

Research Article

Influence of Purchasing Strategy on the Performance of Seed Companies in Trans Nzoia County, Kenya

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Received: June 16, 2022

Accepted: June 30, 2022

Published: July 8, 2022

Abstract: Organizations prepare strategies with the sole aim of guiding top management leadership not only to describe their business organization, but also the results it strives for and methods it will use to achieve the results. It is from this background that the study aimed at establishing the influence of purchasing strategy on the performance of seed companies in Trans Nzoia County, Kenya. The study was significant since its findings would help direct policy makers in developing informed policy direction that would enhance sustainable seed production hence national development.

The study was based on the contingency theory and theory of Mintzberg's 5Ps of Strategy. This study used a survey design as it assumed quantitative methods in data collection. The target population consisted of the functional heads and the employees of the five seed crop companies in Tran Nzoia County making a total population of 553 respondents from which sample size of 232 respondents was selected to represent the population during data collection.

The primary data was collected through questionnaires as the secondary data was collected through literature review. Quantitative data gathered from closed ended questions were first coded and then analyzed descriptively and using inferential statistics and presented using frequency distribution and cross tabulation tables. The study found a positive and significant relationship between purchasing strategy and organizational performance at the seed companies in Trans Nzoia County.

The study recommends that efforts and commitment be made by seed companies in their purchasing strategies. This would help the companies achieve significant success in performance particularly increased sales and employee satisfaction. Backed with evidence of the positive effect of purchasing strategies, if the seed companies in Trans Nzoia County now re-examines their commitment in current Purchasing strategies with renewed vigour that ensures proper planning, evaluating and controlling the sourcing decision to serve its market demand effectively, their performance is significantly assured. Thus, seed companies currently struggling with sales volumes should re-examine their purchasing strategies.

Keywords: Purchasing strategy, organizational performance, the seed companies.

Introduction

Crafting of strategies directs top management in describing the business their organization is in, the results it strives for, and methods it will use to achieve the results (Pearce *et al.*, 2000). Organizations craft approaches to handle matters that are related to offering quality services and products as described in details below. Growth strategies refer to the strategic planning tools that offer a framework to help company executives, senior managers and marketers devise strategies for future growth (Blackburn *et al.*, 2013). These strategies include; market penetration, product development, and diversification strategies. PepsiCo in the United States has implemented market penetration as its primary intensive growth strategy. The strategy supports business growth through increased sales to

attain a bigger market share. For instance, the company uses aggressive marketing in attracting more customers. The company's strategic objective linked to their intensive growth strategy is to minimize costs and prices to attract more consumers despite market saturation (Calloway, 2018).

Hsu (2016) insist that product strategy encompasses three different mixes that is the market and needs, key features and differentiators, and business goals. Product strategy requires a long-term vision by the organization. It is a serious work of research in which it requires to have the data on the different market needs, and the business goals that the product aims to undertake. Gautam (2015), in his reference on the high technology companies explains that products strategy and its utilization of imagination is rather a process that should be approached in a very skillful manner. The outcomes of the products strategies may not be always favorable and in turn lead to losses in investments by organization.

Peljhan *et al.*, (2018) explains that the product strategy is the combination of market strategies that the firm or organization has over a product in the market. Studies have shown association between strategy formulation and firm performance. Specifically, Woldie *et al.*, (2012) indicated that a mechanism of formulating an effective strategy improves performance. Katsvamutima and Jeevananda (2014), established that strategy formulation and implementation improves profitability, efficiency, thus form the basis of competitive advantage in dynamic environments in food manufacturing industry in Zimbabwe.

A study by Mbithi *et al.*, (2015) established that introduction of other new products other than sugar has largely been minimal while improvement of existing products has adopted through packaging and branding. The study further established that the resultant performance was positive in total output turnover, sugar sales quantities, capacity utilization was moderate while profitability after tax gave fluctuating results. That the performance was fairly responsive to improvement of product processes procedures but poor in introduction of new products since actualization is yet to be realized. Whereas this study concentrated on sugar products in Kenya, the suggested study will endeavour to concentrate in the seed production companies in Trans Nzoia county Kenya. The study will endeavour to establish how the seed companies manage the cost-based-strategy and how it impacts on the productivity of the firms.

Purchasing strategy on performance of seed companies

Any organization requires sustainable materials or part supply to serve its customers demand. It is, therefore, a compulsory for the organization to make sure how the raw material supply is sustainable. Jain and Kiran (2012) introduced a concept of strategic purchasing which is defined as a process of planning, evaluating, implementing and controlling the sourcing decision. Strategic purchasing is the matter of how to obtain materials or part in fulfilling their customer demand. Another finding by Jain and Kiran (2012) showed that strategic purchasing has a positive impact on organization performance. According to Paulraj *et al.*, (2016) strategic purchasing is divided into three components, strategic focus, strategic involvement as well as the presence of purchasing professional in an organization. The authors further argue that strategic purchasing does not look at only long-term plan referring to the company's strategy, but also involve important management. This study endeavoured to look into the effect of such strategies on the performance of seed companies in Trans Nzoia County.

