

**STRATEGIC SOURCING AND PUBLIC SECTOR SERVICE  
DELIVERY ACASE STUDY CARRIED OUT AT UGANDA  
NATIONAL MEDICAL STORES (UNMS).**

**BY**

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DEGREEE IN PROCUREMENT  
AND SUPPLY CHAIN  
MANAGEMENT.**

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## DECLARATION

I **BWIRE BONIFACE** Reg No **BSP/37765/123/DU** do declare to the best of my knowledge that this research report is my original work and has never been submitted or presented by any person to any university or institutions for the award of a certificate, a diploma or a degree.

Sign ..... 

Date ..... 

## APPROVAL

I do certify that this research report has been carried out under my supervision and it is now ready for submission with my approval for the award of a Bachelor's Degree of Kampala International University.

Sign  .....

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Date 21.06.2016 .....

## **DEDICATION**

I dedicate this successful piece of work with love and affection to my family for their financial, emotional and spiritual support rendered during the course of my studies and supervisor Ms. Orodriyo Proscovia for the great sacrificial time towards my academics.

Without them I could have not finished my course of study.

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I thank the almighty God for the great love and protection towards my life in addition to the entire management and friends of Kampala International University.

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May the Almighty God bless them abundantly.

## **ABSTRACT**

The study is sought to Evaluate Strategic Sourcing and public sector service delivery at Uganda National Medical Stores (UNBS).

The research design was cross sectional and descriptive in nature and a sample of 70 respondents was drawn from a population of 90 respondents. Stratified and simple random sampling method was employed when selecting the respondents from the study population. Self –Administered questionnaires and interviews were used to collect responses that were later subjected to rigorous data processing and analysis using Statistical Package for Social Scientists (SPSS).

The findings revealed from the study showed that the firm's greatest strength is procurement planning, alignment of the overall procurement policy to the firm's cooperate strategy, continuous performance assessment of strategic suppliers, effective information sharing with suppliers, Early supplier involvement (ESI) and a clear understanding of the concept of strategic sourcing by the procurement personnel.

On the other hand, weaknesses revealed by the findings include the following; Evaluation teams appointed are not independent and do not own their decisions, the firm's overall sourcing strategy hardly incorporates capability assessments of strategic suppliers, lack of periodic Audits for strategic supplier evaluation and selection criteria. The findings also revealed that the firm's greatest challenge is lack of Early supplier involvement (ESI) in strategic sourcing projects, supplier opportunistic behavior for example taking advantage of current inflation to hike prices, strategic sourcing objectives are not aligned to the overall procurement objectives and high bureaucratic procurement procedure.

The findings also revealed minor challenges such as; failure to learn from the past strategic sourcing projects, poor communication, limited capacity of some key strategic suppliers and constantly changing customer needs.

However, to enhance strategic sourcing, it was recommended that procurement staff be trained in strategic sourcing, continuously assess the performance of strategic suppliers, Early Supplier Involvement (ESI) in all strategic sourcing projects, top management buy-in in all strategic sourcing projects and effective use of IT systems to boost strategic sourcing program.

## **LIST OF ABBREVIATION**

**PPDA:** Public Procurement and Disposal of Public assets.

**UNMS:** Uganda National Medical Stores.

**HCS:** Health Centre Services.

**SPSS:** Statistical Package for Social Scientists.

**ESI:** Early Supplier Involvement.

## LIST OF KEY TERMS

**Procurement:** means acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise or any other contractual means, of any type of works, services or supplies or any combination (PPDA Act 2003).

**Sourcing:** Is a systematic and comprehensive process of getting provider(s) from outside country(s) in order to achieve the company's long-term objectives.

**Strategic Sourcing:** refers to a comprehensive process designed to pursue all value levers by leveraging a company's buying power with selected suppliers, conducting best practice evaluations, sourcing globally and conducting company /supplier joint process improvements (Chopra and Meindl,2007).

**Service delivery:** Is a system or arrangement of periodical performance of supplying public needs (**Oboth (2001)**).

**Evaluation:** refers to a process of determining the reliability, capability and capacity of the provider.

**Supplier relationship management:** refers to strategies of creating long-term mutual dealings and gains with the supplier.

**Provider:** refers to a natural person or an incorporated body including a consultant, contractor or supplier licensed by a competent authority to under take business activities.

**Services:** means any object of procurement or disposal other than works and supplies and includes professional, non professional and commercial type of services as well as supplies and works which are incidentals to, but not exceeding the value of those services (PPDA Act 2003).

**Supplies:** means goods, raw materials, products, equipments, livestock, assets, land or objects of any kind or description in solid, liquid or gaseous form, or in the form of electricity, or intellectual and property rights as well as works or services incidental to the provision of those supplies where the value of the works or services does not exceed the value of the supplies (PPDA Act 2003).

**Works:** means any work associated with construction, reconstruction, demolition, repair or renovation of a building or structure, on the surface or underground, on and under water (PPDA Act 2003).

**Risk:** refers to any hindrance from achieving the intended goals and/or objectives.

**Population:** refers to the total number of people in a given territory.



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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background.**

The current global supply chain arena today is highly competitive. Efficiency and effectiveness are the major focus areas of the majority of firms in such a competitive environment (Sneidjer, 2004). This has compelled many Organizations to embrace strategic sourcing in a bid to remain competitive (World Economic Forum, 2007).

Strategic Sourcing is a comprehensive process designed to pursue high levels by leveraging a Organization's buying power with selected suppliers ,conducting best practice evaluations, sourcing globally and conducting company/supplier joint process improvements (Chopra and Meinde,2007).

According to AMPROC (2006), Strategic Sourcing is also common in Uganda today as firms look for ways to improve supply chain performance and maintain competitiveness in the in the volatile Business Environment. What companies buy has been increasing in importance, size, volume and complexity and thus how companies buy has changed. Manufacturing firms that spend a lot of money in procurement are exploiting several opportunities to leverage the corporate buy, optimize the supply base, minimize linked costs in the supply chain and maximize the value of goods and services to the users.

NMS is an autonomous Government Corporation established by the National Medical Stores Act of 1993, which came into effect on 3rd December, 1993. MOH through the 1993 NMS Act delegated the drug supply, storage and distribution function to NMS, hence the formation of an autonomous institution, NMS, to replace the Central Medical stores (CMS), which was formally a department of MOH (Annual Audit report 2010).

NMS is responsible for ensuring the continuous distribution of pharmaceutical products in a financially viable and sustainable manner. In addition, NMS distributes various drugs which currently include Uganda Essential Drug Kits, Sexually Transmitted Infections (STI) drugs and family planning products. MOH is responsible for the allocation of the above categories of drugs while NMS stores and distributes to the various districts and health facilities (Annual Auditor General Report (2010)).

According to Anderson and Katz (2008), these opportunities of strategic sourcing can be described in a systematic frame work of strategic sourcing that is applicable to services as well as materials. Strategic sourcing has been taken to new levels by these firms by applying it to procurement strategies that will shape better ways of realizing competitive benefits that contribute to the achievements of corporate objectives. However much of many Ugandan firms have embraced Strategic Sourcing, much of

them are still struggling with the challenges of strategic sourcing for example poor decision making, inappropriate procurement planning for materials/services, poor supplier selection and evaluation, and poor supplier relationship. This challenge has hindered firms from fully realizing benefits of strategic sourcing and ultimately affecting the realization of the Organizational benefits.

UNMS procurement quarterly report (2010) indicates that the organization has recorded a continuous decline in the performance of its strategic sourcing program. The Organization has continued to experience deteriorating quality of supplies and delayed deliveries have hampered its operation. The report blamed the poor planning and implementation of strategic sourcing which has promoted maverick buying, use of incompetent suppliers who do not meet specification standards and delivery schedules. The report went ahead and to point out that the organization has inflated by at least 6% to 10% of normal market prices yet routine supplies comprise 65% of the firm's annual spend. The report finally concluded that the organization has failed to realize benefits of strategic sourcing program because of poor and ineffective process of planning, evaluation, implementation and control of all its sourcing activities.

