinent information and collaborating to find solutions to issues. Furthermore, because collaborative partnerships involve a lot more relational links in the chain than transactional interactions do, they are necessary between the business and the supplier. According to Heide and Miner (1992), four cooperative behaviors—information sharing, adaptability, shared problem-solving, and limited use of power—cause collaboration. In conclusion, the buyer-supplier relationship entails more information sharing, improved task coordination, and investment in specialized or dedicated assets that can increase quality or reduce production costs. This process calls for trust and a

highly effective governance framework (Dye & Singh 1998). More crucially, the coordination and process for supplier-customer relationships are intended to integrate (fuse) value creation into all of the company's operations, including manufacturing, logistics, service, and research and development. Last but not least, the benefits of partnerships include—but are not restricted to—lower costs, more efficiency, a consolidated supply chain, and continuously improved operations.

2.2.5 Procurement Performance

Performance gives a company the means to assess how well it is doing in terms of fulfilling the goals set out, identifying areas where it can outperform its rivals as well as areas of weakness, and deciding how to improve performance going forward. Procurement performance is a gauge of how well the procurement function performs in accomplishing goals and objectives for the least amount of money (Van Weele, 2002). Effectiveness and efficiency are the two key elements of the procurement performance, according to Van Weele (2002). According to Van Weele (2002), the effectiveness of procurement is measured by how well the aforementioned goals and objectives are being met. It refers to the connection between a human action's actual execution and its planned counterpart. Additionally, he clarifies that procurement efficiency is the relationship between the resources required to complete the given goals and objectives and their related activities when speaking of the planned and actual expenses. As a result, supplier performance is the most important performance factor for procurement.

According to Amaratunga and Baldry (2002), weak procurement performance can act as a barrier to change and worsen the purchasing function, while weak procurement performance can be a key driver to improving quality of services for any organization in order to change its focus and become more competitive. As a result, Batenburg and Versendaal demonstrated that measuring the effectiveness of the purchasing function offers businesses advantages such as cost savings, better profitability, supply assurance, improved quality, and a competitive edge (2006).

Some of the reasons for conducting procurement measurement include informing top management about the productivity and effectiveness of the production function, using it as a tool for evaluation and control, determining the degree to which the predetermined goals have been met, and motivating the purchasing team. However, procurement professionals are fully aware of the crucial part they play in quality control, risk management, and bottom line contribution. The implementation of a thorough, understandable, and reliable performance measurement system that makes it possible to measure and articulate procurement accomplishments to all stakeholders is the crucial piece that is frequently absent. (CIPS, (2005).

The relationship between procurement procedures and organizational performance was established by Karanja and Kiarie. Organizational performance is regulated through procurement. It has a bigger impact on organizational performance, aiding in cost reduction, and improves management's chances of success through performance measurement. Additionally, more recently than any other element, electronic procurement has had a significant impact on procurement success.

The best system for procurement organizations measures both efficacy and efficiency (doing things correctly) (doing the right thing). In addition, it keeps track of structural components like procedures, technology, staff, and strategic alignment (CIPS, 2005). The rate of compliance, supplier defect rate, lead time, and supplier availability, customer satisfaction, the level of expertise of those engaged in the procurement process, and purchase price are a few examples of performance metrics.

