

**PROCUREMENT BEST PRACTICES AND ORGANIZATIONAL
PERFORMANCE: CASE STUDY OF CADBURY'S KENYA LIMITED**

BY

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DECLARATION

I declare that this research project is my original work and has never been submitted to any other University for assessment or award of a degree.

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Signature..... Date.....

This research project has been submitted with our authority as the university supervisors.

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The completion of this project was not easy. It was not created by the author alone, but relied on the cooperative assistance of many unseen hands. First and foremost I owe special thanks to God Almighty for seeing me through. I sincerely acknowledge my supervisor Mr. Mageto, University of Nairobi in School of Business for his enabling support and guidance, his never ending patience, good eye and sharp mind.

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DEDICATION

This research study is dedicated to my Dad for the tireless motivation throughout the entire MBA program and especially during this research project.

ABSTRACT

Procurement best practices such as procurement risk management, planning and supply performance influence organizations in achieving the collaboration and communication capabilities while maintaining the flexibility and responsiveness capabilities of market-oriented governance structures. Leading organizations like Cadbury's Kenya limited are simplified and consolidate the entire procurement process, by improving the responsiveness of their procurement systems. Procurement services in the organization are under considerable pressure to deliver performance improvements and to achieve financial savings through more efficient and coordinated service delivery. The objective of the study was to establish the extent to which procurement best practices are adopted at Cadbury (K) Limited and to determine the relationship between procurement best practices and organizational performance of Cadbury (K) Limited. The research design for this study was case study since the unit of analysis is one organization. Stratified proportionate random sampling technique was used to select the sample size of 45 respondents. Primary data was collected using an unstructured questionnaire. The collected data was summarized, coded and tabulated. The study established that company had adopted procurement best practices that were followed when making company purchasing decisions. The study established that the company focused on performance through procurement best practices to achieve price variance, effective contract utilization, inspiration management, improve procurement staff skills, improved procurement cycle time and effective payment processing time. Procurement best practices are strategic procurement planning, performance measurement, performance metrics, use of cooperative contracts, transparency; risk management, ethical procurement, procurement policy manual, performance management and performance-based contracting. The study concludes that procurement best practices that are followed when making company purchasing decisions are building supplier relationships, team-based approaches to procurement and proper use of technology. The study recommends that management in Cadbury (K) Limited should ensure that there is an appropriate focus on good practice in procurement and that there is a significant procurement procedure in place to ensure compliance with all relevant guideline. On delivering services management must address the issue of procurement best practices as these has accrued benefits directly to the bottom line of organizations. Finally the study recommends that company's resources need to be dedicated to the practices that enhances the functioning of best procurement practices for development and maintenance of profitability.

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ABBREVIATIONS.ACRONYMS

B2B	-	Business to Business
CKL	-	Cadbury's Kenya Limited
ICT	-	Information Communication Technology
NSE	-	Nairobi Stock Exchange
NT	-	Network Theory
OECD	-	Organization for Economic Cooperation and Development
RBT	-	Resource Based Theory
ROI	-	Return on Investment
SCM	-	Supply Chain Management
SPSS	-	Statistical software Package for Social Sciences
SRP	-	Suppliers Relationship Partnership
UNEP	-	United Nation Education Programme

CHAPTER 1: INTRODUCTION

1.1 Background of the Study

There has been a sustained and rapid acceleration in recent years for procurement as a discipline to become a fully-fledged profession. Tertiary institutions now offer full academic programmes and procurement-related bodies have now been formed because of the expanded knowledge. As a result, the imperative for the development of professional code of ethics, standard terminologies, and best practices has developed in equal measure (Guth, 2010). As Narasimhan and Das (2001) suggest, there has been increased pressure for purchasing integration. This is the integration of purchasing practices and goals with a firm's objectives. Purchasing integration has been found to link purchasing practices and organizational performance (Gattorna, 2003).

The direct link of operational efficiency, and particularly the supply chain, to the overall organizational performance therefore makes the adoption of best practices crucial to today's organizational success. The study of procurement best practices and how they can be effectively intergrated into the organizational strategy is therefore valuable to today's business leaders (Bob Engel, 2011). In todays economic enviroment doing what you have always done even if you are to do it very well is no longer acceptable, under pressure to contain both costs and produce results despite challenging circumstances, supply managers must transform rather than simply improve your operation. That means adopting the philosophies, methods and processes that will make your organization best in class. What makes an organization best in class will vary from each company but there are stratgies that leading companies are adopting. Procurement represents a stage in evolution of civilized human relationships since it enables a desired object to be obtained by training rather than conquest, plunder or justification.

Leading organizations like Cadbury's Kenya limited are simplified and consolidate the entire procurement process, by improving the responsiveness of their procurement systems. Moreover, streamlined procurement systems can help build the confidence of

employees, customers and stakeholders as the Cadbury's Kenya limited proves that it can procure for maximum service with maximum profits. More efforts had been made at Cadbury's Kenya limited in implementing best procurement practices such Green purchasing, partnering, E-procurement, purchasing ethics, total quality management, just in time delivery, procurement planning and risk management as the company seek to improve on its organizational performance. The research study aims to find out the effect of best procurement practices on organizations' performance in Kenya through a case study of Cadbury's Kenya Limited.

1.1.1: Procurement Best Practices

The development of a best practices blueprint that may be applied to all organizations, irrespective of the contexts in which they operate has been quite a challenge. Indeed no such conclusive blue print may claim to be applicable in all environments or organizational operational contexts. This is because of the existence of a myriad of 'objective realities' and conceptual lenses from which different observers may perceive their own realities, even on issues that may rely on hard or empirical data (Erridge, 2001). As Turner (2011) posits, the adoption of procurement best practice is shift away from traditional procurement practices and must therefore be approached from a 'value opportunity' standpoint rather than a process standpoint. There must a shift away from the rudimentary procurement such as soliciting a minimum number of bids and selecting the cheapest one which as Turner (2011) suggests, carries risks which includes missed opportunities for maximum value.

Procurement best practices equivalent is therefore continuous and rapid movement as well as benchmarking, where an organization measures itself against other 'best-in-class' organizations (Guth, 2010). However, several characteristics of best practices for supplies management are identified across many high performing organizations. They include: Commitment to total quality management, commitment to just in time, commitment to total cycle time reduction, long range strategic plans, supplier relationships, strategic cost

management, training and professional development, service excellence, corporate social responsibility, learning, management and leadership (Arawati, 2011).

1.1.2: Organizational Performance

Organizational performance is the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. Parasuraman (2002), proposed that firms delivering services must broaden their examination of productivity from the conventional company-oriented perspective to a dual company-customer perspective. This broadened approach can help reconcile conflicts or leverage synergies between improving service quality and boosting service productivity (Parasuraman, 2002).

Organizations that have adopted best procurement practices are able to deliver their products and services. When defining Organizational performance it is important to consider a wide variety of potential organizational performance measures. This research considers organizational performance relative to the competition from multiple organizational perspectives including quality, productivity, market share, profitability, return on equity, and overall organizational performance.

1.1.3 Procurement Best Practices and Organizational Performance

There is need for organizations to go beyond the internal or institutional analysis of their procurement systems and processes and into adoption of best practices through such strategies as benchmarking (Turner, 2011). Areas for improvement for most organizations include Involvement of procurement during both cross business and cross functional planning and budgeting processes, greater efforts on supplier consolidation, greater control over indirect spending categories, increased use of reporting/spend analysis tools, greater efforts and concern for environment, greater concern for; Quality, time, ethical purchasing and technology in purchasing (Narasimhan and Das,2001) .

Manufacturing companies play a significant role in Kenya's economy. They have generated employment to thousands of Kenyans. There is need to ensure the company's

growth and continuity. However in recent times there have been reports of the companies facing market challenges resulting to low returns and closure. Other researchers in Kenya have made significant contributions through their studies to shed light on the challenges associated with procurement best practices (Ingari *et al.*,2012).

1.1.4 Cadbury's (K) Limited

Cadbury Schweppes Kenya Limited was established in 1970, a year after Cadbury merged with Schweppes. A modern food and drink factory was built to cater for Cadbury and Schweppes products, the first combined operation worldwide. Prior to opening the factory, all the products were imported. In 1984, Cadbury Schweppes Kenya Limited sold out the drinks business. In 1992, Cadbury Schweppes Limited changed its name to CKL in order to reflect the business the company was in. Cadbury Intl was acquired by Kraft Foods Intl (an American Food Company) in 2010 thereby forming the 2nd largest food manufacturing company in the world. Later in 2012 the Kraft Foods Intl split in to 2 companies forming Kraft Foods North America and Mondelez International, where the latter concentrate on confectioneries, whereby it is the world's market leader.