## **1.2 Statement of the problem**

The performance of strategic sourcing in UNMS has left a lot to be desired because it has failed to deliver desired results as expected.

According to the Auditor General report, (2010), the strategic objective of NMS is to procure, store and distribute medicines and medical supplies for use in Ugandan medical facilities. The report reveals that there is a constant increase in complaints that NMS does not supply drugs and medical supplies to meet public health units' needs, NMS does not have a clearly spelt out policy on the standard time it should take to process a customer order from receipt to delivery at customers' District or personal collection at NMS premises(late delivery), NMS does not maintain proper procurement plans ,NMS stocks drugs without regard to buffer stock levels, NMS has poor suppliers relationship, continuous increase in sourcing costs and maverick procurement.

Delivery times from UNMS to HCS vary from two to four months (Kimera, 2008). At UNMS there is lack of storage space, insufficient funding to procure enough drugs, high stock outs and lack of capacity to handle and process substantial volumes of orders.

This therefore forms the basis of this study because there is need to evaluate strategic sourcing at UNMS so that strategies for improvement can be identified and implemented to enhance its performance.

### **1.3 Purpose of the study**

The study aimed at evaluating the level of Strategic Sourcing, its challenges and recommending improvement strategies that can enhance strategic sourcing and delivery performance at UNMS.

### **1.4 Research objectives**

- a) To examine the level of strategic sourcing at UNMS.
- b) To determine the challenges of strategic sourcing at UNMS from facilitating effective service delivery.
- c) To assess strategies that can be put in place and/or implemented to ensure successful strategic sourcing at UNMS.

### **1.5 Research Questions**

- a) What is the level of strategic sourcing at UNMS?
- b) What are the challenges of strategic sourcing at UNMS?
- c) What strategies are to be put in place and/or implemented to ensure successful strategic sourcing at UNMS?

### **1.6 Scope of the study**

#### **1.6.1 Subject Scope**

The study focused on evaluating the level of strategic sourcing, its challenges and improvement strategies that can be implemented so that its benefits and effective service delivery can be achieved.

#### **1.6.2 Geographical scope**

The study focused on Uganda Medical Stores located at plot 4-12 Nsamizi road in Entebbe Wakiso district.

#### **1.6.3 Time Scope**

The study was conducted for a period of six month (January – June)

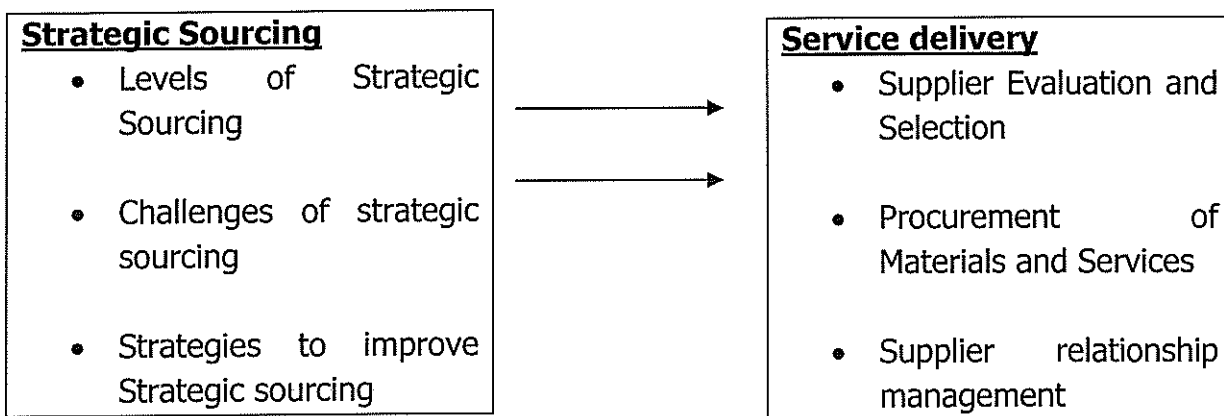
### **1.7 Significance of the study**

- I. The study will help UNMS implement strategies for improving strategic sourcing so that the intended competitive benefits can be realized.
- II. The study will help UNMS to effectively manage underlying challenges of strategic sourcing so that its objectives can be effectively achieved.
- III. The study will provide a basis for effective service delivery to HOS so that the Organizations achieve its objectives.



- IV. The study will benefit a researcher for the award of a Degree in supplies and Procurement Management and other researchers as a reference for studies related to strategic sourcing.
- V. The study will provide a basis for procurement policy formulation and recommendation with regard to the implementation of strategic sourcing by either public and/or private organizations or both.

### 1.8 Conceptual framework



From the above illustration, the effectiveness of UNMS of ensuring proper service delivery and the realization of Strategic Sourcing benefits will depend on the appropriateness of Supplier Evaluation and Selection assessment and Audit criteria, practice and technical knowledge used by the evaluation team; effective planning, compliance to user requirements, staff training and clearly understanding the concept of Strategic Sourcing by the Procurement Unit; in addition to proper management and development of buyer- supplier relationships through vital information sharing, joint problem solving and carrying-out periodic evaluation and Audits of supplier performance.

Taking into consideration of the above by NMS will enable it to maintain and improve its Strategic Sourcing level, face minimal Strategic Sourcing challenges and hence provide the best strategies for performance improvement.

## **CHAPTER TWO**

### **LITRATURE REVIEW**

#### **2.0 Introduction**

Literature was reviewed according to study objectives. It entails definition of the key variables and a detailed analysis of the study objectives.

#### **2.1 The concept of strategic sourcing**

The strategic importance of sourcing has increased over time (Krause et al, 2001), and has been projected to increase in the future (Benton, 2007). Further this strategic importance is prevalent in both manufacturing and service industries (Monczka et al., 2005).

By definition, **Strategic Sourcing** refers to a comprehensive process designed to pursue all value levers by leveraging a company's buying power with selected suppliers, conducting best practice evaluations, sourcing globally and conducting company /supplier joint process improvements (Chopra and Meindl,2007). Strategic sourcing is a complex process that contributes tremendously to the competitive advantage of an Organization (Novack and Simco, 2007). As much as 70 per cent of an Organization's sales revenues or total manufacturing costs is spent in purchasing raw materials, components and finished goods or services (Presutti,2003; Lo and Vueng,2004; Tayles and Drury,2001). If sourcing costs can be reduced, this can improve returns on investments by increasing both profit margins and asset turnover rate (Dobler and Burt, 2000; Leenders and Fearon, 2005).

During the past two decades, the purchasing function has changed from playing a supporting role to becoming a strategic activity, and now makes a significant contribution to the competitive advantage of an Organization (Quayle, 2002;Carr md Srneltzter,2006). Strategic sourcing which is also labeled purchasing, procurement or sourcing by Banfield (1999),Greaver (2004),Carr and Srneltzter(2006) and Tulluri arasimhan(2004), is critical to the success of a company through its supply chain by using strategic tools to manage suppliers and achieve the company's long-term goals.

**Strategic sourcing** is a systematic and comprehensive process that adds value to a company, which in turn helps to achieve the company's long-term objectives (Smeltzer et al., 2003; Anderson and katz 2005). Carr and Smeltzer (2006) specifically point out that strategic sourcing consists of the strategic processes of **planning, evaluating, implementing** and **controlling** all sourcing activities by a company to achieve its long-term goals .Smeltzer et al (2003) find that all strategic sourcing strategies emphasize the integration of business practices such as **early supplier involvement**,

**supplier development, supplier assessment, supplier certification and measurement.** Strategic sourcing activities also include **analyzing expenses, identifying potential suppliers, requesting quotations, negotiating contracts, monitoring and improving suppliers** (Kumar et al, 2003).