In ideal form, strategic purchasing integrated separate internal and external functions in enhancing efficiency, effectiveness, and responsiveness of an organization (Figuera *et al.*, 2005). On this study, strategic purchasing is assessed using four indicators, i.e., long-term plans directionally, engagement in strategic planning, competency development training, and support of top management to purchasing function. Strategic sourcing includes an extensive range of activities namely creating an overall strategy for sourcing, evaluating and selecting suppliers, procuring materials/services and managing supplier relationships.

Strategic sourcing is increasingly seen to be a business capability of firms. Strategic sourcing also consists of the strategic processes of planning, evaluating, implementing and controlling all sourcing activities by a company to achieve its long-term goals (Smeltzer and Bare, 2013) find that all strategic sourcing strategies emphasize the integration of business practices such as supplier assessment, supplier certification and measurement, therefore sourcing if properly structured can efficiently combine the fundamental competencies of a given firm with the skills and abilities of its suppliers. Sourcing decisions are vital for any organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness.

A study conducted by Onyango, *et al.*, (2015) also supported the results of previous studies which suggest that proper relationship between the supplier and the buyer arising from strategic purchasing resulted in two-way communication and will improve the operational performance of the company. The relationship between the provider and the company has a significant positive effect on the profitability of the organization due to the excellent relationship leads to the two parties will work together in the long term (Rashed *et al.*, 2010).

Materials and Methods

A good research design should have a clearly defined purpose and consistency between the research questions and the proposed research method (Sekaran and Bougie, 2013). This study used a survey design as it was suitable to obtain quantitative data using questionnaires as the tools of data collection. The target population consisted of the functional heads and the employees of the five seed crop companies in Tran Nzoia a total of 553 respondents. This study utilized Yamene formula in establishing the sample of 232 from the study population. Pearson Product Moment was used to establish the reliability index where if a reliability co-efficient of greater than 0.70 was obtained on all the quantitative items, the tool was considered reliable. The information from the quantitative data analysis was presented in terms of means and standard deviations. Further, the data was processed for correlational analysis.

Descriptive Results

The findings were examined through descriptive statistics of the study sample based on the specific objectives. It is vital to explain how the mean values were interpreted though out this study. Mean values close to the high end of the scale (closer to 5) indicate high level and in contrast, mean values close to the lower end of the scale (1) indicate low level of the values. The study was computed for descriptive analysis in terms of means and standard deviation and the results were tabulated in table 1.

Table 1. Mean, SD, Skewness and Kurtosis of Variables

	Mean	Std.	Skewness		Kurtosis	
	Statistic	Deviation Statistic	Statistic	Std. Error	Statistic	Std. Error
Purchase	3.99	.918	-.741	.200	.324	.397
Performance	4.00	.891	-.765	.200	.555	.397

The study investigated the influence of purchasing strategy on performance of seed companies in Trans Nzoia County, Kenya. Based on the view of this study, the purchasing function should ensure planning, evaluating, implementing and controlling the sourcing decision of an organization. And therefore, if effectively practiced in Seed Companies, the benefits that accrue to the companies include increased sales. Descriptive results showed that most companies agreed to practicing purchasing strategies (M=3.99 SD=.918). On the other hand, the Purchasing strategies scores are related with performance. The regression analysis confirmed the research assertion that Purchasing strategies significantly influence performance.

The study findings were further in tandem with findings by Figuera *et al.*, (2005) who found out that for strategic purchasing to have an effect on the firm, four indicators have to be put in place i.e., long-term plans directionally, engagement in strategic planning, competency development training, and support of top management to purchasing function. Given that the purchasing function is above average in the seed companies within the study area, then they have emphasized on the strategic purchasing function.

Further, the study is in agreement with studies by Jain and Kiran (2012) who established that it is compulsory for any organization to make sure the raw material supply is sustainable hence the process of planning, evaluating, implementing and controlling the sourcing decision should be met accordingly. Given that the purchasing function is in a good category, then the studies agree to this argument. Given that the organizational performance is good, it implies that this study is in agreement with Oberoi and Khamba (2015) who established that strategic purchasing contributes to the success of a company as well as the improvement of the company's profitability and shareholders value. The study further agrees with findings by Onyango, *et al.*, (2015) that in their study supported the results of previous studies which suggested that proper relationship between the supplier and the buyer arising from strategic purchasing resulted in two-way communication and will improve the operational performance of the company.

Correlations analysis

The correlational analysis was computed as in table 2.

Table 2. Correlation between purchasing strategy variables and performance

		1	2	3	4	5
Purchase	Pearson Correlation	.378**	1			
	Sig. (2-tailed)	.000				
Performance	Pearson Correlation	.642**	.502**	.584**	.487**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

** . Correlation is significant at the 0.000 level (2-tailed).

The correlation between the independent variables and the dependent variable, (performance) shows that the purchase strategy relates to performance, and the relation is positive. The results suggest that seed companies in Trans Nzoia County have an above average purchasing strategy.