Cadbury Kenya Limited is a wholly owned subsidiary of Mondelez International and is Kenya's leading local manufacturer of cocoa based products Cadbury Cocoa and Drinking Chocolate. After the closure of the Moulded Line in 2010 which used to manufacture Moulded Chocolate and Bournvita, it started importing them from other SBUs within Mondelez International i.e. Moulded Chocolate and Count lines from South Africa and Egypt, Bournvita from India, Candies and gum from Botswana and South Africa. It dominates the chocolate confectionery market in Kenya. Cadbury Dairy Milk is the favorite to chocolate consumers. Like other companies in the industry, the company business activities are affected by changes in the external environment Guth, (2010). This include changing environmental requirements, political instability, trading blocks, lack of free movement of goods, increased competition, increased cost of inputs such as raw materials, fuels and increased customer awareness and demand. Due to this, the company

has to craft best procurement practices that will enable it to be competitive and outperform its competitors and maintain market share.

1.2 Research Problem

Procurement services in the organization are under considerable pressure to deliver performance improvements and to achieve financial savings through more efficient and coordinated service delivery. Schonberger (2007), posited that organizations are increasing efficiency and professionalism in their procurement process. Best procurement practices such as procurement risk management, planning and supply performance influence organizations in achieving the collaboration and communication capabilities while maintaining the flexibility and responsiveness capabilities of market-oriented governance structures. Madhavaram and Hunt (2008), indicated that the higher the degree of procurement best practices led to cost reductions, improvements in inventory, customer service, new product development, information and material flows, and financial performance for the Local manufacturing firm. Hassanzadeh and Jafarian, (2010), noted that procurement best practices are viewed as a strategic function working to improve the organization's profitability, reduce raw material prices and costs, and identifying better sources of supply. Extensive research has been conducted on procurement best practice on organizational performance (Liker, 2004; Hines & Taylor 2000;). Lee, (2003) also expresses the objectives of best procurement practices as improving efficiency, quality and delivery performance of suppliers. Mark, Wilson and Ram (2009), investigated the implementation of lean procurement among small and medium sized enterprises.

In Kenya, there are some manufacturing companies that have successfully embraced the use of best procurement practices. For instance Cadbury (K) Limited has embraced e-procurement and employment of qualified procurement professionals as the company focus on gaining competitive advantage and improving on performance (Gitahi, 2011). Cadbury (K) Limited faces challenges such political framework, taxation, and change in technology which has made the company to focus on best procurement practice as a

strategic option to gain competitive advantage and achieve high organizational performance. Despite Cadbury (K) Limited embracing best procurement practices, studies focusing on influence of procurement best practices on organizational performance remain scanty.

Previous studies on procurement best practices have focused on green procurement. For instance Njuki (2013) carried out a study on factors influencing green procurement practices at UNEP Kenya and found that lack of top management support, government regulations, and lack of competent employees affected green procurement practices at UNEP. Wambui (2008), did a study on factors influencing the implementation of Information Communication technology in procurement among firms listed on the Nairobi Stock Exchange. The study found that insufficient finances, employees resistance, failure by top management in allocating resources towards implementation of ICT in procurement and low employees ICT competency affected the implementation of ICT in procurement to a great extent Moses (2012) e-procurement adoption among large scale manufacturers in Nairobi, Kenya and concluded that adoption of e-procurement had a positive impact on performance. With an ever changing business environment, procurement managers are faced with new challenges of ensuring procurement process influence environmental sustainability. The study seeks to determine the relationship between procurement best practices and organizational performance of Cadbury (K) Limited by answering the research questions: What are the best procurement practices adopted at Cadbury (K) Limited? And what is the relationship between procurement best practices and organizational performance of Cadbury (K) Limited?

1.3 Research Objectives

The objectives of the study are:

- i. To establish the extent to which procurement best practices are adopted at Cadbury (K) Limited
- ii. To determine the relationship between procurement best practices and organizational performance of Cadbury (K) Limited

1.4 Value of the Study

This study will be useful to procurement managers and organizational leaders as they will be able to gain insight on the extent to which procurement best practices affects organization performance at Cadbury (K) Limited. The study will also add to the existing body of knowledge in procurement best practices and further, fill the existing gaps by as far as the move to value creation and its contribution to the organization bottom line in a sustainable way as far as procurement management is concerned.

It will also help procurement departments know how to best deliver in order to improve their productivity, profitability and image. It will as well help the manufacturing companies analyze on how the instituted procurement practices have contributed to their performance as well as identify the loop holes that may be of hindrance to performance.

Consumers will benefit from this since they will enjoy the consistency and variety of goods and services offered from the manufacturing companies to satisfy their needs. The study will also provide insight on the procurement malpractices to be avoided at all cost. Other beneficiaries will be the future scholars as well as the general public.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the study. The theories reviewed are resource based theory and network theory. The chapter also presents an overview of best procurement practices and reviews studies on the effects of best procurement practices and their effects on organizational performance.

2.2 Theoretical Review

The performance of a firm depends not only on how efficiently it cooperates with its direct partners, but also on how well these partners cooperate with their own business partners. NT can be used to provide a basis for the conceptual analysis of reciprocity (Oliver, 1990) in cooperative relationships. Here, the firm's continuous interaction with other players becomes an important factor in the development of new resources (Haakansson and Ford, 2002). Relationships combine the resources of two organizations to achieve more advantages than through individual efforts. Such a combination can be viewed as a quasi-organization (Haakansson and Snehota, 1995). The value of a resource is based on its combination with other resources, which is why inter-organizational ties may become more important than possessing resources per se. Thus, the resource structure determines the structure of the supply chain and becomes its motivating force.

The network theory (NT) contributes profoundly to an understanding of the dynamics of inter-organizational relations by emphasizing the importance of relationships between the parties, the build-up of trust through positive long-term cooperative relations and the mutual adaptation of routines and systems through exchange processes. Through direct communication, the relationships convey a sense of uniqueness, ultimately resulting in supply chains as customization to meet individual customer requirements. The parties gradually build up mutual trust through the social exchange processes (Johanson and Mattsson, 1987). Network Theory is descriptive in nature and has primarily been applied

in SCM to map activities, actors, and resources in a supply chain. The focus has been on developing long-term, trust based relationships between the supply chain members. Examples of issues include buyer-supplier relationships.

Resource Based Theory was developed by Birge Wenefeldt in 1984; it is also called the Resource Based Theory (RBT). It is a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization. The RBV's underlying premise is that a firm differs in fundamental ways because each firm possesses a "unique" bundle of resources-tangible and intangible assets and organizational capabilities to make use of those assets. Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm's competitive advantage (Pearce and Robinson, 2007).

Barney (1991) suggests that firms succeed through developing resources that provide unique sources of competitive advantage. These may include physical, financial, human, and organizational resources; and confer competitive advantages based on their value, rareness, uniqueness (inimitability), and embeddedness in the organization fabric. Learned et al., (1969) noted that the capability of an organization is its demonstrated and potential ability to accomplish against the opposition of circumstance or competition, whatever it sets out to do. Every organization has actual and potential strengths and weaknesses; it is important to try to determine what they are and to distinguish one from the other. Thus what a firm can do is not just a function of the opportunities it confronts; it also depends on what resources the organization can master. Learned et al. proposed that the real key to a company's success or even to its future development lies in its ability to find or create a competence that is truly distinctive. According to Su et al., (2009) capabilities can't be bought; rather, they must be built; with internal capabilities and combined with external partnerships.

2.3 Procurement Best Practices

Procurement best practices is concerned with the management of a significant proportion of the non-pay expenditure and ensuring that the best possible value for money is obtained when committing organization expenditure. The procurement best practices is concerned with obtaining the required goods and services from appropriate suppliers to enable the institution to meet its strategic objectives in an economic, efficient and effective manner. The green purchasing indicators will be measured through timeliness, process efficiency, process effectiveness, integration with user and adhering to green procurement policies. Supply performance will be operationalized through reduction in lead time, product quality , The use of ICT in procurement system make the operational processes of the buyer organization more effective but also could make the order fulfillment process of the supplier organization more efficient and improve partner relationship management making organizational achieve high returns .

Procurement best practice will seek to lead to improvement in quality and reduction in cost it improves proper allocation of firm resources, high quality and timely procurement and budgetary saving and increase profitability in the organization .The best Organization performance will be measured by determining quality, productivity, market share, increase in customer base, profitability, return on equity, customer satisfaction, management efficiency and increase in branch network.

2.3.1 Green Purchasing

Green procurement is the practice of purchasing environmentally preferable products and services, which are products or services that have a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to, those which contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxins disposed of or consumed (Ochoa & Erdmenger, 2003). Organizations recognize that there are a large number of consumers with a broad

spectrum of goods and services. Every purchase has an environmental impact resulting from the combined effect of a product's manufacture, delivery, use, and disposition

Leading companies that decide to go along with green procurement activities are experiencing tangible benefits. Strategic sourcing can create value through increased overall cost efficiency, enhanced reputation and market share, and reduced environmental risks and liabilities. These companies get economic benefits by reducing supplier-generated wastes and surpluses, companies decrease handling expenses and risks associated with waste disposal (Holt and Kockelbergh, 2003). In addition, a supplier's savings from improved efficiencies may be passed along to buyers in the form of reduced prices. Competitive advantage is also acquired through innovation. Efficient production may be enhanced through suppliers' use of cleaner technologies, process innovation, and waste reduction (Holt and Kockelbergh, 2003). This is especially true when suppliers and customers work together to find new ideas. Companies get improved public image by adopting green procurement. Greening its suppliers can contribute to a company's overall reputation among customers, investors, employees, and other stakeholders (Khiewnavawongsa and Schmidt, 2008). Some of these tangible benefits include cost avoidance, savings from conserving energy, water, fuel and other resources; easier compliance with environmental regulations; demonstration of due diligence; reduced risk of accidents, reduced liability and lower health and safety costs; support of environmental/sustainability strategy and vision and improved image.