Summarily the dependent and independent variable is shown in the figure below

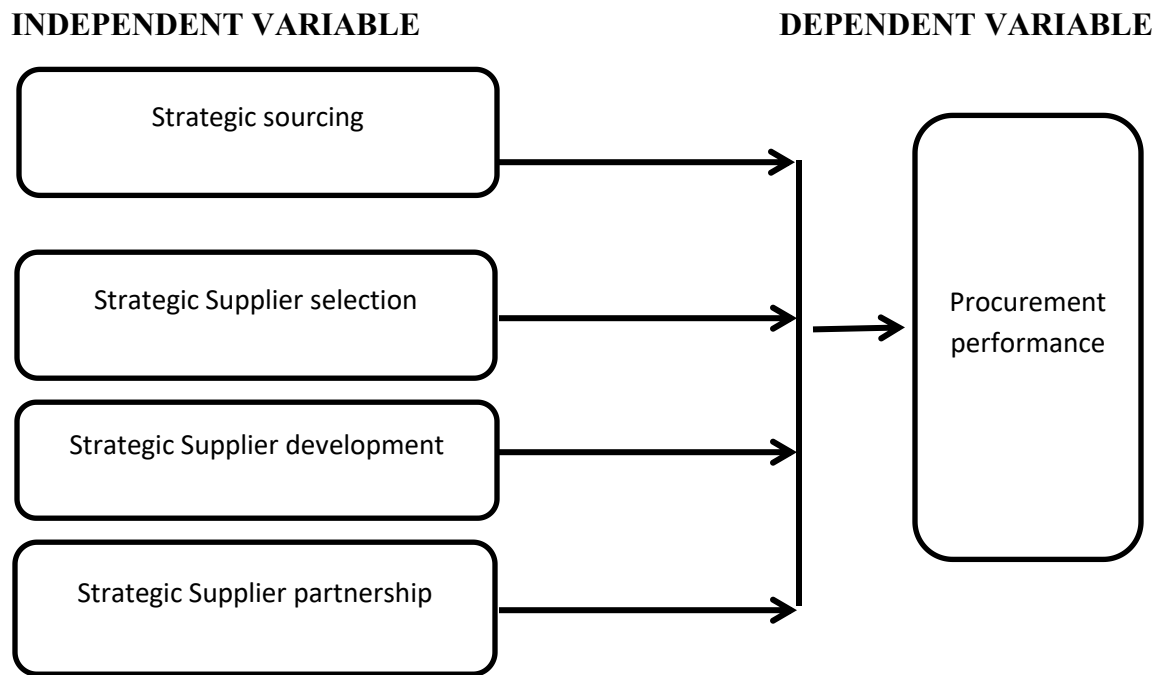


Figure 2.1

Figure 2.1 demonstrates the conceptual framework used to illustrate the relationship between the consequences of strategic sourcing, which are conceived as independent variables, and

procurement performance, which is the dependent variable. Therefore, a dependent variable is something the researcher tests, whereas an independent variable is something the researcher directly manipulates.

2.3 Theoretical Review

2.3.1 Resource Based Theory

The identification of the strategic resources a business might use to gain a competitive advantage is done using a managerial paradigm called the resource-based view. As a result, companies lacking the resources needed to compete in their market will look for ways to incorporate such resources into their firm. In order to understand how businesses create long-term competitive advantages, the resource-based view analyzes and evaluates organizational resources.

According to Barney (1986), valuable resources must allow a firm to act in a way that results in high sales, low expenses, a large profit margin, or in other ways increases the firm's financial value. According to Barney (1991), the resources we're referring to can be divided into three main categories: organizational capital sources, human capital sources, and physical capital resources (including physical, technological, plant, and machinery) (formal structure). According to the aforementioned classification, the raw material, which is the subject of this study, is the physical component of the physical capital resources. Companies that lack the resources (raw materials or other resources) necessary for their organization to function properly and remain competitive in the market will look for ways to acquire such resources. So buying a supplier is

one method of getting resources into the company. (Piskorski & Cassiaro 2005). It is crucial to note at this point that any resources that must be obtained externally should do so through partnerships with suppliers rather than through buyer seller relationships, as the latter have a tendency to foster dependency, which is not good for the company. By forming an alliance, the company should try to become interdependent with the provider.

Strategic sourcing is therefore viewed as a highly vital and significant resource that, if a company can handle it seriously, can give the business a proper market standing. Therefore, this theory is very pertinent to this study since it clarifies the types of choices and decisions that should be made in relation to supplier relationship and supplier selection while purchasing resources.

