



INFLUENCE OF PROCUREMENT OUTSOURCING ON PERFORMANCE OF PURCHASING FUNCTIONS IN NZOIA SUGAR COMPANY LIMITED, KENYA

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Abstract

The purpose of this study was to establish the effect of procurement outsourcing on performance of purchasing functions of procurement in Nzoia Sugar Company Limited, Kenya. The study specifically addressed key variables that will include: To determine the relationship between raw material outsourcing and performance of purchasing functions and to establish the relationship between financial services outsourcing and performance of purchasing functions. The study adopted a descriptive research design. The target population was made up of procurement management staff, stores and employees of procurement department of Nzoia Sugar Company making a total of 54 respondents. Census was used to the entire procurement officers hence 54 respondents were sampled. Structured questionnaires were used to collect data. Both descriptive and inferential statistics were used in analyzing the data. The study results showed that raw material outsourcing had a significant positive influence on the performance of purchasing functions. The study established that financial services outsourcing had a significant positive influence on the performance of purchasing functions. The study concluded that raw material outsourcing and financial services outsourcing all play significant positive influence on the performance of purchasing functions of Nzoia Sugar Company Limited in Kenya. From the study findings, the study recommended that Implementation of procurement

outsourcing in operations of Sugar manufacturing companies is highly recommended. This is because of the benefits that can be realized if fully implementation of sugar cane to factories and sugar to market.

Keyword: Procurement outsourcing, purchasing function performance raw material outsourcing, financial services outsourcing

INTRODUCTION

The impact of procurement is growing lately at a faster rate in terms of both decision-making and strategic prominence (Cuypers, Hennart & Silverman, 2021). The management of procurement in particular and the entire purchasing function in general has emerged from being sets of functional skills to being recognized as a driving corporate business philosophy – a profit creation centre, rather than simply a cost saving function (Monczka, Giunipero & Patterson, 2015). In procurement, it is critical that goods, works or services are appropriate and acquired at the best competitive price. In the light of this, strategies are often designed by management to maximize operations of the company whilst having cost reduction at the other side of it (Gottfredson, Phillips & Puryear, 2015). Outsourcing is notably adopted by business procurement departments to help realize this idea. Outsourcing is a tactical sourcing option that is progressively being adopted by procurement departments across a wide and complex range of business functions (Eisenhardt, 2015). While outsourcing can offer procurement departments the potential to save money and improve business effectiveness (Mukopi & Iravo, 2015), there are many lessons to be learned from those with outsourcing experience, with as many negative outsourcing stories as positive ones. Procurement departments typically spend twice as much with their suppliers as they do on staff costs. As a result, reducing supplier spend can have a proportionally bigger effect on earnings than the same percentage reduction in staff or staff costs (Niu, Mu & Shen, 2021). This effect is often further amplified as supplier savings have a direct earnings benefits whereas staff costs carry other overheads and so do not have a direct one-to-one effect

In Kenya, outsourcing rarely involves a focal firm completely relocating an entire process or set of activities from within its boundaries to a sole outsourcing partner, particularly when it comes to complex projects (Njambi & Katuse, 2013). Rather, it is frequently the case that complex activities are subdivided into discrete portions and distributed among multiple outsourcing partners, making these parties interdependent with each other and with the focal organization (Kimaru, 2014). Coordination and control capabilities are further taxed when work is dispersed among multiple outsourcing partners. The greater the extent to which work is

distributed among multiple outsourcing partners, the larger the amount of effort that is required by focal procurement departments to integrate tasks performed by the different parties (Quinn & Hilmer, 2014). The structure of outsourcing also influences the extent to which conflicts can be resolved by contracts or by existing routines within focal procurement departments' established hierarchies. Greater diffusion of work among outsourcing partners increases the likelihood that extended inter-departmental negotiation will be necessary to resolve disagreements, thus hindering performance (Wang, Guo & Song, 2021)

The Kenya Vision 2030 is the national long-term development blue print that aims to transform the country into a modern, globally competitive, middle income country offering a high quality of life for all citizens by the year 2030. Kenya's Vision 2030 considers Business process outsourcing (BPO) as one of the fulcrums on which Kenya's future economic growth will hinge on. Yet, the foundations of BPO are not deep enough in terms of what is to be outsourced and how. Skipworth, Delbufalo and Mena (2020) call outsourcing the third industrial revolution.