Regression assumptions

Prior to adopting a regression model results, the assumptions on which the model is built are assessed. The four assumptions of linearity, normality multicollinearity and heteroscedasticity are assessed. The multicollinearity assumption: regression assumes that the independent variables in the model are not highly correlated (multicollinear). This assumption is tested by observing correlation matrix of the independent variables. The correlation results (table 3) indicate no multicollinearity issues since no pair of independent variables are highly correlated ($r > 0.7$). Also multicollinearity is assessed using Variance Inflation Factor. VIF values less than 10 are considered an indication of no significant multicollinearity. VIF results (Table 3) suggests the assumption is met.

Table 3. Collinearity statistics

	Tolerance	VIF
Purchase strategies	.736	1.358

No heteroscedasticity assumption assumes that the regression errors are constant across all values of the dependent variable. A plot of regression residuals against the predicted values is used to check for the assumption. The plots of the residual (errors) should not show any pattern or fanning out for the assumption to be met.

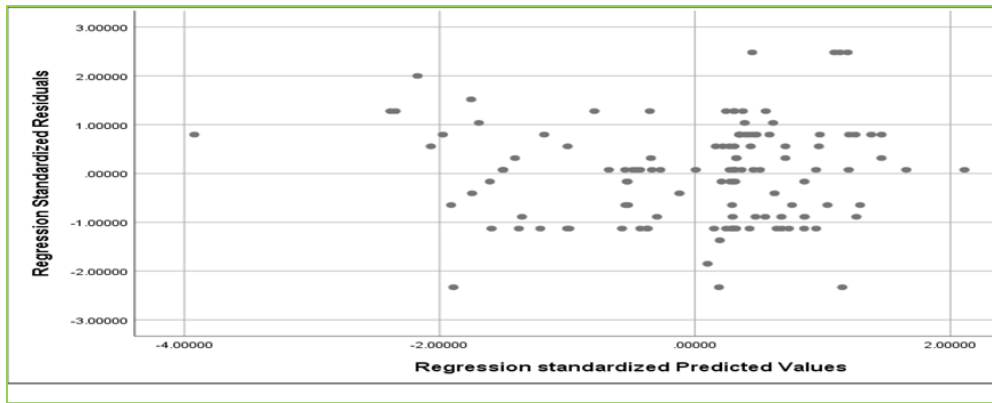


Figure 1. Heteroscedasticity results

As seen from the results in Figure 1, the assumption is not significantly violated. No particular patterns emerge. The assumption is therefore met the normality assumption was assessed by inspecting histogram of standardized residuals (errors). The results show that the shape of the histogram is similar to normal curve; with mean zero and standard deviation one. Therefore normality assumption is met.

Regression Results

Since all the independent variables are significantly correlated with performance, it was entered as independent variables in the regression analysis (Table 4). The regression analysis typically has three important results, the first one is model summary. The model summary results in table 4 show that the purchasing strategies in the model explain 55.0% of variance of performance. The final but important regression results are the regression coefficient result. It is the core of hypothesis testing in the regression analysis as it assesses the significance of each variable.

Table 4. Regression Coefficients; effect of purchasing strategy on performance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.680	.265		2.561	.011
Purchase	.230	.062	.237	3.731	.000

In this study, Purchase strategies are significant determinants of performance (B=.230, $p < .001$) meaning that an increase in purchasing strategy scores in seed companies, the sales and employee satisfaction also increase. For example, holding other factors constant, an improvement in purchasing strategy score by say 1 unit, the sales and employee satisfaction increase by about 0.230 units.

Conclusions

Efforts and commitment that seed companies put into their Purchasing strategies is not in vain. It helps the companies achieve significant success in performance particularly increased sales and employee satisfaction. Backed with evidence of the positive effect of purchasing strategies, if the seed companies in Trans Nzoia County now re-examines their commitment in current Purchasing strategies with renewed vigour that ensures proper planning, evaluating and controlling the sourcing decision to serve its market demand effectively, their performance is significantly assured. Thus, seed companies currently struggling with sales volumes should re-examine their purchasing strategies.

Recommendations

Firms should now source for its production materials in ways that reflect the competing purchasing strategy the firm has opted to compete in. In an arrangement of this kind, the purchasing strategy is aligned with the competing strategy (cost or differentiation) for positive outcome. This alignment

benefits companies in setting out its purchasing requirements, and identifying its suppliers and even customers.

Conflicts of interest: There is no conflict of interest of any kind.

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Citation: Tegei Maghas Eric and Nyaberi Duncan Nyakundi. 2022. Influence of Purchasing Strategy on the Performance of Seed Companies in Trans Nzoia County, Kenya. *International Journal of Recent Innovations in Academic Research*, 6(7): 9-15.

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