2.3.2 Network Theory

The network theory describe the relationships in which companies, supplier and customer or buyer are engaged. Although network theory does not dictate when to make, buy or partner a supplier , but it does inform which firm an organization chooses to buy from or engage with as ally. It is important to state here that within the network a firm find itself, the firm must hold a special place in that network. So how important a firm is in a network refers to it centrality. Any organization that occupies a distinct place in a network(i.e highly centralized) has high tendency of been always sought out as partner and the advantage being central brings is that it enhances the competitive position of the firm in terms of speed, quality, cost and flexibilities . So with respect to sourcing, firms should make all effort to be the key man on the network.

Therefore, this theory is extremely pertinent to this study because it advises the company on who to partner with or buy from for effective and efficient performance.

2.3.3 Agency Theory

The relationship or agreement between two people in which the principal hires the services of the agent to act on his behalf in all dealings with the third party is explained by the agency theory. According to the agency theory, the supplier is the agent and the company outsourcing the service is the principal (Eisenhardt, 1989; Jensen and Meckling, 1976). According to agency theory, the economic relationship between the cost of manufacturing and the cost of purchasing should be taken into consideration when deciding whether to manufacture or buy anything. Businesses should create and control the process internally if manufacturing costs are lower than purchasing costs. On the other hand, businesses should hire an agent to handle the process if purchasing expenses are lower than production prices. The actual costs of outsourcing as well as additional monitoring and control expenses that the primary will bear are included in the price of purchasing. Any expenses incurred by the principle to make sure the agent is not acting in a way that is harmful to the principal and to make sure the principal is abiding by the fundamental terms and conditions of the outsourcing contract are considered monitoring charges. Legal fees incurred by the principal to enforce the terms of the outsourcing contract in the event of a term breach are represented by control costs. The concepts of agency theory suggest that decreased costs of purchasing are pushing businesses away from internal sourcing and toward partnerships for purchases or alliance outsourcing. The common objective of strategic sourcing is to satisfy

the business demand while simultaneously ensuring that the business derives the maximum value (whether monetary or strategic) from its supplier base, hence this notion is significant to this study. And the best results are those that provide the best overall solution, taking into account all goals (cost, quality, delivery, compliancy, sustainability, etc.), not just expenses. . Lastly, the growth of the Internet and other information systems technology has given businesses more opportunities to monitor agent behavior in outsourcing contracts at a reduced cost, which may encourage supply risk reduction.

Last but not least, the framework for this research study was created by combining the three theories mentioned above.

2.5 Empirical Review

Based on the conversation to date and the research done by previous researchers, it has been determined that strategic sourcing is a crucial component of any company since it influences procurement performance, which in turn affects the organization's performance. According to a research by Michael Okoye-Chine (2021) on Outsourcing Strategies and Organizational Performance Of Fast Foods In Anambra State, outsourcing for product/service quality has a substantial impact on organizational performance of a chosen fast food industry in Anambra State, Nigeria., Nigeria. Additionally, a study on outsourcing and organizational performance of beverage manufacturing enterprises in Port Harcourt, Nigeria, was undertaken in 2018 by Gabriel, Otaroghene, and Nwaeke. Finally, the study showed that outsourcing has a positive relationship with organizational performance, and it made recommendations for how to improve

services, growth, and efficiency. It also suggested that organizations continue to outsource their information technology needs for improved performance, growth, and efficiency. Rehema and Kigwe1 (2018) also looked into how outsourcing affected the organizational performance of commercial banks in Kenya's Mombasa County. The specific objectives of this study were to ascertain the effects of outsourcing risks, outsourcing costs, service quality, and functional departments on the performance of commercial banks in Mombasa County, Kenya. The study found that the performance of Commercial Banks in Mombasa County, Kenya was positively and significantly impacted by outsourcing risks, outsourcing prices, service quality, and functional departments.