2.3.2 Supplier Partnering

Relationship between the organization and its suppliers. It is designed to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits.

Supply partnership emphasizes direct, long-term association and encourages mutual planning and problem solving efforts (Ragatz et al., 1997). Such supply partnerships are entered into to promote shared benefits among the parties and ongoing participation in one or more keys strategic areas such as technology, products, and markets .Strategic partnerships with suppliers enable organizations to work more effectively with a few

important suppliers who are willing to share responsibility for the success of the products. Suppliers participating early in the product-design process can offer more cost effective design choices, help select the best components and technologies, and help in design assessment. Strategically aligned organizations can work closely together and eliminate wasteful time and effort. An effective supplier partnership can be a critical component of a leading edge supply chain (Griffith and Harvey, 2001).

Supply partnership is viewed as the firm's ability to coordinate and integrate resources with their respective partners. Griffith and Harvey (2001), considered the ability to coordinate inter-organizational relationships effectively as one of the important resources of the firms. Wu (2006), viewed SRP as one of the key supply chain capability and refer Suppliers partnership to the ability in coordinating the Supply Relationship transaction-related activities. These capabilities improve operational efficiency and performance between the supply chain relationships. Similarly, supply chain leaders viewed the ability to integrate strategies in an effort to jointly execute a collective activity as an important capability (Grant, 1996). Adopting early supplier involvement, operational activities, such as product development projects, can offer more cost effective design choices, and improved product quality and reduction in lead time (Tan et al., 2002). Through strategic supplier relationship, organizations can work closely with suppliers who can share responsibility for the success of the products (Li et al., 2005). A result of increasing reliance on suppliers has been that shortcomings in supplier performance and/or competency may present buying firms with problems such as missed shipping dates and inferior quality levels. For other companies however, superior supplier performance or capability may lead to superior quality and/or rapid integration of the latest technological breakthroughs into the buying firm's own products through early supplier involvement (Ragatz et al., 1997).

2.3.3 Adoption of Information Communication Technology

As companies seek to improve the efficiency in the supply chain through increased integration, ICT can be considered as a key enabler for procurement process through its

ability to support information sharing and shortening information processing time (Mouritsen, *et al* 2003). Similarly, the impact of ICT can be demonstrated in terms of for instance changes in relationships, inter organizational changes and performance (Wilson and Vlosky, 1998). The many dimensions in which procurement process can be expressed and the wide variation of factors in which the impact of ICT can be defined in terms of integration indicates that previous research has been limited to studying a few dimensions and variables relationships at a time. The aspect of how to control and coordinate the activity between the companies in the supply chain, and how ICT affects the level of control integration in the supply chain is of great importance (Mouritsen *et al*, 2003).

Use of ICT in procurement help in coordination of business processes, both within the organization and between a purchaser and existing suppliers. Examples include electronic purchase-order systems, online catalogues and online linkages with suppliers to exchange information regarding fulfillment activities (Johnson and Leenders, 2004). Managers are attracted to the benefits of improved productivity, faster response times and an overall perception of low risk in implementation (Flynn, 2003). Technological developments in information systems and information technologies have the potential to facilitate coordination in transporting firms, and this, in turn, allows the virtual integration of the entire procurement process. Managers have realized that the Information communication technology can enhance procurement decisions making by providing real-time information and enabling collaboration between trading partners (Power & Simon 2004). Technology provides tools to enable organization operations to consistently procure the best-value materials and services, using unified internet-based sourcing tools and streamlined support for complex negotiations (Williams, 2005).

2.3.4 Purchasing Ethics

It is very important that the public procurement function is discharged with probity, transparency and accountability in a manner that secures best value for public money (Telgen, 2007). Probity requires the purchasing process to be conducted ethically,

honestly; and with fairness to all participants. Transparency and accountability require that the basis for decisions is demonstrably clear and objective and that the purchaser is held to account for the conduct of the procurement process. Contracting authorities must be cost effective and efficient in the use of resources while upholding the highest standards of integrity. Management in contracting authorities should ensure that there is an appropriate focus on good practice in purchasing and, where there is a significant procurement function that procedures are in place to ensure compliance with all relevant guidelines (Saeed *et al.*, 2005)

Badenhorst (1994) stated that purchasing departments are not fully involved in strategic decision making in organizations and hence competent people are not appointed to run the function. He organizational culture as affecting ethical standards in procurement (Not well-trained people cannot be expected to uphold high expected ethical standards). Poor record-keeping and inadequate control measures make unethical behaviour and fraud in the purchasing department inevitable (Saeed et al. 2005). According to Thai (2001), the procurement system is influenced by culture and technology. In a culture where giving gifts is a common public relation practice, it is difficult to make a distinction between gifts and bribes (Thai, 2001). The OECD (2007) attributes process-based organizational culture to unethical standards and recommends knowledge-based procurement methods. The public purchasing environment can create an atmosphere conducive to unethical behaviour (Badenhorst, 1994). An environment characterized by an absence of clear ethical policies can contribute towards unethical behaviour. Reilly and Kyi (1992) state that the ethical level of behaviour is procurement staff is mainly determined by the climate of the organization, top management, limited productive resources and lack of intellectual support in the organization. Thai (2001) outlines the environmental factors affecting the ethical standards in procurement as internal environment, legal environment, political environment and socio-economic environments.

2.4 Organizational performance

Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals (Jensen, M.C., and Meckling, W2006). The

short-term objectives of SCM are primarily to increase productivity and reduce inventory and cycle time, while long-term objectives are to increase market share and profits for all members of the supply chain (Hassanzadeh, and Jafarian, 2010) financial metrics have served as a tool for comparing organizations and evaluating an organization's behavior over time.

Lau and Lee, (2000) have measured organizational performance using both financial and market criteria, including return on investment (ROI), market share, profit margin on sales, the growth of ROI, the growth of sales, the growth of market share, and overall competitive position. In line with the above literature, the same items will be adopted to measure organizational performance in this study. This research considers organization performance relative to the competition from multiple organizational perspectives including quality, productivity, market share, profitability, return on equity, and overall firm performance. Other non financial measure of performance such as increase in customer base, market share increase, quality service delivery and increase in firm branch networks (Schonberger, 2007).

2.5 Procurement Best practices and Organizational Performance

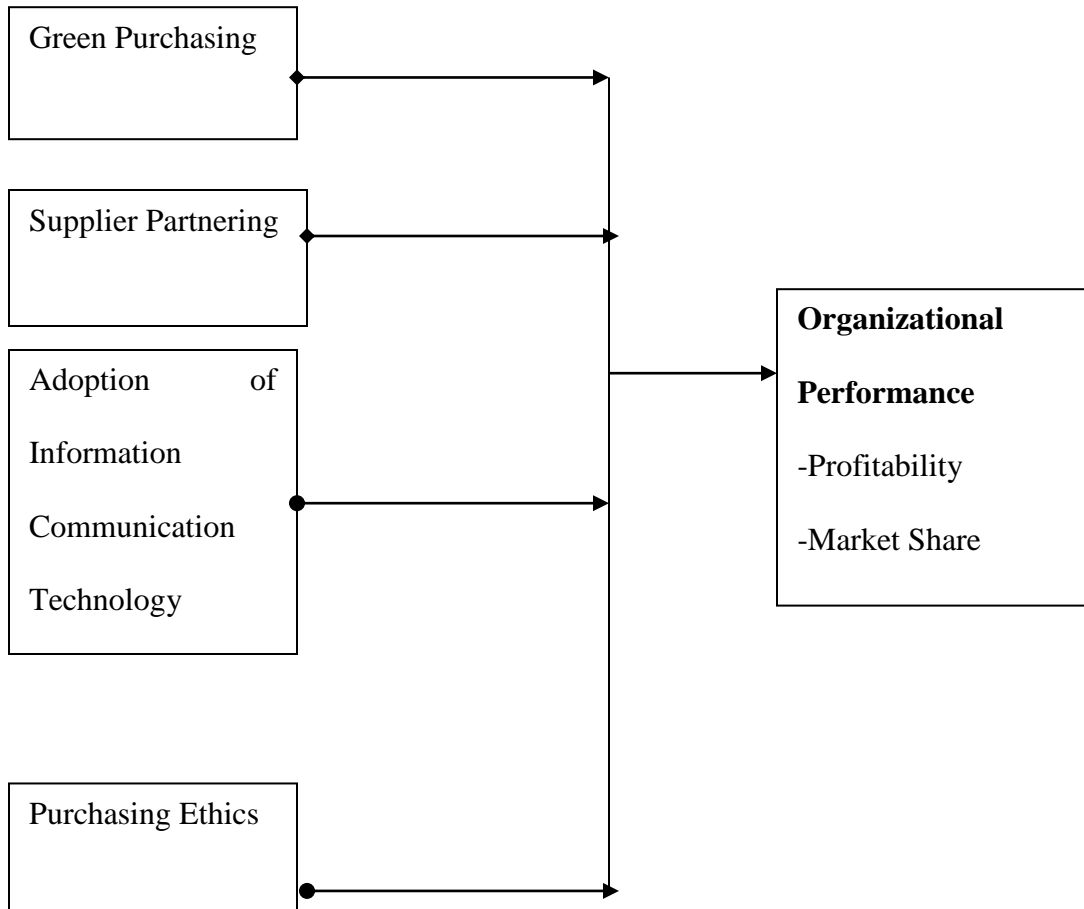
The procurement best practice includes three aspect green purchasing supplier selection methods. Green purchase supplier evaluation and the relationship of green purchasing practice and performance (Baines *et al*, 2005). Gershon, (2004) sought to identify opportunities to deliver efficiencies in the use of resources within the organizational and highlighted that significant savings in procurement were expected to be obtained through better supply side management seeking to communicate and manage likely demand in a strategic way with the supply sector and further professionalization of the procurement function within the organizations (Uyarra and Flanagan, 2010) Adoption of ICT in procurement support activity for the purchase of works, goods and services for all parts of the value chain (Porter. 1980). Procurement activities aim at anticipating requirement, sourcing and obtaining supplies, moving supplies into the organization, and monitoring the status of supplies as a current asset (Leenders and Fearon, 2000). Improvement in adoption of ICT in procurement processes in business to business (B2B) markets lower