Strategic sourcing aims at streamlining sourcing and purchasing activities to support the total supply chain vision to service the ultimate customer. It aligns the sourcing operations to support overall organizations strategy and service level (Kocabasoglu, 2002; Elirarn and Carr, 2004; Pearson and Gritzmacher, 2006). Strategic sourcing aims at identifying and selecting suppliers for long-term partnerships, engages in early involvement of suppliers and supplier development by effectively allocating resources to enhance supplier performance. It provides benchmarks and continuous feed back to suppliers and in some cases engages in supplier pruning activities (Tomas Hult, 2003; Talluri and Narasimhan, 2004). Strategic sourcing architecture upholds the competitive profile of the company and develops, interconnect and manage the rings constituting the chain (Dc Toni et al, 2007). Strategic sourcing has been increasingly recognized as an integral part of business strategies and practices. As companies cannot allocate equal amounts of effort or resources to each individual area of the strategic process due to limitations of human and monetary resources, there is need for a careful and informed -analysis of a strategic sourcing program before implementation, if intended benefits are to be realized. Strategic sourcing, also labeled purchasing, procurement or outsourcing by Banfield (1999), Greaver(1999), Carr and Smeltzer(1997) and Talluri and Narasimhan(2004) is critical to the success of a company through its supply chain by using strategic tools to manage suppliers and achieve the company's long-term goals.

**Service delivery** is getting services as effectively and quickly as possible to the intended recipient. In most instances service delivery implies a degree of excellence on the part of the Organization, and is a hallmark of economies that have moved past the production phase (Ask.com).

**Oboth (2001)** noted that in as far as the Local Government Act, Constitution and any other Statutes that are studied; there is no definition of the phrase "service delivery" either deliberately or ignorantly. However, he said Service is system or arrangement that supplies public needs; whereas delivery is a periodic performance of a service.

Therefore service delivery is a system or arrangement of periodical performance of supplying public needs.

**Helmsing (1995)** in his study defines service delivery as a deliberate obligatory decision by the elected or appointed official to serve goods and service to the recipient.

**Heskett (1987)** defines service delivery as an attitudinal or dispositional sense, referring to the internationalization of even service values and norms.

## **2.2 Strategic sourcing activities**

Strategic sourcing includes a wide range of activities namely creating an overall strategy for sourcing, evaluating and selecting suppliers, procuring materials /services and managing supplier relationships (Anderson and Katz, 2008).

## **2.3 Overall sourcing strategy**

Firms must have an overall sourcing strategy if they are to succeed in their strategic sourcing initiatives (Stork, 2007). As companies are under constant pressure to outperform increasingly fierce competition, cost effectiveness, innovative capability and quality consciousness in the supply chain total cost of ownership considerations when comparing different alternative partners (Talluri and Narasimhan, 2003; Swift, 2005). Zueng (2006) emphasizes the impact of sourcing on a firm's growth and profit and provides a short review of different global sourcing strategies (multiple, single and hybrid network). Most of the literature by (Gadde and Hakansson, 2001) compares multiple sourcing as a strategy with single sourcing. In multiple sourcing the buying company is splitting its orders for the same item among different available sources, whereas single sourcing is an extreme form of source loyalty towards one single supplier within a range of acceptable sources.

Cavinato (2004) suggests that single sourcing is the ultimate stage of full partnerships between buyers and sellers on industrial markets. It's amongst others, the result of the numerous "total quality programs", supplier base reduction efforts, total cost cutting strategies and reducing through out time projects in purchasing (Carter et al., 2000; Buttack, 2001). Gadde and Hakanson (2001) describe how "network sourcing" implies trade-offs between involvement and sourcing opportunism. In general most authors attribute more advantages than disadvantages to a single sourcing strategy (Sriram and Mummalaneni, 1990). Single sourcing is preferred to multiple sourcing because of an imminent cutting of costs. Single supplier-buyer relationships offer different cost advantages. As volumes are not split between different sources, the buyer has an opportunity of negotiating better purchasing conditions (Ellram and Billington, 2001; Buttack, 2001 and Brierly 2001). Less investment in warehousing is needed as delivery schedules do not have to be split and deliveries can more easily be planned (Kelle and Miller, 2001). The administrative costs of handling just one supplier are on one obviously lower (Schorr, 1992; Cooke, 1998; Brierly, 2001). Buyer and supplier can finally also achieve cost reductions in the logistics field (Lynch, 2001). Moreover, improvements in quality are noticed (Sriram and Mummalaneni, 2004). This is due to the fact that the supplier is capable of managing operations more efficiently and acquiring more expertise in developing solutions for technical, logistic and other problems (Clayton, 2008). Larson and Kulchitsky (2005) report both cost reductions and quality improvements resulting from single sourcing. Automotive companies are

therefore increasingly relying on single sourcing to safe guard their global competitive position (Pfaffman and Stephan, 2001). Dependency of both partners on one another is one major draw back associated with a single sourcing strategy. It may lead to higher switching costs (as suppliers will want to create captive customers) and potentially less competitive cost-structures ((Haywood, 2001) might also result which may cause buyer to loose market feeling and knowledge of supply alternatives might fade. Thus the flexibility of the supplier might shrink and cost and price competitiveness might be gradually reduced (Talluri and Narasimhan, 2003).

To overcome these draw backs, large customers frequently adopt a dual sourcing strategy (limiting the number of suppliers for an item to two) or a mixed strategy (Sugihara and Tanaka, 1994; Dirks et al., 2000; Talluri and Narasimhan, 2003) in which they deliberately choose a single source of supply for one specific item or component, but introduce competition on the level of a family of related components, thus obliging single sources to constantly improve their performance (Asmus and Griffin, 2002; Richardson, 2007). This is called parallel sourcing (Gadde and I-lakansson, 2001). It is a specific form of multiple sourcing, which has been incorporated in traditional cascade like supplier associations used by Japanese firms (for instance, in the Japanese electronics industry, Tlirakubo and Kublin, 2008).

It has become a consistent part of Japanese network buying, which originally presupposed single sources only (Dirks et al., 2000). There is contradictory evidence as to the effectiveness of both parallel and dual sourcing as compared to single sourcing. Dubois and Gadde (2006) and Araujo et al. (2008) have studied buyer-supplier relationships over long periods of time and they conclude that for the same product different supply strategies may be used alternately and pose that this probably occurs according to the importance of contextual factors such as specifications by the final customer, standardization efforts, increased external and internal pressure for cost savings, structural changes in the supply market, and so on. Quayle (1998, 2002) cites the same reasons for purchasing strategy changes in the public sector.

## **2.4 Supplier evaluation and selection**

Supplier evaluation and selection is another critical activity involved in strategic sourcing and its concerned with the actual choice of supplier, which involves evaluating the characteristics of suppliers based on the selection criteria and selecting that supplier which best matches the needs of the item /product (Lui et al., 2000; Weber et al., 2000; Chin et al., 2006 Araz and Ozkarahan, 2006). These evaluation criteria involve trade-offs because its difficult for any single supplier to excel in all dimensions of performance (Petroni and Braglia; 2000; Bhutta and Huq, 2002). In order to ensure the un interrupted supply of items, it has been observed that more than one supplier or vendor is normally available for each item. Periodic evaluation of supplier quality should be carried out to

ensure the meeting of relevant quality standards for all incoming items. Price alone should not be the yardstick for assessing supplier performance; rather the "cost of ownership of materials" appears to be more appropriate (Albino et al., 2008). It is worth mentioning here that in some of the recent studies, essential requirements advocated for supplier selection are; quality, cost, delivery, flexibility and response; (Li et al., 1997) Talluri and Sarkis 2002). In recent years, several proposals for evaluating performance of suppliers have been reported in the literatures, including notable among them are categorical method, weighted point method and cost-ratio method (Dobler et al., 1990; Timmerman 1986. Soukup (1997) suggested supplier selection strategies using the weighted point method. Narasimhan (1983) proposed an analytic hierarchic process (AL-IP) Based methodology for the supplier selection.

The above mentioned methodologies each have some advantages under specific conditions. High performing Organizations tend to place less importance on unit price as a selection and evaluation criterion; they select and evaluate suppliers on the basis of good quality, delivery reliability and product performance (Gunasekaran et al., 2004). They also involve their key suppliers in the decision making process and successfully involve them in continuous improvement programs (Tracey and Tan, 2001). When evaluating suppliers it is important to identify parameters and metrics that are objective and relevant to the Organization at all levels. For these metrics to be truly effective they must be separate from personalities and aligned to core processes. They should be able, also be measurable, realistically, attainable adequately resourced and timely. Supplier performance measurement tools can be developed to measure and manage potential preferred suppliers against a set of defined performance criteria such as on time delivery (OTD), Quality and the cost of doing business.