Additionally, a study conducted by Asenath Kerubo Bwana and Professor Willy Muturi (2018) on the impact of supplier selection on the procurement performance of public sugar firms in Kenya revealed that evaluation based on the quality of the Supplier services has a significant impact on procurement performance. Additionally, it was claimed that selection based on the supplier's financial situation had a significant and very significant impact on the effectiveness of the procurement process. Japheth Ocharo Kiage (2013) also conducted the following study on the factors affecting procurement performance: The study's conclusion, which applies to the Ministry of Energy, is that planning, resource allocation, personnel competency, and contract management all had a beneficial impact on the Ministry of Energy's procurement performance. Planning is done so that the available resources can be used to accomplish the overall goal.

Last but not least, in their study on the variables affecting procurement performance in the Kenyan private sector, Barsemoi, Mwangangi, and Asienyo (2014) discovered that the use of information technology significantly influences procurement performance in terms of service delivery, as opposed to staff competence and organization management.

2.6 Research Gap

Globally, extensive study has been done on the performance of strategic sourcing and procurement. However, very little has been done with regard to this topic, particularly in Nigeria. For instance, John N.N. Ugoani and Anthony Ugoani (2017) conducted a study on supply chain management and productivity in Nigeria, where it was found that there is a correlation between supply chain management and a firm's productivity. Additionally, Muyiwa Adeleke, et al. did a study in Nigeria on the impact of supplier relationship management practices on the performance of a publicly traded food and beverage company in Nigeria (2021). Following thorough investigation, it was shown that the components of supplier relationship management—supplier assessment, supplier development, and supplier involvement—have a beneficial effect on organizational performance.

Other studies on sourcing have also been conducted, although the majority of them are now being analyzed to see how they affect a firm's productivity or performance. But a study on the impact of strategic sourcing on the performance of Kenyan commercial banks' procurement was carried out in Kenya by Mutua C, N, and Juma D (2018). Strategic sourcing and procurement performance are positively correlated, according to this study conducted in Kenya. In other

words, Kenyan commercial banks' procurement performance is significantly improved through strategic sourcing.

After reviewing all of the research conducted by different researchers, both in Nigeria and abroad, it is important to note that while much related research has been done in strategic sourcing and procurement performance, little to no research, if any, has been done on how this strategic sourcing impacts or influences procurement performance. This is the gap that needs to be filled in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The designs and procedures utilized in the study are presented in this chapter. The following topics are highlighted in the text: research design, target population, sample design and technique, data collection tools and procedure, and data analysis.

3.2 Research Design

The total approach taken to conduct research that establishes a clear and logical plan to address predetermined research question(s) through the collection, interpretation, analysis, and discussion of data is referred to as research design. A structure developed to identify solutions to research issues is known as a research design. Additionally For the purposes of this study, a descriptive research design is being used since, in accordance with Williams (2007), it can be used to determine the current condition of a phenomenon. This research method was chosen by the researcher because the study wanted to gather data from respondents regarding their perceptions of the influence that strategic sourcing has on procurement performance at the respondent's company.

3.3 Target Population

A population, in Creswell's (2012) opinion, differs from other groupings in terms of personality. Therefore, the population of this study includes all Nigerian manufacturing enterprises.

3.4 Sample Design

Sampling is a strategy for choosing specific individuals or a subset of the population in order to draw conclusions from them statistically and estimate the characteristics of the entire population. Therefore, samples are being taken from the population for the study because it is practically difficult to investigate the entire population (that is, the entire industrial sector in Nigeria). A sample is a portion of the population that has been chosen for observation and examination.

By looking at the sample's features, one can infer generalizations about the entire population. Therefore, sixteen (16) manufacturing enterprises were arbitrarily chosen for this study from both inside and outside the state of Edo, serving as the sample for the total population.

3.5 Data Collection And Instrument

There are a number of instruments that can be used to collect data, and there are essentially two methods: primary and secondary data collecting. A well-structured questionnaire was utilized as the data collecting instrument since a main data collection approach was deemed appropriate for this study's purposes. The questionnaires were created expressly to achieve the study's goals. While some responders received soft copies of the surveys, others received hard copies.