the costs incurred in the identification and subsequent selection of the best suppliers, increase the value of purchases in terms of their price-quality relationship, and lower transaction costs associated with greater process efficiency, improving supply chain management and organizational performance (Hardaker & Graham, 2000;).

Lancioni,(2000) have revealed the importance of Information communication Technology in procurement improve employees productivity, increase real time response, influence achievement of lean procurement, enhance procurement service delivery and improve procurement efficiency attaining overall organizational performance. Effective procurement ethics offers a high level transparency, accountability and value for money. The principle aim of procurement should be to obtain goods and services of the right quality in the right quantity from the right source, delivered to the right place and at the least cost and price (Lyson, 2000). Successful and efficient procurement practices are those that meet the need of customer's achieve optimum condition and value in regard to allocating of scarce resources (Ntayi, 2009).

The practice needs a labor force with effective management skills that develop clear and professional specifications with full knowledge of a competitive process negotiation and monitoring skill. Hunja (2003), posited that procurement system adhere to purchasing ethics ensure successful quality and service delivery to stakeholders. The sound practices demand that those responsible for implementing procurement should ensure that the objectives are clear and that quality is sustained (Walker and Sidwell 1996).

Figure 2. 1 Conceptual Framework



Independent variables

Dependent variables

Source: Author (2014)

Conceptual framework is a schematic presentation which identifies the variables that when put together explain the issue of concern (Peters et al., 2000). The conceptual framework (Figure 2.1) is therefore the set of broad ideas used to explain the relationship between the independent variables (factors) and the dependent variables (outcome) (Coulthard, 2004). This study was guided by a conceptual framework where independent

variable was best procurement practice and organizational performance was the dependent variable.

Procurement best practices is concerned with the management of a significant proportion of the non-pay expenditure and ensuring that the best possible value for money is obtained when committing organization expenditure. The procurement best practices is concerned with obtaining the required goods and services from appropriate suppliers to enable the institution to meet its strategic objectives in an economic, efficient and effective manner. The green purchasing indicators was measured through timeliness, process efficiency, process effectiveness, integration with user and adhering to green procurement policies. Supply performance was operationalized through reduction in lead time, product quality , the use of ICT in procurement system make the operational processes of the buyer organization more effective but also could make the order fulfillment process of the supplier organization more efficient and improve partner relationship management making organizational achieve high returns .

2.6 Summary of the Literature

From the review of the literature, studies have focus on procurement best practices. Madhavaram and Hunt (2008) and Hassanzadeh, and Jafarian, (2010) noted that procurement best practices are viewed as a strategic function working to improve the organization's profitability, reduce raw material prices and costs, and identifying better sources of supply. Other studies such as Liker, (2004); Hines and Taylor (2000); Lee, (2003) also expresses the objectives of best procurement practices as improving efficiency, quality and delivery performance of suppliers. Mark, Wilson and Ram (2009) investigated the implementation of lean procurement among small and medium sized enterprises. Most of the studies has been done in developed countries .This study seek to establish the relationship between Procurement best practice and organizational performance which will be measured through quality, productivity, market share, increase in customer base, profitability, return on equity, customer satisfaction, management efficiency and increase in branch network.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology of the study. A research method is simply a technique of collecting data whose methods consists of either listening to subject, observing what people do and say or collecting and examining documents which human beings construct. In this chapter, most decisions about how research were executed and how interviewees were approached, as well as when, where and how the research was completed. The chapter therefore entail research design, data collection method and data analysis and presentation .

3.2 Research Design

The research design for this study was case study since the unit of analysis is one organization. The study is aimed at getting detailed information regarding the procurement best practices on organizational performance focusing on a case of Cadbury's Kenya Limited. According to Ngechu (2006), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2004) noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations.

Case study research design allowed the study to collect quantitative data, which can be analysed quantitatively using descriptive and inferential statistics and help in processing of collecting data in order to test hypothesis or to answer the questions of the current status of the subject under study. Case study research design is deemed fit as it will help in collection of qualitative and quantitative data to answer research questions regarding

influence of best procurement practices on organizational performance focusing on a case of Cadbury’s Kenya Limited.

3.3 Target Population

Target population for in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The target population of the study was the staff working at the Cadbury’s Kenya Limited. The population of this study was 89 respondents comprising managers, financial officers, procurement officers, logistics officers and operational officers in Cadbury’s Kenya Limited.

Table 3. 1: Target Population

Respondents	Total Population	Percentage of Total Population
Managers	10	11
Finance Officers	12	13
Procurement officers	15	17
Logistic Officers	6	7
Quality Managers	5	6
ICT Officers	6	7
Operations Officers	35	39
Total	89	100

Source: Cadbury’s Kenya Limited (2014)

3.4 Sampling Design and Procedure

Stratified proportionate random sampling technique was used to select the sample. According to Cooper and Schindler (2008), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous

population. Stratification aims to reduce standard error by providing some control over variance. From each stratum the study used simple random sampling to select 45 respondents. According to Cooper and Schindler (2008), random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used. Mugenda and Mugenda (2003) indicated a sample size of 10% or 20% will be sufficient for a study. The study took 50% of the population to select a sample size of 45 of the study population.

Table 3. 2: Sample Size

Respondents	Total Population	Percentage	Sample size
Managers	10	50%	5
Finance Officers	12	50%	6
Procurement officers	15	50%	8
Logistic Officers	6	50%	3
Quality Managers	5	50%	2
ICT Officers	6	50%	3
Operations Officers	35	50%	18
Total	89		45

3.5 Data Collection procedures

The study collected both primary and secondary data. Primary data was collected using an unstructured questionnaire. It contains closed and open-ended questions to collect quantitative and qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The unstructured questionnaire was made of four sections. The first part address the background information, section B address procurement best practices, section C address organization performance used at the company and Section four address the relationship between procurement best practices and organizational performance .

The main advantage of structured and unstructured questions is that they are easier to analyse, easier to administer and are economical to use in terms of time saving. Secondary data was collected from published material and information from other sources such as annual reports, periodicals and company publications such as profit growth, return on asset, market share of the company and customer base.

3.6 Validity and Reliability

The researcher carried out a pilot study to pretest and validate the questionnaire. To establish the validity of the research instrument, the researcher sought opinions of experts in the field of study especially the researcher's supervisor. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. The researcher intends to select a pilot group of 10 individuals from the study population to test the validity and reliability of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. Reliability was obtained by correlating the scores of each questionnaire for each variable. Pearson product moment correlation coefficient (r) was used to test reliability of the questionnaire. Cronbach's alpha formula was used in test the reliability of instrument data where a coefficient closer to 1 was accepted.

3.7 Data Analysis and Presentation

The collected data was summarized, coded and tabulated. The Statistical software Package for Social Sciences (SPSS, version 21) software was used to generate data which was analyzed using descriptive statistics. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables for ease of understanding and interpretations. Descriptive statistics such as means, standard deviation and frequency distribution was used to analyze the data to establish the extent to which best procurement practices affects organizational performance at. Content analysis was used to analyze collected qualitative data. It involves observation and detailed description of objects, items or things that comprise the study (Mugenda and Mugenda, 2003). Further inferential statistics, correlation and regression were done. Correlation analysis was used

to establish the strength of association between variables. Regression analysis was done to establish relationship between best procurement practices and organizational performance.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on the procurement best practices and organizations performance. The data was gathered exclusively from the questionnaire as the research instrument. From the study, 40 out of 45 sample respondents filled-in and returned the questionnaires making a response rate of 88.88%. This reasonable response rate was made a reality after the researcher made personal calls and visits to remind the respondent to fill-in and return the questionnaires.