## **2.5 Procuring services and materials**

As more evidence indicates that a firm is very much defined by its procurements and benefits by its close partnership with the suppliers, the strategic sourcing decision becomes increasingly important in the firm's growth and profit (Carlene, 2008). Of various activities occurring in a corporation's daily operation, procurement is an inevitable task that's responsible for materials moved from suppliers /vendors to manufacturing facilities. By one estimate, between 50 percent and 70 percent of manufacturing Organizations potential value is in purchase items; even for service industries, half of their services are in fact purchased from other companies (Mihaly, 2008). Thus an organization's profit is determined and defined by its purchases to a large extent, and purchasing has been considered one of the key drivers for Organization's survival and growth.

One of the procurement department's major responsibilities is sourcing or selection of suppliers. Zenz, (2004, p.120) views procuring services and materials as the strategic

philosophy of selecting vendors in a manner that makes them an integral part of the buying firm for a particular component or part they are to supply. This view pinpoints the profound meaning of procurement that is beyond the traditional view. In other words, procurement no longer simply refers to getting the materials at desired prices; rather, the decision should be incorporated into the buying Organization's operating strategies to support or even to improve the Organization's competitive advantages. The underlying importance and utilization of sourcing services and materials can be seen not only from the above general economic point of view, but also from its impacts on the buying firm's internal operation. First of all sourcing may dictate the beginning of actual production runs, since the availability of raw materials and other supplies purchased are essential for the production facilities to operate. In addition, the materials purchased have direct impact on the final product's price and quality in a manufacturing setting as well as the service quality provided by non-manufacturing companies. It is evidenced that more buyers rely on their suppliers to improve their products' quality and price (Zeng ,1999) and that by understanding more about the suppliers operation, the buyer may see a way to help shave costs on the purchasing side (Mihaly,1999).

## **2.6 Managing supplier relationship**

Strategic sourcing activities involve many interactions with existing potential suppliers and new suppliers and managing relationships with them is very crucial to the success of strategic sourcing initiatives in any firm, (2008). It is important to effectively distinguish those that best suit the company's requirement and long-term needs (Dobler and Burt, 1996; Pooler Pooler .2004). Supplier monitoring should be performed continually (Chan and Qi ,2003;Krause and Eliram ,1997;Gunasekaran et al., 2004; Chin et al ., 2006). Supplier monitoring keeps track of supplier performance, and provides feedback to suppliers for amelioration, if necessary, which eventually improves strategic sourcing performance. Thirdly, supplier development is required for those suppliers that are not performing well but are still useful to the company (Talluri and Narasimhan, 2004). Supplier development defined as both the buyer and supplier applying effort to increase the suppliers performance and capabilities (Krause and Eliram ,1997; Hartley and Jonnes,1997). The good and the best suppliers can be further developed, and partnership strategies can be applied (Talluri and Narasimhan ,2004 ). Finally, supplier collaboration is an appropriate first step towards building strategic alliances with supplier partners (Burt et al., 2003 ;Prevot and Spencer, 2006), where by partners are willing to share information about further plans, design and R&D (Spekman et al .,2001;Lajara and Lillo ,2004i .Many North American firms have changed their supplier management practices in recent years ,such as by signing long-term contracts and increasing collaboration with their suppliers (McCutcheon et al.,1997).

## 2.7 Benefits and risks of strategic sourcing

In the supply chain literature, strategic sourcing has been linked to a wide variety of benefits such as higher quality, more competitive prices, proactive risk management and lower transaction costs (Larson, 2004), timely delivery and better problem solving (Artz, 2000) and logistics service performance (Stank et al., 2001), the opportunity to expand product and service offerings, the ability to share risks (PARKHE, 2000) and overall performance (Hewett and Bearden, 2001). Strategic sourcing has also been associated with other relational constructs. Marketing scholars have found that, for instance, dependence (Heide and John, 2000) and trust (Kumar et al., 2003) influence success of strategic sourcing. Strategic sourcing is also said to reduce costs and timescales and it also improves standards and productivity (Davison et al., 2005). The common assumption is often that strategic sourcing and other relational constructs reduce transaction costs and lead to improved business performance.

**However** the argument that strategic sourcing leads to improved outcomes typically goes undisputed, there is mounting evidence that not all strategic sourcing efforts are successful. The literature is also rich in examples where strategic sourcing is linked to negative outcomes; supplier development, a key dimension of strategic sourcing, is costly and increases the vulnerability to opportunism by the supplier (Williamson, 1999). By collaborating closely with one customer a firm may forego the chance to build economies of scale and achieve a low-cost position (Dyer, 1996).

Strategic sourcing risk under uncertainty demands empowering the suppliers to increase their output when one or more suppliers fail to deliver. It proactively prepares the firm to respond to the probability of supplier failure, the cost of supplier failure and to the output constraints of the suppliers (Chen et al., 2004). Fluctuations in the currency rates, high variation of time spent in transit including transportation time and port clearance, forecasting error, quality, differences sourcing across multiple sites, products causing safety hazards are being identified as the sources of sourcing risk (Manuj and Mentzer, 2008). Rationalization of supplier evaluation and strategic supplier partnerships are important trends in supply chain sourcing aimed at weeding out suppliers that do not meet a company's needs (Christy et al., 1997). Based on the vendor review mechanism, organizations are generally moving towards reducing the top tier key suppliers and rolling out the reduction process down the lower tiers. Closer buyer-supplier relationship is important to work with and provide better service. In the volatile demand context close to market sourcing plays a vital role in reduction of order response cycle time and the overall performance of members of the chain (Sislian and Statir, 2000; Christopher et al., 2004). Furthermore, strategic sourcing encourages very close working arrangements with the supplier and this has been linked to dependence for knowledge as the buyer may gradually lose the capabilities to build and specify the products outsourced (Fine and Whitney, 2000). Particularly in a turbulent environment,



relying on a single supplier can be an extremely risky strategy (Craig, 2007). Successful collaborative customer-supplier relationships are claimed to yield significant benefits, inventory reduction, better quality, improved delivery, reduced costs, compressed lead times, faster product-to-market cycle time, higher flexibility, increased responsiveness to market demands and customer service and market share increases (Anderson and Lee, 1999; Corbett et al., 1999; Mentzer et al., 2000a, b; McLaren et al., 2002). Moreover, through "pie expansion" strategic sourcing may offer significant opportunities for the creation of competitive advantage and extraordinary financial performance (Jap, 1999, 2001).

## **2.8 Challenges of Strategic Sourcing**

When strategic sourcing programs fail, purchasing performance suffers a setback. Ambiguous expectations pose the greatest challenge to strategic sourcing, (Vito, 2005). Sometimes the performance indicators that a purchasing organization expects is completely different from the performance expectations that the supplier perceives as required, (Leenders et al., 2002). As a result the buyer feels the supplier is incompetent and the supplier feels that the buyer is over demanding. Wisner and Stanley, (1999) argue that to avoid this situation, there is need for a buyer to clearly define, communicate and agree on expectations with the supplier to be developed, for example telling the supplier what constitutes good performance for instance 99% of orders be delivered on the due date, as well as what constitutes bad performance, for instance failure to return calls within four hours, (Gonzalez, Quesada and Monge, 2004). This therefore calls for setting joint strategic sourcing objectives which are specific, measurable, achievable, realistic, and time-bound (SMART) and effectively communicating them to suppliers who are expected to provide timely feedback. Opportunistic Behavior is another challenge that needs to be watched-out for. Strategic sourcing achieves intended benefits when an atmosphere of trust, commitment and cooperation exists, (Raul et al., 2004). When one party seeks to take advantage of the others problems for example, a supplier charging a larger expediting fee for emergency orders or a buyer negotiating a discount every time there is a minor blemish on a supplier's product, this breaks the perceived trust and ultimately the levels of commitment and collaboration will be compromised. The parties will lose their interest in committing themselves towards helping each other to succeed, (Dye, 2000). While contributing to the bottom-line should always be priority, this should not be done at the expense of a valuable relationship that would enhance successful strategic sourcing leading to improved purchasing performance and ultimately competitive advantage for years. Poor supplier selection methodology is another problem. Sometimes a supplier's performance is inexcusable. Don't pass the buck and blame the "incompetent supplier". Take responsibility for not being thorough in prequalifying that supplier for a strategic