3.6 Data analysis methods and procedures

Data analysis is the systematic process of gathering and looking for data with the goal of better understanding it and being able to explain it to others (Ary 2010). The data was statistically analyzed after the information obtained from respondents was rectified and coded for accuracy.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The analysis of the data gathered, the presentation, and the interpretation of the research findings are the main topics of this chapter. Quantitative data analysis dominates the analysis. The respondents were given questionnaires to complete in order to gather the data. The information was tabulated before being evaluated and interpreted in accordance with various study categories..

4.2 Descriptive analysis of the effects of sourcing decisions on procurement performance

Table 4. 1: The effects of strategic sourcing decisions on Procurement performance

SOURCING DECISION	1	2	3	4	5	MEAN	SD
Senior managers are involved in the purchase of raw materials	0	2	0	4	10	4.4	1.02
All those involved in the purchase of raw materials understand their role	1	0	1	4	10	4.3	1.07
The role of the purchasing department is well understood in the organization	0	0	1	6	9	4.5	0.63
There is a laydown rules in the organization on whether to buy raw material from outside or make it in the company	1	1	1	7	6	4	1.15

The results in table 1 above demonstrate that respondents were in agreement, as shown by the mean values, that strategic sourcing had a significant impact on procurement performance.

4.3 Descriptive analysis of the effect of strategic supplier selection on procurement performance

Table 4. 2: The effects of strategic supplier selection on procurement performance

Supplier selection	1	2	3	4	5	MEAN	SD
There is a reduction in cost when proper supplier is selected	0	1	1	8	6	4.19	0.83
Supplier selection is based on their knowledge of the raw material being used in the company	0	1	0	8	7	4.31	0.79
The supplier is aware of the service he is expected to perform to the company	2	3	3	5	3	3.25	1.34
Quality of raw material is a key consideration when selecting a supplier	0	0	0	7	9	4.6	0.5

The outcome in table 2 above also demonstrates that the respondent agreed that strategic supplier selection had a significant impact on the performance of procurement, as shown by the mean values. However, some people don't agree with this and are unconcerned with the supplier being aware of the obligations he has to the business.

4.4 Descriptive analysis of strategic supplier development on procurement performance

Table 4. 3: The effect of strategic supplier development on procurement performance

Supplier Development	1	2	3	4	5	MEAN	SD
Supplier are inform of their performance with respect to quality, cost delivery etc	0	1	0	5	10	4.5	0.82
The company maintain relationship with limited number of suppliers	2	6	1	5	2	2.94	1.34
The company provides training to its supplier	2	6	4	4	0	2.6	1.02
The company uses standard raw materials allowed in the industry	0	1	1	9	5	4.1	0.81
The company visit it supplier factories to access their facilities	1	3	2	7	3	3.5	1.21

According to Table 3's findings, most respondents felt that supplier selection has a stronger impact on procurement success than strategic supplier development. However, some object to the fact that the business only keeps a small number of suppliers and that it trains those suppliers.

4.5 Descriptive analysis of strategic supplier partnership on procurement performance

Table 4.4 The effect of strategic supplier partnership on procurement performance

Supplier partnership	1	2	3	4	5	MEAN	SD
There is a close collaboration between the company and the supplier	0	0	1	8	7	4.4	0.62
Information is shared freely between the company and its supplier	0	1	0	8	7	4.31	0.80
The company and its supplier have a clear understanding of the risk and return of the arrangement	0	0	4	7	5	4.1	0.77
High level of trust and integrity exist between the company and its supplier	0	0	0	4	12	4.75	0.44

The findings in Table 4 show that strategic supplier partnerships have a significant impact on the effectiveness of the procurement process. The question that asked whether "the company and its supplier have a clear knowledge of the risk and return of the agreement" received several unfavorable responses.