4.2 Background Information

The study sought to know the highest level of education attained, designation and years of experience at Cadburys Kenya Limited.

4.2.1 Highest level of education attained

The study requested the respondents to indicate highest level of education attained.

Table 4. 1 Highest level of education attained

	Frequency	Percentage (%)
Diploma Level	20	50
Others	11	28
Degree	5	13
Postgraduate	4	9
Total	40	100

Source: (Author, 2014)

From the findings majority, 50% of the respondents indicated that they had diploma level of education, 28% of the respondents had other level of education such as secondary, attained tertiary and primary level of education, 13% of the respondents had attained

degree level of education while 9% of the respondents had attained postgraduate level of education. This implied that majority of the respondents were educated and could indicate the information required by the study.

4.2.2 Designation of the Respondents

The study sought to know the designation of the respondents. From the findings most of the respondents indicated that they were managers, finance officers, procurement officers, logistic officers, quality managers, ICT officers and operations officers in the Cadbury’s Kenya Limited. They are thus deemed to be very conversant with the procurement process in the Cadbury’s Kenya Limited and would therefore give the correct information on the procurement best practices and organizations performance.

4.2.3 Years of experience in the department

The study requested the respondents to indicate the years of their experience in the department.

Table 4. 2: Years of experience in the department

	Frequency	Percentage (%)
5-6yrs	18	45
1-2yrs	10	25
over 6yrs	8	20
3-4yrs	4	10
Total	40	100

Source: (Author, 2014)

From the findings, majority 45% of the respondents indicated that they had an experience of 5-6 years in their departments, 25% of the respondents had an experience of 1-2 years, 20% of the respondents indicated to have an experience of over 6 years while 10% of the respondents had 3-4 years of experience. This implied that the majority of the respondents had worked in their departments for a long period and had experiences on what were the procurement best practices and organizations performance.

4.3 Procurement best practices and organizations performance

The study sought to know whether the company had adopted procurement best practices.

Table 4. 3 Company adopted procurement best practices

	Frequency	Percentage (%)
Yes	27	68
No	13	32
Total	40	100

Source: (Author, 2014)

From the findings, majority 68% of the respondents indicated that the company had adopted procurement best practices while 32% of the respondents said that company had not adopted procurement best practices. Respondents stated that there is adoption of best practices strategies that are followed when making company purchasing decisions. These include building supplier relationships, team based approaches to procurement and proper use of technology or e-procurement. This implies that management addresses the issue of procurement best practices as this has accrued benefits directly to the bottom line of organizations. This is in line with Guth, (2010) who stated that procurement best practices equivalent is therefore continuous and rapid movement as well as benchmarking, where an organization measures itself against other ‘best-in-class’ organizations.

4.4 Procurement best practices at Cadbury’s Kenya Limited

The study sought to know the extent to which procurement best practices were adopted.

Table 4. 4 Procurement best practices at Cadbury’s Kenya Limited

Procurement best practices	Mean	Std Dev
Adoption of Information Communication Technology	4.79	0.34
Procurement risk management	4.61	0.53
Green purchasing	4.56	0.21
Procurement Planning	4.53	0.41

Purchasing Ethics	4.47	0.23
Supply Relationship Performance	4.41	0.55

Source: Author (2014)

The respondents in Table 4.4 indicated the extent to which procurement best practices were adopted at Cadbury's Kenya Limited. From the findings, majority of the respondents indicated that Adoption of Information Communication Technology, procurement risk management, green purchasing and procurement planning was adapted to a very great extent in the firm as indicated by a mean of 4.79, 4.61, 4.56 and 4.53 respectively. The study found that Purchasing Ethics and supply relationship performance was adopted by the firm to a great extent as indicated by a mean of 4.47 and 4.41 respectively. The study established adoption of ICT, procurement planning, Procurement risk management and Green purchasing are the procurement best practices at Cadbury's Kenya Limited. Respondent explained that building a long term relationship with a reliable supplier can result in better customer service and may prove to be more cost effective over time.

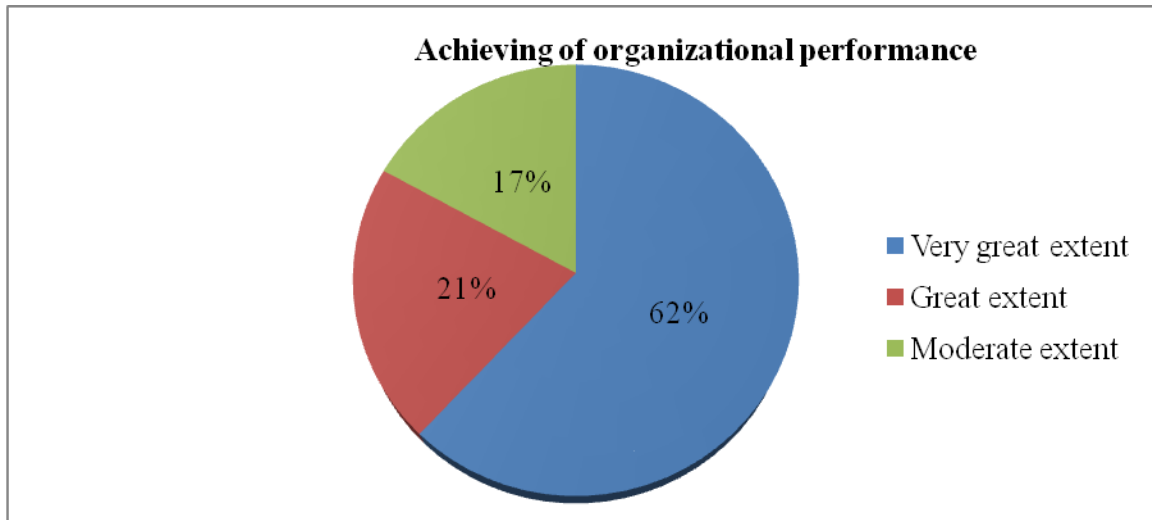
Another procurement best practice is to make an entire department responsible in some way for procurement. This implies that making procurement practices more of a team effort can boost company morale and improve strategic approaches to purchasing. This is in line with Arawati, (2011) who argued that characteristics of best practices for supplies management are identified across many high performing organizations and they include commitment to total quality management, commitment to just in time, commitment to total cycle time reduction, long range strategic plans, supplier relationships, strategic cost management, training and professional development, service excellence, corporate social responsibility, learning, management and leadership.

4.5 Organization Performance

The study sought to establish the extent to which achieving of organizational performance is focused on at Cadbury's Kenya Limited through procurement best practices.

4.5.1 Achieving of organizational Performance

Figure 4. 1 Achieving of organizational performance



Source: (Author, 2014)

From the findings, majority 62% of the respondents indicated that the company focused on organizational performance through procurement best practices to a very great extent, 21% said to a great extent while 17% of the respondents indicated that management the company focused on organizational performance through procurement best practices to a moderate extent. This implies that procurement best practices are more a part of a business's success. This is in line with Parasuraman (2002), who proposed that firms delivering services must broaden their examination of productivity from the conventional company-oriented perspective to a dual company-customer perspective and that organizations that have adopted best procurement practices are able to deliver their products and services.

4.5.2 Organizational performance indicators

The study went further asking respondents to explain what organizational performance indicators the company focuses to achieve through procurement best practices.

Table 4. 5 Organizational performance indicators

Performance Measures	Yes	No
Increase in customers base	96	4
Profitability	98	2
Increase in market share	95	5
Quality product development	93	7
Return on asset	90	10

Source: (Author, 2014)

From the findings in Table 4.5, respondents indicated that the company measured performance of the company by use of profitability as indicated by 98% of the respondents, increase in customer base as indicated by 96% , 95% indicated increase in market share and use of quality product development as indicated 93% of the respondents. The study also found that the company use return on assets as a measure of performance as indicated by 90% of the respondents. The study respondents further found that the company uses quality and timeliness of processes, system productivity and system integrity, quality service delivery and return on equity as a measure of performance. This is in line with Gershon, (2004) who found that firms measures their performance through indicators such as profitability, branch network expansion and increase in customers as well as increase in firm market share.

4.6 Green Purchasing

The study sought to know the extent to which the given activities integrated in green procurement practices influence organizational performance at reusing of the products being procured.

4.6.1 Activities integrated in green procurement practices influence organizational performance

From the findings majority of the respondents indicated that compliance with green procurement policies to performance, integration with user, recycling of the products procured and procured material composition influence organizational performance at reusing of the products being procured to a very great extent as indicated by a mean of 4.81, 4.73 4.70 and 4.65 with standard deviation of 0.78, 0.74, 0.69 and 0.66. Most of the respondents indicated that process efficiency, enhancement of end of life disposal decision and products usage in the organizations influence organizational performance at reusing of the products being procured to a great extent as indicated by a mean of 4.56, 4.40 and 4.32 with standard deviation of 0.41, 0.37 and 0.32.