sourcing program. Many instances of poor supplier performance could have been avoided if a robust supplier qualification methodology was used,(Leenders, 2002). It's imperative to make supplier selection process more reliable in the future for example, if a firm is strategically sourcing critical goods and services based on price alone, it's important to change before a key strategic sourcing program hits a dead end. Furthermore, despite the burly obvious nature of the savings opportunity, many organizations don't have a comprehensive understanding of their total spending on external goods and services, (Novack 2007).This is usually because procurement departments have not been given a mandate to address a full range of sourcing opportunities in areas such as specifications, total cost of ownership and internal or external collaboration. This is also compounded by fragmented information systems that make the collection and analysis of spend data difficult. So the first step is to establish strategic sourcing as a supported organization priority (McDermott, 2008). Be prepared for change management challenges, however, as this requires an adjustment in thinking. The traditional view of the procurement department is cost controllers who issue requests for proposals and review pricing, versus strategic contributors. Effective strategic sourcing requires cross functional collaboration and an executive mandate to work across the Organizational boundaries. Therefore, to increase credibility and ensure support across the Organization, a senior person should be given overall responsibility for the strategic sourcing project,(Vito,2005). Other challenges include internal resistance to standardizing and centralizing sourcing procedures, poor visibility into spending data and a general lack of strategic sourcing and category management competence within the enterprise. Many mid-size firms also report difficulties in securing sufficient budget and resources to acquire and deploy sourcing automation, (Aberdeen Group, 2005).

## **2.9 Strategies for improving Strategic Sourcing**

As UNMS outsource more drugs and services to focus on their core competencies, they increasingly expect their suppliers to deliver innovative and quality products on time and at a competitive cost, (Van Weele, 2002). When a supplier is incapable of meeting these needs, NMS has three alternative strategies: Firstly, bring the outsourced item in-house and produce it internally, or secondly, switch to a more capable supplier, or thirdly help to improve the incumbent supplier's capabilities,(Lysons and Farrington,2006).The choice often depends on price, volume or the strategic nature of the procured item. For low-value added, non-strategic commodities, the cost of switching to a new supplier is low, and switching may be the best option. At the other extreme, when an under-performing supplier provides an innovative product or process technology that may be of sustainable long-term competitive advantage to the buyer, the buyer may wish to protect this potential advantage and bring the work in-house by

acquiring the supplier. In cases that fall between these two extremes and even at times these extremes the best option may be implementing strategic sourcing. Strategic sourcing requires firms to commit financial, capital and human resources to work; to share timely and sensitive information and to create an effective means of measuring performance (Valdès et al, 2006). Thus, this strategy is challenging for buying Organizations. The buying firm's executives and employees must be convinced that investigating company resources in a strategic direction and assistance from their customers, sourcing program is a worthwhile venture. Supplier executives must be convinced that their best interest lies in accepting direction and assistance from their customers, this will help get "buy-in" into the project by parties, (Forker and Hershauer, 2000). Even if the buying firms largely agree that strategic sourcing is important, success is not a foregone conclusion. Although difficult, strategic sourcing can be an important "cornerstone" in the deployment of a truly integrated supply chain. The average service delivering firm spends over 50% of its revenue on purchased inputs (Tan et al, 2007). With firms continuing to increase the volume of outsourced work across industries, the percentage is likely to rise. Consequently, suppliers will have a greater impact on quality, cost, technology and delivery of buying firm's own products and services, and ultimately on business bottom-line. The direct effect of improved supplier performance on a buyer's bottom-line as a result of successful strategic sourcing highlights the importance of optimizing supply chain performance.

Continuous long-term improvement of strategic sourcing is only achieved by: identifying where value is achieved in the supply chain, secondly, positioning the buyer strategically in line with value creation and, thirdly, implementing an integrated supply chain management strategy to maximize internal and external capabilities throughout the supply chain, (Gartona, 2006). It is believed that improved supplier performance will not be realized or sustained unless buyers recognize procurement and supply chain management as a source of competitive advantage and align their supply chain strategies with overall business strategy. Any improvements in performance gained without this strategic alignment are likely to be short-term and perhaps only tactical in nature. Some firms that have succeeded in strategic sourcing suggest the first suggesting easy-to-fix sourcing problems helps to build momentum. This is true, no doubt, however, it's best to view strategic sourcing as a long-term Organizational strategy that is the basis of an integrated supply chain, (Handfield et al, 2000).

## **CHAPTER THREE METHODOLOGY**

### **3.0 Introduction**

This chapter focuses on the description of the procedures that will be applied to carry out this study. It described the research design that was adopted, study area and population, sample size and Sampling method, sampling procedure and measurement of variables, data sources and collection methods, validity and reliability of measure, data processing, data analysis and presentations of findings, and anticipated study limitations.

### **3.1 Research design**

The research design was cross sectional and descriptive in nature so as to achieve objectivity in evaluating strategic sourcing at NMS.

### **3.2 Study population**

The study population comprised 90 respondents consisting of sourcing and supply chain staff, general managers, departmental managers, stores staff, and end-user departmental staff.

**Table 1: Study population**

<b>Category</b>	<b>Population</b>
Sourcing and supply chain staff	20
General managers	3
Departmental managers	24
Stores staff	13
End-user departmental staff	30
<b>Total</b>	<b>90</b>

### **3.3 Sample size**

The sample size comprised 70 respondents according to Krejcie and Morgan, 1970 who recommended a sample of 70 for a population of 85 to determine, with 95% certainty, what the result would have been if the entire population was surveyed.

**Table 2: Sample size**

<b>Category</b>	<b>Population</b>	<b>Sample</b>	<b>Sampled method</b>
Sourcing and supply chain staff	20	20	Stratified/Census
General managers	3	3	Stratified/Census
Departmental managers	24	24	Stratified/Simple Random
Stores staff	13	13	Stratified/Census
End-user departmental staff	30	10	Stratified/Simple Random
<b>Total</b>	<b>90</b>	<b>70</b>	

### **3.4 Sampling procedure**

The sampling procedure used was purposive sampling where respondents who conformed to the purpose of the study were selected from different departments. This was done in order to select respondents with the required information.

### **3.5 Data sources and collection instruments**

The study used both Primary and Secondary data. Primary data was collected using a close-ended self administered questionnaire in addition to interview responses for respondents who found it difficult in filling the questionnaires.

### **3.6 Measuring Strategic Sourcing**

This was measured basing on the works of Arif Khan K and Rajesh K Pillania, (2008) by using the four dimensions of strategic sourcing that is; strategic supplier partnership, sourcing flexibility, supplier evaluation and supply chain agility.

### **3.7 Validity and reliability**

Validity was measured basing on a factor analysis to confirm the dimensions of the concept that have been operationally defined to ensure appropriateness of results. The reliability of the scales was done with the application of Cronbach Coefficient Alpha test, with a cut-off of 0.5, to check to the internal consistency of the scales, (Cronbach, 1951).

### **3.8 Data analysis**

The collected data was analyzed using frequency tables, cross tabulations, factor analysis and item means were generated from a Statistical Package for Social Scientists (SPSS).