4.6 Descriptive analysis of procurement performance on the performance of manufacturing company

Table 4.5: The effect of procurement performance on the performance of manufacturing company

Procurement performance	1	2	3	4	5	MEAN	SD
Good procurement/purchasing practices leads to high level of customer satisfaction	0	0	1	4	11	4.6	0.62
Good procurement/purchasing performance leads to quick arrival of raw materials without delay	0	2	3	6	5	3.9	1.02
Good procurement/purchasing practices increases the competency level of procurement staff	0	1	1	9	5	4.1	0.81
An efficient and effective function leads to staff commitment to work together and achieve the company goal	0	0	1	5	10	4.6	0.6

The descriptive analysis of Table 5's effect of procurement performance on manufacturing business performance reveals that the majority of respondents agreed that procurement performance influences manufacturing company performance. However, several respondents

were unaffected by the fact that effective procurement practices result in the timely and uninterrupted receipt of raw materials.

Table 4.6: A Summary descriptive analysis of the various valuables

VARIABLES	N	MINIMUM	MAXIMUM	MEAN	STANDARD DEVIATION
SSD	16	3.25	5.00	4.2969	.62061
SSS	16	3.00	5.00	4.0781	.62396
SSDE	16	2.60	4.20	3.5375	.49379
SSP	16	3.50	5.00	4.3750	.48305
PP	16	3.00	5.00	4.2969	.64043

According to the results in Table, most respondents agreed that strategic sourcing decisions, strategic supplier selection, strategic supplier development, and strategic supplier alliances have an impact on procurement performance. This was supported by low levels of variability, as shown by the mean values of 4.2969, 4.0781, 3.5375, 4.3750, and 4.2969, respectively, as well as the standard deviations of 0.62061, 0.62396, 0.49379, 0.48305, and 0.64043.

4.7 CORRELATION ANALYSIS

Table 4. 7: Correlation analysis results of the various variables

			PP	SSD	SSS	SSDE	SSP
PP	Pearson Correlation		1	0.183	.793**	0.136	0.249
	Sig. (2-tailed)			0.498	0	0.615	0.352
	N		16	16	16	16	16
SSD	Pearson Correlation		0.183	1	-0.021	-0.218	-0.063
	Sig. (2-tailed)		0.498		0.939	0.417	0.818
	N		16	16	16	16	16
SSS	Pearson Correlation		.793**	-0.021	1	0.028	0.035
	Sig. (2-tailed)		0	0.939		0.919	0.899
	N		16	16	16	16	16
SSS	Pearson Correlation		0.136	-0.218	0.028	1	.622*
	Sig. (2-tailed)		0.615	0.417	0.919		0.01
	N		16	16	16	16	16
SSP	Pearson Correlation		0.249	-0.063	0.035	.622*	1
	Sig. (2-tailed)		0.352	0.818	0.899	0.01	
	N		16	16	16	16	16

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

*. Correlation is significant at the 0.05 level (2-tailed).

According to the results, there was a weak positive linear relationship between procurement performance and strategic sourcing decisions, $r = 0.183$; $p = 0.498$, a strong significant relationship between procurement performance and supplier selection, $r = 0.793$; $p = 0.0001$, a weak positive linear relationship between procurement performance and strategic supplier

development, $r = 0.136$; $p = 0.615$, and finally there was a weak positive linear relationship between procurement performance and strategic supplier development. Significant p-values under 0.05 at a 95% confidence level demonstrated this.