Table 4.6 Activities integrated in green procurement practices influence organizational performance

Statement of green purchasing	Mean	Standard deviation
Compliance with green procurement policies to performance	4.81	0.78
Integration with user	4.73	0.74
Recycling of the products procured	4.70	0.69
Procured Material composition	4.65	0.66
Process Efficiency	4.56	0.41
Packaging of the product being procured	4.44	0.45
Enhancement of end of life disposal decision	4.40	0.37
Timeliness in green purchasing process	4.36	0.41
Products usage in the organizations	4.32	0.32
Process effectiveness	4.21	0.32
Manufacturing of the environmental friendly products	4.19	0.30

Source: (Author, 2014)

Most of the respondents indicated that packaging of the product being procured, timeliness in green purchasing process, process effectiveness and manufacturing of the environmental friendly products influence organizational performance at reusing of the products being procured to a moderate extent as indicated by a mean of 4.44, 4.36, 4.21 and 4.19 with standard deviation of 0.45, 0.41, 0.32 and 0.30. This implies that activities integrated in green procurement practices influence organizational performance. This is in line with Khiewnavawongsa and Schmidt, (2008) who stated that companies get improved public image by adopting green procurement. Greening its suppliers can contribute to a company's overall reputation among customers, investors, employees and other stakeholders.

4.7 Adoption of Technology

The study sought to determine the extent to which technology influence performance in the organizations.

4.7.1 Technology advancement affecting efficiency in procurement process

The extent to which the respondents agreed with the given statement concerning technology advancement affecting efficiency in procurement process in the company was investigated. Data in Table 4.7 was analyzed using a likert scale where 1=Strongly Disagree, 2=Disagree, 3=moderately agree, 4= Agree and 5= strongly agree. Data was presented in mean and standard deviation.

Table 4. 7 Technology advancement affecting efficiency in procurement process

TECHNOLOGY	Mean	Standard deviation
Reduction in cost of operations	4.88	0.75
The company delivers service in good time	4.76	0.66
The company lowers of information search costs for suppliers due to low technology adoption	4.59	0.60

The company streamlining procurement processes and build confidence of employees	4.38	0.40
The company response to request for quotation	4.35	0.32

Source: (Author, 2014)

From the findings majority of the respondents strongly agreed that reduction in cost of operations, company delivering service in good time and lowering of information search costs for suppliers due to low technology adoption affects efficiency in procurement process as indicated by a mean of 4.88, 4.76 and 4.59 with standard deviation of 0.75, 0.66 and 0.60. Most of the respondents stated that the company streamlining procurement processes and build confidence of employees and company response to request for quotation affects efficiency in procurement process as indicated by a mean of 4.38 and 4.35 with standard deviation of 0.47, 0.40 and 0.32. This implies that many dimensions in which procurement process can be expressed and the wide variation of factors in which the impact of ICT have been defined. This is in line with Mouritsen et al (2003), the aspect of how to control and coordinate the activity between the companies in the supply chain and how ICT affects the level of control integration in the supply chain is of great importance.

4.8 Supplier Partnership

The study sought to investigate the extent to which respondents agreed with the given statement on supplier partnership and performance of Cadbury’s Kenya Limited.

4.8.1 Supplier partnership and performance of Cadbury’s Kenya Limited

From the findings, majority of the respondents strongly agreed that supplier’s relationship aid organization adoption of cost effective design choices and promotes collaboration in products as indicated by a mean of 4.84 and standard deviation of 0.75. Most of the respondents strongly agreed that superior supplier performance improve company, suppliers relationship promotes rapid integration in the company, reduction in lead time and promote partnership in market as indicated by a mean of 4.79, 4.73, 4.60 and 4.57 with standards deviation of 0.69, 0.61, 0.62 and 0.54.

Table 4. 8 Supplier partnership and performance of Cadbury’s Kenya Limited

Statements on Supplier Relationship	Mean	Standard deviation
Suppliers relationship aid organization adoption of cost effective design choices	4.89	0.78
Suppliers relationship promotes collaboration in products	4.84	0.75
Superior supplier performance improve company	4.79	0.70
Suppliers relationship promotes rapid integration in the company	4.73	0.61
Reduction in lead time	4.60	0.62
Suppliers relationship promote partnership in market	4.57	0.54
Supplier partnership promote mutual planning and problem solving efforts	4.48	0.50

Source: (Author, 2014)

Most of the respondents agreed that supplier partnership promote mutual planning and problem solving efforts as indicated by a mean of 4.48 with standard deviation of 0.50. This implies that company’s resources are dedicated to those relationships which will truly benefit from a partnership and supply management professionals are responsible for developing and maintaining effective business relationships with suppliers and customers. This is in line with Ragatz et al., (1997) who stated that supply partnerships are entered into to promote shared benefits among the parties and ongoing participation in one or more keys strategic areas such as technology, products and markets.

4.9 Procurement Ethics

The study sought to know whether the organization ensure transparency and accountability in procurement process.

4.9.1 Ensure of transparency and accountability in procurement process

On how transparency and accountability in procurement process was achieved, majority of the respondents indicated that the process of procurement in the company required

specific guidelines and mechanisms for transparency and accountability. Respondents stated that procurement process lacked simple and clearly delineated steps to be followed, unambiguous and understandable processes that were agreed upon by all stakeholders' involved thus affecting transparency and accountability. Procurement activities and decisions that are open to reasonable scrutiny are able to withstand a public defensibility test in the context of fairness, equity and value for money. This implies that there has been provision of documented reasons for decisions and the provision of appropriate information to relevant stakeholders. This is in line with Thai (2001) who stated that demonstrated accountability and transparency reduces the likelihood of unethical behaviour, reassures the community and instills confidence in all stakeholders concerning the integrity of decisions.

4.9.2 Influence of purchasing ethics on performance in the company

The study sought to investigate extent to which respondents agreed with the given statement regarding influence of purchasing ethics on performance in the company. Data in Table 4.8 was analyzed using a likert scale where 1=Strongly Disagree, 2=Disagree, 3=moderately agree, 4= Agree and 5= strongly agree. Data was presented in mean and standard deviation.

Table 4. 9 Influence of purchasing ethics on performance in the company

Statement on Purchasing Ethics	Mean	Standard deviation
Contracting authorities are cost effective and efficient	4.89	0.81
Purchasing ethics promote positive supplier relationships	4.77	0.65
Honestly and with fairness to all participants influence company lowering operation costs	4.53	0.54
Professionalism in procurement improve company quality supply	4.50	0.44
The procurement officers in the company make informs decision due to failure to follow procurement regulations.	4.49	0.59
Purchasing ethics ensure compliance with all relevant guidelines	4.27	0.34

Source: (Author, 2014)

From the findings in Table 4.9, majority of the respondents strongly agreed that contracting authorities are cost effective and efficient, purchasing ethics promote positive supplier relationships, honestly and with fairness to all participants influence company lowering operation costs, and professionalism in procurement improve company quality supply as indicted by a mean of 4.89, 4.77, 4.53 and 4.50 with standard deviation of 0.81, 0.65, 0.54 and 0.44 respectively. The study also found that most respondents agreed that the procurement officers in the company make informs decision due to failure to follow procurement regulations and purchasing ethics ensure compliance with all relevant

guidelines as indicated by a mean of 4.49 and 4.27 with standard deviation of 0.59 and 0.34 respectively. This implies that the ethical level of behaviour of procurement staff is mainly influence the performance in the company. According to Thai (2001), the procurement system is influenced by culture and technology. In a culture where giving gifts is a common public relation practice, it is difficult to make a distinction between gifts and bribes.

4.10 Procurement practices improved the performance of the organization

The study sought to investigate the extent to which procurement practices improved the given performance of the organization.

Table 4. 10 Procurement practices improved the performance of the organization

Statements on Organization Performance	Mean	Standard deviation
Supplier performance	4.71	0.67
Cost reduction	4.64	0.73
Branch network	4.56	0.53
Customers responsiveness	4.49	0.53
Sales increase	4.43	0.44
Profitability	4.24	0.38

Source: (Author, 2014)

Data in Table 4.9 was analyzed using a likert scale where 1-No extent, 2- Less extent, 3- moderate extent, 4-great extent and 5- very great extent. Data was presented in mean and standard deviation. From the findings majority of the respondents indicated that procurement practices improved supplier performance, cost reduction and branch network of the organization to a very great extent as indicated by a mean of 4.71, 4.64 and 4.56 with a standard deviation of 0.67, 0.73 and 0.53 respectively. Most of the respondents indicated that procurement practices improved customer’s responsiveness, sales increase and profitability of the organization to a great extent as indicted by a mean of 4.49, 4.43 and 4.24 with a standard deviation of 0.53, 0.49, 0.44 and 0.38. This implies that Organizations have leveraged the excellence in procurement procedures and best

practices and discover improvement the procurement functions add value to corporate business objectives. This is in line with Ntayi (2009) who stated that the practice needs a labor force with effective management skills that develop clear and professional specifications with full knowledge of a competitive process negotiation and monitoring skill.