### **3.9 Limitations of the study.**

- i. The design of the questionnaires limited respondents in providing information that they were willing to provide since questionnaires had close ended questions.
- ii. Some respondents withheld certain information due to fear of being victimized but the researcher tried his level best to convince the respondents that the information was to be kept confidential and only for study purposes.
- iii. Existence of language barrier and fear limited the volume of information needed by the researcher from some respondents more especially where interviews were used.
- iv. Some respondents took too long to fill the questionnaires which delayed the process of data analysis.
- v. Limited time allocated to the researcher than required. The study required ample time which was not there which hindered the overall objective of the study.
- vi. Not all questionnaires issued to respondents were filled and collected that is unresponsiveness by respondents and misplacement of some questionnaires.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### 4.0 Introduction

This chapter presents the findings of the study in relation to study objectives which are,

- i. To establish the level of strategic sourcing at UNMS.
- ii. To determine the challenges of strategic sourcing at NMS.
- iii. To assess the strategies that has been put in place and/or implemented to ensure successful strategic sourcing at UNMS:

#### 4.1 Sample characteristics

In this section, the characteristics of the respondents are presented basing on gender, tenure of service, position held, education level and designated department. The sample characteristics were presented basing on the responses from the respondents.

##### 4.1.1 Gender of respondents

Table 4.1.1 below show that 38(54%) are male and the rest were females 32(45%).

**Table 4.1.1 Gender of respondents**

Sex	Frequency	Percentage
Female	38	54%
Male	32	46%
<b>Total</b>	<b>70</b>	<b>100</b>

##### 4.1.2 Year of service

Table 4.1.2 shows that 13(19%) have served for less than a year, 15(21%) have served 2-3years, 20(29%) have served 4-5years, 12(17%) have served 6-10years and 10(14%) have served above 10 years.

**Table 4.1.2 Year of service**

Sex	Frequency	Percentage
Less than a year	13	19%
2-3 years	15	21%
4-5years	20	29%
6-10 years	12	17%
10 years and above	10	14%
<b>Total</b>	<b>70</b>	<b>100</b>

#### 4.1.3 Level of Education

Table 4.1.3 below shows that respondents holding certificates are 08(11%), Diploma are 12(17%), Degree are 20(29%), Masters are 28(40%) and PhD are 2(3%).

**Table 4.1.3 Level of Education**

Year	Frequency	Percentage
Certificate	18	11%
Diploma	12	17%
Degree	20	29%
Masters	28	40%
PhD	2	03%
<b>Total</b>	<b>70</b>	<b>100</b>

#### 4.2 The level of strategic sourcing at UNMS

As far as the level of strategic sourcing is concerned, findings revealed that the firm's greatest strength in planning for all procurement activities in the firm (mean=3.63) closely followed by aligning the overall procurement policy to the firm's corporate strategy (mean=3.56). it was also revealed that procurement staff clearly understand the concept of strategic sourcing (mean=3.54). Respondents also agreed that procurements meet the firm's strategic quality, cost and timeliness requirements (mean=3.52). It was also revealed that the firm periodically evaluates relationships with strategic suppliers to minimize problems (mean=3.51).

On the other hand, findings also revealed the firm's weakness as far as the level of strategic sourcing is concerned. It was revealed that the evaluation teams appointed are not independent and do not own there decisions (mean=2.49). it was also revealed that the firm's overall sourcing strategy hardly incorporates capability assessment of strategic suppliers (mean=2.64). The third weakness revealed was that the firm hardly focuses on the minimal costs without compromising quality when sourcing strategically (mean=2.85). Further more, it was revealed that the firm hardly carries out periodic Audits for supplier evaluation and selection procedures (mean=2.98). It was also revealed that the firm's criteria for supplier evaluation and selection are specifically unambiguously (mean=3.07).

Findings on the level of strategic sourcing are tabulated below;



**Table 6: The level of strategic sourcing at UNMS**

	<b>N</b>	<b>Mean</b>	<b>STD Deviation</b>	<b>Min</b>	<b>Max</b>
<b>Overall strategic sourcing levels</b>					
Our overall sourcing strategy incorporates capability assessments of strategic suppliers.	55	2.64	1.48	1	5
We focus on minimal costs without compromising quality when sourcing strategically.	55	2.85	1.37	1	5
We develop suppliers of our strategic requirement.	55	3.22	1.15	1	5
We have quality assurance program when sourcing strategically.	55	3.42	1.12	1	5
Our sourcing strategy is aligned to our procurement and overall company strategy.	55	3.47	1.32	1	5
We have multiple sources of our strategic requirements.	55	3.15	1.25	1	5
<b>Supplier evaluation and selection.</b>					
We unambiguously specify our criteria for supplier evaluation and selection.	55	3.07	1.23	1	5
We conduct best practice evaluation and selection.	55	3.18	1.19	1	5
We carry out supplier certification and assessment.	55	3.22	1.36	1	5
We appoint evaluation team that are technically knowledgeable.	55	3.65	1.36	1	5
Our appointed evaluation teams are independent and own their decisions.	55	2.49	1.50	1	5
We carry out periodic Audits for our supplier evaluation and selection procedures.	55	2.96	1.48	1	5
<b>Procurement.</b>					
Procurement is represented at the strategic management level.	55	3.35	1.29	1	5
There is company-wide appreciation of the significance of procurement unit.	55	3.31	1.20	1	5

Procurement meets our strategic quality, cost and timeliness requirements.	55	3.52	1.16	1	5
Procurement staff clearly understands the concept of strategic sourcing.	55	3.54	1.27	1	5
We undertake planning of all procurement activities in the firm.	55	3.63	1.00	1	5
The overall procurement policy is aligned to the firm's corporate strategy.	55	3.56	1.24	1	5
Our staffs are trained and competent in managing procurement activities.	55	3.23	1.25	1	5
<b>Supplier relationship management.</b>					
We seek long-term relationship with strategic suppliers.	55	3.17	1.55	1	5
We freely share vital information with our strategic suppliers.	55	3.15	1.48	1	5
We seek win-win outcomes with all our dealings with our strategic suppliers.	55	3.36	1.43	1	5
We periodically evaluate relationships with strategic suppliers to minimize problems	55	3.51	1.14	1	5
We have a joint problem solving arrangements with our strategic suppliers.	55	3.42	1.32	1	5
Our suppliers clearly understand the benefits of close relationships.	55	3.42	1.38	1	5

#### 4.3 Challenges of strategic sourcing at UNMS

In finding the challenges of a strategic sourcing at UNMS, it was revealed that the greatest challenge is lack of early supplier involvement (ESI) in strategic sourcing projects (mean=3.91) closely followed by supplier opportunistic behavior for example taking advantage of current inflation to hike prices (mean=3.89). Another challenge revealed was that strategic sourcing objectives are not aligned to the overall procurement objectives (mean=3.72). It was also revealed that procurement procedures are lengthy and work down on our strategic sourcing efforts (mean=3.61). It was also revealed that ambiguous strategic sourcing key performance indicators (KPIs) was another major challenge (mean=3.51). the findings also revealed that there is limited of IT systems in strategic sourcing (mean=3.38).

On the other hand, findings revealed the following minor challenges. Failure to learn from the past strategic sourcing projects (mean=2.89), poor communication between

the firm and suppliers as far as strategic sourcing is concerned (mean=2.91), limited capacity of some key strategic suppliers (mean=2.99), poor understanding of the concept of strategic sourcing by some procurement personnel (mean=3.02).

Finally the fifth negligible challenge was the constantly changing customer needs and how this impacts on the firm's strategic sourcing objectives (mean=3.04). The findings on challenge of strategic sourcing are tabulated as below.