4.8 Regression analysis

Table 4. 8:Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	SSP, SSS, SSD, SSDE ^a	.	Enter

a. All requested variables entered.

b. Dependent Variable: PP

Table 4.9:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851 ^a	.724	.624	.39274

a. Predictors: (Constant), SSP, SSS, SSD, SSDE

Table 4.10: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.456	4	1.114	7.222	.004 ^a
	Residual	1.697	11	.154		
	Total	6.152	15			

a. Predictors: (Constant), SSP, SSS, SSD, SSDE

b. Dependent Variable: PP

Table 4. 11: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.368	1.412		-.969	.354
	SSD	.226	.168	.219	1.341	.207
	SSS	.810	.163	.789	4.981	.000

SSDE	.033	.269	.026	.123	.904
SSP	.291	.269	.220	1.081	.303

a. Dependent Variable: PP

The outcomes demonstrate the application of a multiple regression model to the dependent and independent variables. The outcome demonstrates that, aside from strategic supplier selection, strategic sourcing decisions, strategic supplier development, and strategic supplier relationship do not significantly predict procurement performance. The p.values (p= 0.207, 0.904, 0.303, and 0.0001 correspondingly) supported this.

The model

$$Y = -1368 + 0.226X_1 + 0.810X_2 + 0.033X_3 + 0.291X_4$$

Where **Y** = Procurement Performance, **X1** = Strategic sourcing decisions, **X2** = Strategic Supplier selection, **X3** = Strategic Supplier Development and **X4** = strategic supplier partnership.

The model indicated that a unit increase in Strategic sourcing decisions reduces Procurement Performance by 0.226units; a unit increase in Strategic Supplier selection reduces Procurement Performance by 0.810 units; a unit increase in Strategic Supplier development reduces Procurement Performance by 0.033units, and finally a unit increase in Strategic Supplier partnership reduces Procurement Performance by 0.291units.

Table 4.12: Summary table for the hypothesis testing

S/N	Hypothesis of the study	Hypothesis	P value	Decision
1.	Sourcing decision has no significant influence on procurement performance	H ₀ : $\rho_1 = 0$ H ₁ : $\rho_1 \neq 0$	0.207	Do not reject H ₀
2.	Supplier selection has no significant influence on procurement performance	H ₀ : $\rho_1 = 0$ H ₁ : $\rho_1 \neq 0$	<0.0001	Reject H ₀
3.	Supplier development has no significant influence on procurement performance	H ₀ : $\rho_1 = 0$ H ₁ : $\rho_1 \neq 0$	0.904	Do not reject H ₀
4.	Supplier partnership has no influence on procurement performance	H ₀ : $\rho_1 = 0$ H ₁ : $\rho_1 \neq 0$	0.303	Do not reject H ₀

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

5.1 Introduction

The primary conclusions from the data that was analyzed are summarized in this chapter. Also included were a conclusion, a suggestion for additional study, and a recommendation.

5.2 Summary of Findings

5.2.1 General Findings

The study found that sourcing decisions had a beneficial impact on a manufacturing company's procurement effectiveness. Most senior managers were observed to be active in the acquisition of the raw materials used by the business. Additionally, the majority of persons taking part in the raw material procurement are aware of what they are doing. Additionally, there are established norms and regulations on whether to make or buy decisions in manufacturing companies, and the role of the purchasing department is widely defined inside the business. This study demonstrated that supplier choice significantly affects procurement in manufacturing companies. This is shown by the fact that the majority of survey participants concur that deciding on the best supplier can save expenses and that this decision is made based on the supplier's familiarity with the raw materials the company uses. All respondents concurred that the quality of raw materials should be taken into consideration when choosing a supplier, whereas some respondents disagreed that suppliers are aware of the services they are expected to deliver to the business. The majority of

participants in the study agreed that the company and the supplier work closely together, information is freely shared between the two parties, there is a high level of trust and integrity between the two parties, and both parties have a clear understanding of each other's businesses. As a result, the study found that strategic supplier partnerships have an impact on procurement performance.

5.3 CONCLUSION

How strategic sourcing affects the performance of the procurement process was the main research question at the commencement of the study. Data were collected and looked through. Strategic supplier selection appears to be the most significant and crucial element, even though the four independent variables—strategic sourcing, supplier selection, supplier development, and supplier partnership—have a positive association with procurement performance. According to the study's findings, if a manufacturing organization has an effective structure in place, strategic sourcing can be used to improve the performance of procurement. The study also discovered that properly selecting suppliers can reduce production costs and improve the quality of a company's output.