4.10.1 Procurement best practices and how it has impacted on the company performance

The study sought to investigate other procurement best practices and how it has impacted on the company performance. From the findings, respondents indicated that other procurement best practices are strategic procurement planning, performance measurement, performance metrics, use of cooperative contracts, transparency; risk management, ethical procurement, procurement policy manual, performance management and performance-based contracting. Respondents stated that procurement best practices enable the company to reinvent its cost structures, support the company in achieving critical efficiency improvements in the short term direct or indirect manipulation of the key purchase levers of price of goods and volume of purchase. This implies that procurement teams in Cadbury (K) Limited adopt a culture of collaboration and continuous improvement, create and actively use management information to inform strategic procurement decisions, embed best practice, and improve organizational processes.

4.11 Correlations Analysis

Correlation analysis was used to establish the strength of association between variables.

Table 4. 11 Correlation of the Study Variables

		Profitability	Green Purchasing	Supplier Partnering	Adoption of Information	Purchasing Ethics
Profitability	Pearson Correlation	1				
	Sig. (2-tailed)	0.02				
	N	40				
Green Purchasing	Pearson Correlation	.658(*)				
	Sig. (2-tailed)	.001				
		40	40			
Supplier Partnering	Pearson Correlation	.642(*)	.590(*)	1		
	Sig. (2-tailed)	.001	.007			
	N	40	40	40		
Adoption of Information	Pearson Correlation	.869(*)	.580(*)	.430	1	
	Sig. (2-tailed)	.002	.037	.003		
	N	40	40	40	40	
Purchasing Ethics	Pearson Correlation	.737(*)	-.642(*)	-.704(*)	-.619	1
	Sig. (2-tailed)	.001	.000	.002	.000	.000
	N	40	40	40	40	40

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

The Pearson correlation analysis was done for all the study variables showed that there existed a very strong positive correlation between organization performance and procurement best practices in Cadbury (K) Limited at 95% confidence level. The correlation between green purchasing and profitability was significantly strong and positive ($r=0.658$, $P=0.001<0.05$). This implied that when the company decided to go along with green procurement activities tangible benefits are experienced. The findings on correlation analysis in Table 4.10, the correlation between supplier partnering and profitability was significantly strong and positive ($r=0.642$, $P=0.001 <0.05$). This clearly indicated that profitability was high when good supplier partnering relations are maintained.

The finding in Table 4.10 revealed a strong, significant positive correlation between adoption of Information Communication and profitability in the company, ($r=0.869$, $P=0.002 <0.05$). This implied that technology improve the organization's profitability.

The finding in Table 4.10 revealed a strong, significant positive correlation between purchasing ethics and organizational profitability, ($r=0.737$, $P=0.001 <0.05$). This implied that improving purchasing ethics has a significant positive on organization profitability. This is in line with Coulthard, (2004) who stated that procurement best practice will seek to lead to improvement in quality and reduction in cost in improves proper allocation of firm resources, high quality and timely procurement and budgetary saving and increase profitability in the organization.

4.12 Regression Analysis

The study sought to establish whether there existed a relationship between procurement best practices and organizational performance

4.12.1 Model Summary

Table 4. 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.892(a)	.795	.784	0.05	0.727	4	2.321	1.42	.01(a)

a. Predictors: (Constant) Green Purchasing, Supplier Partnering, Adoption of Information Communication and Purchasing Ethics

b. Dependent: Profitability

The study sought to determine relationship between procurement best practices and organizational performance of Cadbury (K) Limited. From the table 4.11, R is the square root of R-Squared and is the correlation between the observed and predicted values of dependent variable implying that there was association of 0.892 between profitability and best procurement practices in Cadbury (K) Limited. Adjusted R² in Table 4.11 is called the coefficient of determination which indicates how the profitability varied with variation in best procurement practices in the company which includes green purchasing, supplier partnering, adoption of information communication and purchasing ethics. From Table 4.17, the value of adjusted R² is 0.784 implying that, there was a variation of 78.4% of best procurement practices in the company and the profitability at a confidence

level of 95%. This clearly indicated green purchasing, supplier partnering, adoption of information communication and purchasing ethics improved the company's profitability.

4.12.2 ANOVA (b)

Table 4. 13 : ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.1359	13	.245	1.5622	0.01(a)
	Residual	5.4474	57	.239		
	Total	7.5833	70			

- a. Predictors: (Constant) Green Purchasing, Supplier Partnering, Adoption of Information Communication and Purchasing Ethics
- b. Dependent: Profitability

The Total variance (7.5833) was the difference into the variance which can be explained by the independent variables (Model) and the variance which was not explained by the independent variables (Error). The study established that there existed a significant goodness of fit between variable as F-test ($F=2.5504$, $P=0.01 < 0.05$). The calculated $F=2.5504$ far exceeds the F-critical of 1.5622. This implied there the level of variation between independence and dependent variable was significant at 95% confidence level. This indicated that the model formed between effects of best procurement practices and profitability was a good fit for the data. The strength of variation of the predictor values effects of best procurement practices in the company was significant at $P= 0.01 < 0.05$.

4.12.3 Coefficients (a)

Table 4. 14 : Coefficients (a)

Model		Unstandardized		Standardized	t	Sig.
		Coefficients				
		B	Std. Error	Beta		
1	(Constant)	3.563	0.000		2.445	0.001
	Green Purchasing	0.755	0.709	.463	2.712	0.001
	Supplier Partnering	0.828	0.790	.372	.2.211	0.002
	Adoption of Information Communication	0.747	0.642	.746	1.859	0.003
	Purchasing Ethics	0.752	0.546	.287	1.437	0.004

a. Predictors: (Constant) Green Purchasing, Supplier Partnering, Adoption of Information Communication and Purchasing Ethics

b. Dependent: Profitability

The established regression equation was;

$$Y = 1.5632 + .755X_1 + .828X_2 + 0.747X_3 - .752X_4 + e$$

Where: Y=Profitability, X₁= Green Purchasing, X₂= Supplier Partnering, X₃= Adoption of Information Communication, X₄= Purchasing ethics and e = Error Term

The findings in Table 4.13 indicated that profitability would be at 1.5632 holding best procurement practices which are green purchasing, supplier partnering, adoption of information communication and purchasing ethics constant at zero. The study established that effort by the management to support the green purchasing improve the company's profitability (r= .755, p=0.001<0.05).

The study found that good supplier partnering would significantly increase profitability (r=0.828, p=0.002<0.05). From the regression results in Table 4.13 on Information

Communication, the study found that there was Adoption of Information Communication which significantly increase organization profitability ($r=0.747$, $p=0.003<0.05$).

From the regression results in Table 4.13 the study found that effort to enhance purchasing ethics significantly increased profitability of the company ($r=0.752$, $p=0.004<0.05$). This clearly indicated that improved green purchasing, good supplier partnering, adoption of information communication and purchasing ethics procurement best practices increased profitability. This is in line with Coulthard, (2004) who stated that the best Organization performance will be measure by determining quality, productivity, market share, increase in customer base, profitability, return on equity, customer satisfaction, management efficiency and increase in branch network.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMENDATION

5.1 Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the purpose of this study which was to determine the relationship between procurement best practices and organizational performance of Cadbury (K) Limited.

5.2 Summary of Findings

The study established that the company had adopted procurement best practices that were followed when making company procurement decisions. These include building supplier relationships, team based approaches to procurement, proper use of technology, purchasing ethics, procurement planning, procurement risk management. Procurement best practices are more a part of a business's success. The study established that the company focused on performance through procurement best practices to achieve price variance, effective contract utilization, motivate management, improve procurement staff skills, improved procurement cycle time and effective payment processing time. Procurement best practices are strategic procurement planning, performance measurement, performance metrics, use of cooperative contracts, transparency, risk management, ethical procurement, procurement policy manual, performance management and performance-based contracting.

Compliance with green procurement policies to performance, integration with user, recycling of the products procured and procured material composition, process efficiency, enhancement of end of life disposal decision and products usage in the organizations influence organizational performance. From the findings, packaging of the product being procured, timeliness in green purchasing process, process effectiveness and

manufacturing of the environmental friendly products influence organizational performance.

From the findings reduction in cost of operations, company delivering service in good time, streamlining procurement processes, building confidence of employees, company response to request for quotation and lowering of information search costs for suppliers due to low technology adoption affects efficiency in procurement process. From the findings, supplier's relationship aid organization adoption of cost effective design choices and promotes collaboration, improve company, promotes rapid integration in the company and promote partnership in market.

The study established that the process of procurement in the company required specific guidelines and mechanisms for transparency and accountability. Procurement activities and decisions that are open to reasonable scrutiny are able to withstand a public defensibility test in the context of fairness, equity and value for money. Contracting authorities are cost effective and efficient, purchasing ethics promote positive supplier relationships, honestly and with fairness to all participants influence company lowering operation costs and professionalism in procurement improve company quality supply.

The study established that the procurement officers in the company make informs decision due to failure to follow procurement regulations and purchasing ethics ensure compliance with all relevant guidelines.

Procurement practices improved supplier performance, cost reduction, branch network of the organization, customer's responsiveness, sales increase and profitability of the organization to a great extent. The study established that procurement best practices enable the company to reinvent their cost structures, support the company in achieving critical efficiency improvements in the short term direct or indirect manipulation of the key purchase levers of price of goods and volume of purchase.