**Table 7: Challenges of strategic sourcing at UNMS.**

	<b>N</b>	<b>Mean</b>	<b>STD Deviation</b>	<b>Min</b>	<b>Max</b>
<b>Overall strategic sourcing challenges.</b>					
Some strategic suppliers have limited capacity.	55	2.99	1.30	1	5
Unclear specifications by our procurement department.	55	3.05	1.35	1	5
Ambiguous strategic sourcing key performance indicators.	55	3.51	1.29	1	5
Poor communication between us and the supplier as far as strategic sourcing is concerned.	55	2.91	1.16	1	5
Lack of early supplier involvement in strategic sourcing.	55	3.91	1.38	1	5
Supplier opportunistic behavior for e.g. taking advantage of current inflation to hike prices.	55	3.89	1.31	1	5
Poor supplier selection criteria as far as strategic sourcing are concerned.	55	3.39	1.24	1	5
Constant changing customer needs there by affecting our strategic sourcing objectives.	55	3.04	1.32	1	5
Procurement personnel do not clearly understand the concept of strategic sourcing.	55	3.02	1.37	1	5
Inadequate support from the firm's top management.	55	3.25	1.31	1	5
We don't learn from past strategic sourcing projects.	55	2.89	1.22	1	5
Strategic sourcing objectives are not aligned to the overall procurement objectives.	55	3.72	1.27	1	5
Lengthy procurement procedures and work down on our strategic sourcing efforts.	55	3.61	1.40	1	5
We don't bench mark against firms that have	55	3.29	1.38	1	5

excelled in strategic sourcing.					
There is limited use of I.T Systems in strategic sourcing.	55	3.36	1.35	1	5
Strategic sourcing is very costly.	55	3.38	1.38	1	5
Lack of contracts to govern strategic sourcing activities like relationship with the-supplier.	55	3.22	1.32	1	5

#### 4.4 Strategies that can be put in place and/or implemented to ensure successful strategic sourcing at UNMS

Findings revealed that most respondents proposed staff training as the best strategy that can be implemented to ensure successful strategic sourcing (mean=4.00), closely followed by promoting leanness in the firm's strategic supply chain (mean=3.80). Respondents also proposed continuous performance assessment of strategic suppliers (mean=3.78), effective information sharing with suppliers (mean=3.73) and early supplier involvement (ESI) in the firm's strategic sourcing projects (mean=3.69) as the other strategies should be implemented to ensure successful strategic sourcing.

On the other hand, respondents proposed the use of cooperate relationships with suppliers as strategy that can be implemented to ensure successful strategic sourcing (mean=3.27).

Further more, respondents also disagreed that rigorous and continuous supplier performance measurement and management (mean=3.45), supply base reduction (mean=3.46) and use of IT systems (mean=3.47) are appropriate strategies that will enhance strategic sourcing at UNMS.

The findings on strategies that can be put in place and/or implemented to ensure successful strategic sourcing at UNMS are tabulated below;

**Table 8: Strategies that can be put in place and/or implemented to ensure successful strategic sourcing at UNMS.**

	<b>N</b>	<b>Mean</b>	<b>STD Deviation</b>	<b>Min</b>	<b>Max</b>
<b>Overall strategic sourcing strategies</b>					
Cooperate relationship with suppliers.	55	3.27	1.30	1	5
Rigorous and continuous supplier performance measurement and management.	55	3.45	1.15	1	5
Supplier development.	55	3.49	1.15	1	5
Early supplier involvement in our strategic sourcing	55	3.65	1.09	1	5

projects.					
Seeking top management support.	55	3.69	1.12	1	5
Benchmarking against firms that have excelled in strategic sourcing.	55	3.62	1.13	1	5
Continuous performance assessment of firms we source from strategically.	55	3.78	1.10	1	5
Re-aligning strategic sourcing objectives with the overall procurement objectives.	55	3.56	1.03	1	5
Supply base reduction.	55	3.46	1.12	1	5
Use of IT systems to boost strategic sourcing program.	55	3.47	1.15	1	5
Effective information sharing with suppliers.	55	3.73	1.08	1	5
Promoting leanness in our strategic supply chain.	55	3.80	1.11	1	5
Framework agreements with our strategic suppliers.	55	3.64	1.11	1	5
Joint ventures with our strategic suppliers.	55	3.60	1.20	1	5
Promoting staff training.	55	4.00	1.01	1	5

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the discussion/summary, conclusions and recommendations arising out of the research findings in chapter four and suggests areas for further research and study.

#### **5.2 The level of strategic sourcing at UNMS**

The strategic importance of sourcing has increased over time (Krause et al, 2001), and has been projected to increase in the future (Benton, 2007). Further, this strategic importance is prevalent in both manufacturing and service industries (Monezka et al, 2005).

By definition, strategic sourcing refers to a comprehensive process designed to pursue all value levers by leveraging a company's buying power with selected suppliers, conducting best practice evaluations, sourcing globally and conducting company/supplier joint process improvements (Chopra and Meindl, 2007). Strategic sourcing is a complex process that contributes tremendously to the competitive advantage of an Organization (Novack and Simco, 2007). As much as 70 per cent of an organization's sales revenues or total manufacturing costs is spent in purchasing raw materials, components finished goods or services (Presutti, 2003; Lo and Vueng, 2004; Tayles and Drury, 2001). If Sourcing costs can be reduced, this can improve returns on investments by increasing both profit margins and asset turnover rate (Dobler and Burt, 2000; Leenders and Fearon, 2005).

As far as the level of Strategic Sourcing is concerned, findings revealed that the firm's greatest strength is planning for all procurement activities in the firm, probably helping to control on the level of maverick buying. Findings also revealed that the overall procurement policy is aligned to the firm corporate strategy. It was also revealed that procurement staff clearly understands the concept of strategic sourcing which probably facilitates effective management of the underlying challenges. It was also revealed that the procurement meet title firm's strategic cost, quality and timeliness requirements. It was also revealed that the firm periodically evaluates strategic relationships with strategic suppliers to minimize problems. This is in line with the works of Chopra and Meindi (2007) who argue that the continuous supplier relationship appraisal will help firm undertaking strategic sourcing mitigate underlying risks.

On the other hand, findings also revealed the firm's weakness as far as the level of strategic sourcing is concerned. It was revealed that the evaluation teams appointed are not independent and do not own their decisions. This probably has caused the firm

to engage incompetent suppliers their by denying the firm the intended benefits. It was also revealed that the firm's overall sourcing strategy incorporates capability assessments of strategic suppliers. This is contrary to the works of Peres and Khan (2009) who argues that assessing the capability of strategic suppliers helps to prevent strategic problems in future.

Future more, it was revealed that the firm hardly carries out periodic Audits for supplier evaluation and selection procedures. This posse a risk of contracting incompetent suppliers thereby compromising the quality of products and services procured, high transactional cost and failure to meet timelines. It was also revealed that the firm's criteria for supplier evaluation and selection are specified unambiguously a fact which could create loopholes for fraudulent procurement practices for personal gain.

### **5.3 Challenges of strategic sourcing at UNMS**

When strategic sourcing programs fails, purchasing performance suffers a setback. Ambiguous expectations pose the greatest challenges to strategic sourcing (Vito, 2005). Sometimes the key performance indicators that the purchasing firm expects is completely different from the performance expectations that the supplier perceives as required, (Leenders et al, 2002). As a result the buyer feels that the supplier is incompetent and the supplier feels that the buyer is over demanding. Wisner and Stanley, (1999) argue that to avoid this situation, there is need for the buyer to clearly define, communicate and agree on the expectations with the supplier to be developed; for example telling the supplier what constitutes good performance for instance 99% of the orders to be delivered on the due date, as well as what constitutes bad performance for instance failure to return calls within four hours (Gonzalez, Quesada and Monge, 2000).

In finding, it was revealed that the greatest challenge is lack of early supplier involvement (ESI) in strategic sourcing projects. This challenge makes identifying problems as soon as they start occurring difficult and by the time they are identified, It's probably too late. Another challenge revealed was supplier opportunistic behavior for example taking advantage of current inflation to hike prices. Another challenge revealed was that strategic sourcing objectives are not aligned to the overall procurement objectives. This poses a risk of procurement failing to contribute to the firm's corporate objective and Mission. It was also revealed that procurement procedures are lengthy and work down on our strategic sourcing efforts. This probably explains why drugs and other medical facilities do not arrive in time there by stalling delivery.

On the other hand, findings revealed the following minor challenges. Failure to learn from the past strategic sourcing projects, poor communication between the firm and suppliers as far as strategic sourcing is concerned, limited capacity of some key

strategic suppliers, poor understanding of the concept of strategic sourcing by some procurement personnel, the constantly changing customer needs and how this impacts on the firm's strategic sourcing objectives.