5.4 RECOMMENDATION

It was suggested, in light of the findings, that Nigerian manufacturing firms enhance the way they source the raw materials used in production and regard the purchasing department as a significant department within the company. The study further recommended that suppliers be

chosen based on factors such as quality, price, technical expertise, and other factors essential to the organization's operations. The study also advised businesses to offer their suppliers training if they have the resources to do so in order to foster a strong supplier base that is dedicated to the company's success.

5.5 AREA FOR FURTHER STUDY

The study recommend further on the effect of strategic sourcing on organization performance.

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APPENDIX I:

QUESTIONNAIRE

Research project Title: **STRATEGIC SOURCING AND PROCUREMENT**

PERFORMANCE IN MANUFACTURING FIRMS IN NIGERIA

Dear sir/ma,

I am a final year student in the above university. As part of my degree program requirements, I am conducting a research on the influence of strategic sourcing on procurement performance of Nigeria manufacturing companies. I wish to appeal to you to assist this study by sparing a few minutes to complete the questionnaire below. And i assure you that your answer will be treated in strict confidence and used for academic purpose only.

OLUWATOMI OLADOTUN ODUSINA.

JULY, 2022.

1. THE EFFECT OF STRATEGIC SOURCING DECISIONS ON PROCUREMENT

PERFORMANCE. Please tick appropriately

	SD	D	N	A	SA
Senior Managers Are Involved In The Purchase Of Raw Material					
All Those Involved In The Purchase Of Raw Materials Understand Their Role					

The Role Of Purchasing Department Is Well Understood In The Organization					
There Is A Lay Down Rule In The Organization On Whether To Buy Raw Material From Outside Or Make It In The Company					

2. **THE EFFECT OF STRATEGIC SUPPLIER SELECTION ON PROCUREMENT PERFORMANCE.** Please tick appropriately

	SD	D	N	A	SA
There Is Reduction In Cost When Proper Supplier Is Selected.					
Selection Of Supplier Is Based On Their Knowledge Of The Raw Material Being Used In The Company.					
The Supplier Is Aware Of The Service He Is Expected To Perform To The Company.					
Quality Of Raw Material Is A Key Consideration When Selecting A Supplier					

3. **THE EFFECT OF STRATEGIC SUPPLIER DEVELOPMENT ON PROCUREMENT PERFORMANCE.** Please tick appropriately

	SD	D	N	A	SA
Supplier Are Informed Of Their Performance With Respect To Quality, Cost, Deleivery Etc...					
The Company Maintain Relationship With Limited Number Of Suppliers.					
The Company Provides Training To Its Supplier.					
The Company Use The Standard Raw Materials Allowed In The Industry .					
The Company Visit Its Supplier Factories To Access Their Facilities.					

4. **THE EFFECT OF STRATEGIC SUPPLIER PARTNERSHIP ON PROCUREMENT PERFORMANCE.** Please tick appropriately

	SD	D	N	A	SA
Their Is A Close Collaboration Between The Company And The Suppliers.					
Information Is Shared Freely Between The Company And Its Supplier.					

The Company And Its Supplier Have A Clear Understanding Of The Risk And Reward Of The Arrangement.					
High Level Of Trust And Integrity Exist Between The Company And Its Supplier.					

5. **THE EFFECTS OF PROCUREMENT PERFORMANCE ON THE PERFORMANCE OF MANUFACTURING COMPANY.PLEASE TICK APPROPRIATELY.** Please tick appropriately

	SD	D	N	A	SA
Good Procurement/Purchasing Practices Leads To High Level Of Customer Satisfaction					
Good Procurement/Purchasing Performance Leads To Quick Arrival Of Raw Material Without Delays.					
Good Procurement/Purchasing Practices Increases The Competency Level Of Procurement Staffs.					
An Efficient And Effective Procurement Function Lead To Staff Commitment To Work Together And Achieve The Company Goal.					