From the Pearson correlation analysis done for all the study variables, there existed a very strong positive correlation between organization performance and procurement best practices in Cadbury (K) Limited at 95% confidence level. There was a variation of

78.4% of best procurement practices in the company and the profitability at a confidence level of 95%. The model formed between effects of best procurement practices and profitability was a good fit for the data. The study finding was also similar to Lancioni,(2000) finding who revealed the that Information communication Technology in procurement improve employees productivity, increase real time response, influence achievement of lean procurement, enhance procurement service delivery and improve procurement efficiency attaining overall organizational performance.

Therefore improved green purchasing, good supplier partnering, adoption of information communication and purchasing ethics procurement best practices increased profitability. Thai (2001) also found that outlines the environmental factors affecting the ethical standards in procurement as internal environment, legal environment, political environment and socio-economic environments. Furthermore, Uyarra and Flanagan, (2010) noted that adoption of ICT in procurement support activity for the purchase of works, goods and services for all parts of the value chain while Hunja (2003) had found that procurement system adhere to purchasing ethics ensure successful quality and service delivery to stakeholders. The study under investigation contributed greatly to the existing literature, the study established that there existed a significant positive correlation between procurement best procurement practices , that was green purchasing, supplies partnering, adoption of ICT and adhering to purchasing ethics and organizational performance at 95% confidence level . The study also found that there existed a significant relationship between procurement best practices and organizational performance.

5.3 Conclusion

There is a relationship between the procurement best practices with the company profitability. The study concludes that procurement best practices that are followed when making company purchasing decisions are building supplier relationships, team-based approaches to procurement and proper use of technology. Implementing procurement best practices may significantly improve the effectiveness of procurement decisions.

The study concludes that insights on the best procurement practices are critical in organization seeking to improve performance. Characteristics of best practices for procurement management are identified across many high performing organizations and they include commitment to total quality management, total cycle time reduction, long range strategic plans, supplier relationships, strategic cost management, training and professional development, service excellence, management and leadership.

The study concludes that through procurement best practices the company focuses to achieve key performance indicators on different aspects of a procurement system, including cost, quality and timeliness of processes, system productivity and system integrity. The procurement system is influenced by culture and technology. The aspect of how to control and coordinate the activity between the companies in the supply chain and how ICT affects the level of control integration in the supply chain is of great importance.

The study concludes that dimensions in which procurement process can be expressed and the wide variation of factors in which the impact of ICT have been defined affect the performance. Accountability and transparency reduces the likelihood of unethical behaviour, reassures the community and instills confidence in all stakeholders concerning the integrity of decisions. The study concludes the ethical level of behaviour of procurement staff influence the performance in the company. Organizations have leveraged the excellence in procurement procedures and best practices and discover improvement the procurement functions add value to corporate business objectives. However, procurement processes are also highly vulnerable to corruption, collusion, fraud and manipulation. Companies with strong ethics programs have found that these efforts can reduce potential costly fines, decrease vulnerability, improve reputation, provide access to capital, favorably influence their bottom line, positively affect their employees' commitment to work and enhance customer loyalty.

5.4 Recommendation

The study recommends that management in Cadbury (K) Limited should ensure that there is an appropriate focus on good practice in procurement and that there is a significant

procurement procedure in place to ensure compliance with all relevant guideline. On delivering services management must address the issue of procurement best practices as these has accrued benefits directly to the bottom line of organizations.

The study recommends that management should build a long term relationship with reliable supplier by having better customer service, make an entire department responsible and make procurement practices more of a team effort to boost company morale and improve strategic approaches to purchasing. For positive effect of the best procurement practices, there should be a labor force with effective management skills that develop clear and professional specifications with full knowledge of a competitive process negotiation and monitoring skill.

The study recommends that procurement teams in Cadbury (K) Limited should adopt a culture of collaboration and continuous improvement, create and actively use management information to inform strategic procurement decisions, embed best practice and improve organizational processes. Management, directors and procurement officers should be prepared to participate in technology advancement so as to effectively and efficiently process procurement activities. Ethical levels of behaviour of procurement staff must be ensured as it influences the performance in the company. Finally the study recommends that company's resources need to be dedicated to the practices that enhances the functioning of best procurement practices for development and maintenance of profitability.

5.5 Recommendation for further study

The study determined the relationship between procurement best practices and organizational performance of Cadbury (K) Limited. This study accounts for 78.4% of procurement best practices effects on organizational performance. The study was only based on Cadbury (K) Limited; thus the study recommends that a further study should be carried out to cover a wider scope to enhance generalization.

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APPENDICES

Appendix 1: Questionnaire

Please tick (✓) the box that matches your answer to the questions and give the answers in the spaces provided as appropriate.

Section A: Background Information

1) Highest level of education attained

- i. Diploma Level
- ii. Degree
- iii. Postgraduate
- iv. Any other, kindly specify

2) What is your designation in the Cadbury's Kenya Limited?

3) Years of experience in the in your department

- i. 1-2 years
- ii. 3-4 years
- iii. 5- 6 years
- iv. Above 6 years

SECTION: B

4. Has your company adopted procurement best practices?

Yes

No

Give reasons for your answer.....

5. Indicate the extent to which your company adopts the following procurement best practices. Using a scale of 1-5 where .(Very Great Extent -5, Great Extent -4, Moderate Extent -3, Less extent -2 and No Extent-1)

Procurement best practices	Yes	No
Green purchasing		
Supply Relationship Performance		
Adoption of Information Communication Technology		
Purchasing Ethics		
Procurement Planning		
Procurement risk management		

Any other, kindly specify.....

Section C: Organization Performance

6. Indicate the extent to which achieving of organizational performance is focused on at Cadbury’s Kenya Limited through procurement best practices?

- i. Very Great Extent []
- ii. Great Extent []
- iii. Moderate Extent []
- iv. Less extent []
- v. No Extent []

7. Indicate the organizational performance indicators your company focuses to achieve through procurement best practices

Statements on Organization Performance	Yes	No
Profitability		
Increase in market share		
Return on asset		
Quality product development		
Increase in customers base		

Any other, kindly specify.....

Section D. Relationship between Procurement best practices and organizational performance

Green Purchasing

8.To what extent are the following activities integrated in green procurement practices influence organizational performance at Reusing of the products being procured .(Very Great Extent -5, Great Extent -4, Moderate Extent -3, Less extent -2 and No Extent-1)

Statement of green purchasing	Very Great Extent	Great Extent	Moderate Extent	Less Extent	No Extent
Procured Material composition					
Recycling of the products procured					
Process Efficiency					
Timeliness in green purchasing process					
Process effectiveness					
Compliance with green procurement policies to performance					
Integration with user					
Manufacturing of the environmental friendly products					
Packaging of the product being procured					
Enhancement of end of life disposal decision					
Products usage in the organizations					

Adoption of Technology

9. To what extent do you agree with the following statement concerning technology advancement affecting efficiency in procurement process at LWSC? (1=Strongly Disagree, 2=Disagree, 3=moderately agree, 4= Agree and 5= strongly agree)

TECHNOLOGY	Strongly	Agree	Neutral	disagree	Strongly disagree
Reduction in cost of operations					
The company response to request for quotation					
The company lowers of information search costs for suppliers due to low technology adoption					
The company streamlining procurement processes and build confidence of employees					
The company delivers service in good time					
Efficiency in procurement process					

Supplier Partnership

10. To what extent do you agree with the following statements on supplier partnership and performance of Cadbury's Kenya Limited? Use a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is Neutral, 4 is agree and 5 is Strongly agree

Statements on Supplier Relationship	1	2	3	4	5
supplier partnership promote mutual planning and problem solving efforts					
superior supplier performance improve company					
Suppliers relationship promotes rapid integration in the company					
Suppliers relationship promotes collaboration in products					
Suppliers relationship promote partnership in market					
Reduction in lead time					
Suppliers relationship improved product quality					
Suppliers relationship aid organization adoption of cost effective design choices					

Procurement Ethics

11. Does the organization ensure transparency and accountability in procurement process?.....

12 To what extent do you agree with the following statement regarding influence of purchasing ethics on performance in your company .Where, 1=Strongly Disagree,2=Disagree, , 3=Moderately agree, 4= Agree and 5= Strongly agree)

Statement onPurchasing Ethics	1	2	3	4	5
Honestly and with fairness to all participants influence company lowering operation costs					
Contracting authorities are cost effective and efficient					
The procurement officers in the company make informs decision due to failure to follow procurement regulations.					
Purchasing ethics ensure compliance with all relevant guidelines					
Professionalism in procurement improve company quality supply					
Purchasing ethics promote positive supplier relationships					

13.To what extent does procurement practices improved the following performance of your organization? Use a scale of 1 to 5 where 1 is to no extent, 2 is to a little extent, 3 to a moderate extent, 4 is to a great extent and 5 is To a very great extent

Statements on Organization Performance	1	2	3	4	5
Supplier performance					
Cost reduction					
Sales increase					
Profitability					
Branch network					
Customers responsiveness					

14. Explain other procurement best practices at your company and indicate how its impact on the company

performance.....

.....