Although the findings revealed that there are minor challenges, if not managed effectively, they can make achievement of the desired benefit of strategic sourcing problematic.

#### **5.4 Strategies proposed to ensure effective implementation of strategic sourcing at UNMS**

Findings were in agreement with the work of Valdes et al., (2006) as most respondents agreed that staff training in strategic sourcing, promoting leanness in the firm's strategic supply chain, continuous performance assessment of strategic suppliers, effective information sharing with suppliers and early supplier involvement (ESI) in the firm's strategic sourcing projects as the most appropriate strategies that should be implemented to ensure successful strategic sourcing.

On the other hand, respondents did not agree that the use of cooperative relationships with suppliers, rigorous and continuous supplier performance measurement and management, supply base reduction and use of IT systems are appropriate strategies that will enhance strategic sourcing at UNMS.

#### **5.5 Recommendations**

After an analysis of the findings, discussions and conclusion, the following recommendations are hereby suggested to enhance strategic sourcing at UNMS.

It is important for the firm to ensure staff training in strategic sourcing especially procurement personnel and the team.

The findings indicate that there is need for the firm to ensure effective use of IT systems to boost strategic sourcing programs and save on time and/or other related costs. Workshops, seminars and conferences should be carried out and promoted to equip staff with the necessary skills, knowledge and experience needed to effectively facilitate and manage strategic sourcing activities and problems and/or challenges.

The findings indicate that there is need for the firm to continuously assess the performance of strategic suppliers so that the problems can be identified and solved in time before they get out of hand and/or exaggerates.

The findings also indicate that there is need for the firm's staff to closely work and ensure cooperation with the strategic suppliers so that vital information can be shared



to facilitate mutual decision making, mutual courage and commitment, better problem solving and mutual and pro-active risk management.

The findings also indicate that there is need for Early Supplier Involvement (ESI) in all strategic sourcing projects. This is intended to enable the supplier understand the firm's requirements right first time and minimize future problems and/or identifying the prevailing challenges that may occur and their appropriate mitigation measures.

Finally, it is also recommended that top management support is needed in strategic sourcing programs. All chance to enhance strategic sourcing stands a high chance of failure when there no top management support.

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## APPENDIX 1: QUESTIONNAIRE

Dear respondent, I **BWIRE BONIFACE** a student of KIU pursuing a Bachelors Degree in Supplies and Procurement Management carrying out a study. This questionnaire is meant for collecting information to facilitate the study entitled "Strategic Sourcing and Service delivery; A case study of UNMS".

You have been chosen as a respondent because I believe that you possess the required information about the study.

I humbly request that you spare some minutes of your time and you answer the underlying questions.

The information you provide will be treated with utmost confidentiality and strictly for academic purpose.

Your cooperation will be highly appreciated.

### PART A: GENERAL INFORMATION

#### 1. Gender of respondent

Male (1)	Female (2)

#### 2. Age of respondent

20-29 years (1)	30-39 years (2)	40-49 years (3)	50 and above (4)

#### 3. Respondent highest level of Education

Certificate (1)	Diploma (2)	Degree (3)	Master (4)	PhD (5)

#### 4. Respondent period of service in the firm.

Less than a year (1)	2-3 years (2)	4-5 years (3)	6-10 years (4)	Above 10 years (5)

## PART B: THE LEVEL OF STRATEGIC SOURCING AT UNMS

To what extent to which you agree with the following statements regarding the levels of strategic sourcing at UNMS? (Tick once and appropriately).

		Strongly disagree (1)	Disagree (2)	Not sure(3)	Agree (4)	Strongly agree (5)
	<b>Overall Strategic Sourcing levels</b>					
1	Our overall sourcing strategy incorporates capability assessments of strategic suppliers.					
2	We focus on minimal costs without compromising quality when sourcing strategically.					
3	We develop suppliers of our strategic requirement.					
4	We have quality assurance program when sourcing strategically.					
5	Our sourcing strategy is aligned to our procurement and overall company strategy.					
6	We have multiple sources of our strategic requirements.					
	<b>Supplier evaluation and selection.</b>					
1	We unambiguously specify our criteria for supplier evaluation and selection.					
2	We conduct best practice evaluation and selection.					
3	We carry out supplier certification and assessment.					
4	We appoint evaluation team that is technically knowledgeable.					
5	Our appointed evaluation teams are independent and own their decisions.					
6	We carry out periodic Audits for our supplier evaluation and selection procedures.					

	<b>Procurement.</b>					
1	Procurement is represented at the strategic management level.					
2	There is company-wide appreciation of the significance of procurement unit.					
3	Procurement meets our strategic quality, cost and timeliness requirements.					
4	Procurement staff clearly understands the concept of strategic sourcing.					
5	We undertake planning of all procurement activities in the firm.					
6	The overall procurement policy is aligned to the firm's corporate strategy.					
7	Our staffs are trained and competent in managing procurement activities.					
	<b>Supplier relationship management.</b>					
1	We seek long-term relationship with strategic suppliers.					
2	We freely share vital information with our strategic suppliers.					
3	We seek win-win outcomes with all our dealings with our strategic suppliers.					
4	We periodically evaluate relationships with strategic suppliers to minimize problems					
5	We have a joint problem solving arrangements with our strategic suppliers.					
6	Our suppliers clearly understand the benefits of close relationships.					

## PART C: CHALLENGES OF STRATEGIC SOURCING AT UNMS

To what extent to which you agree with the following statements regarding the challenges of strategic sourcing at UNMS? (Tick once and appropriately).

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
	<b>Overall Sourcing Strategy</b>					
1	Some strategic suppliers have limited capacity.					
2	Unclear specifications by our procurement department.					
3	Ambiguous strategic sourcing key performance indicators.					
4	Poor communication between us and the supplier as far as strategic sourcing is concerned.					
5	Lack of early supplier involvement in strategic sourcing.					
6	Supplier opportunistic behavior for e.g taking advantage of current inflation to hike prices.					
7	Poor supplier selection criteria as far as strategic sourcing are concerned.					
8	Constant changing customer needs there by affecting our strategic sourcing objectives.					
9	Procurement personnel do not clearly understand the concept of strategic sourcing.					
10	Inadequate support from the firm's top management.					
11	We don't learn from past strategic sourcing projects.					
12	Strategic sourcing objectives are not aligned to the overall procurement objectives.					
13	Lengthy procurement procedures and work down on our strategic sourcing efforts.					
14	We don't bench mark against firms that have excelled in strategic sourcing.					
15	There is limited use of IT Systems in strategic sourcing.					



<b>16</b>	Strategic sourcing is very costly.					
<b>17</b>	Lack of contracts to govern strategic sourcing activities like relationship with the supplier.					

**PART D: STRATEGIES THAT CAN BE PUT IN PLACE AND/OR IMPLEMENTED TO ENSURE SUCCESSFUL STRATEGIC SOURCING AT UNMS.**

To what extent to which you agree with the following statements regarding the Strategies that can be put in place and/or implemented to ensure successful strategic sourcing at UNMS? (Tick once and appropriately).

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
	<b>Overall Strategic Sourcing strategies</b>					
<b>1</b>	Cooperate relationship with suppliers.					
<b>2</b>	Rigorous and continuous supplier performance measurement and management.					
<b>3</b>	Supplier development.					
<b>4</b>	Early supplier involvement in our strategic sourcing projects.					
<b>5</b>	Seeking top management support.					
<b>6</b>	Benchmarking against firms that have excelled I strategic sourcing					
<b>7</b>	Continuous performance assessment of firms we source from strategically.					
<b>8</b>	Re-aligning strategic sourcing objectives with the overall procurement objectives.					
<b>9</b>	Supply base reduction.					
<b>10</b>	Use of IT systems to boost strategic sourcing program.					
<b>11</b>	Effective information sharing with suppliers.					
<b>12</b>	Promoting leanness in our strategic supply chain.					
<b>13</b>	Framework agreements with our strategic suppliers.					
<b>14</b>	Joint ventures with our strategic suppliers.					
<b>15</b>	Promoting staff training.					