Kenya is eager to ride on this third revolution. The Kenyan government strategic plan vision 2030 steered by the ministry of devolution and planning has singled out a Business Process Outsourcing (BPO) as one of the six pillars to drive the country to a medium developed economy (Were, 2016). In the short run, the government aims at achieving a top three position as a Business Process Outsourcing destination in Africa. The process of outsourcing in public entities of Kenya county governments being one of them is guided by the public procurement act 2005 and also its anchored in the new constitution 2010 under article 227 with public procurement oversight authority (PPOA) and Public Procurement Complaints, Review and Appeals Board (PPCRAB) as monitory and oversight bodies. According to Commission for Revenue Allocation Kenya (CRA) fiscal report (CRA, 2017), county governments account for 34% of the total budget for shareable revenue allocation which translates to an amount of Kshs 231 billion.

Statement of the Problem

Purchasing functions in many organizations in Kenya are facing tough times that need businesses to focus absolutely on profit, cash flow and eliminating unpredictable events from a declining demand profile (Wanyonyi & Muturi, 2015). A study by the Amemba, Nyabokeye, Osoro, and Mburu (2013) revealed that most of the tendered products/services are being brought with a mark-up of 60% on the market price hindering the supply chain performance due to high costs. Nzoia Sugar Company Limited does not manage and control their inventory holding, resulting in under stocking of the cane causing the companies to stay off production and stock outs of the

sugar thereby resulting to poor performance of the procurement function (Mukopi & Iravo, 2015). It is true that our cost of production is high and there are quite a number of drivers that make this cost this high. One of which is cost of power the other is the technology. There is various cost saving mechanisms that perhaps we have not exploited such as procurement outsourcing. While this strategy looks quite promising, it is surprising to find that more than one-fourth of outsourcing deals fail in the first year. Nzoia Sugar Company despite outsourcing efforts in a number of business processes has still remained uncompetitive. The business has not declared any increases in its balance sheet as a result of outsourcing. The company turnaround strategy involved activities such as outsourcing but not much financial gains or operational efficiencies has been perceived to contribute to the performance of the purchasing department. According to Tamura (2015) on the effect of logistic outsourcing on performance of sugar manufacturing firms in Western Kenya, they found out that those sugar manufacturers that handed over their logistics functions to third party logistics (3PL) service providers in order to concentrate on their core competencies experienced improved organizational performance. In addition, Wang, Niu, Guo and Song (2021) concluded in his study that outsourcing of non-core logistics activities is triggered by the need to eliminate duplication of roles, efforts, and the dysfunction existing within the organization. On other hand, Zailani, Shaharudin, Razmi and Iranmanesh (2017) concluded that outsourcing is most prevalent in departments like human resource, finance, and information technology. Further, Kimaru (2014) did a study on outsourcing and operational performance of the Kenya national police service. Mwangi (2018) conducted a study on the effects of outsourcing on corporate performance at British American Tobacco Kenya Limited. However, despite its importance in performance of purchasing functions of Nzoia Sugar Company, there is no empirical evidence on how procurement outsourcing affects procurement function performance.

Objectives of the Study

The main objective of this study was to establish the relationship between procurement outsourcing and performance of purchasing functions of procurement departments in Kenya, A case of Nzoia Sugar Company.

The specific objectives of this study were to;

- I. To determine the influence of raw material outsourcing on performance of purchasing functions of Nzoia Sugar Company
- II. To establish the influence of financial services outsourcing on performance of purchasing functions of Nzoia Sugar Company

Hypotheses of the Study

- i) **H₀₁**: There is no significant influence of transport logistics Services outsourcing on performance of purchasing functions of Nzoia Sugar Company.
- ii) **H₀₂**: There is no significant influence of raw material outsourcing on performance of purchasing functions of Nzoia Sugar Company.

LITERATURE REVIEW

Theoretical Framework

The study was guided by transactional cost theory developed in 1979 by Oliver Williamson while working on concepts that were first developed by Ronald Coase (Amdany & Kwasira, 2016). The theory was first developed for accounting purposes but has been expanded to other fields. The basis of the transactional cost theory is the concept of transactional cost. A transactional cost has been defined as the cost incurred in making an economic exchange of some sort or the cost of participating in the market. This cost is divided into three components; search and information costs, bargaining costs, and policing and enforcement costs (Njeru & Ngugi, 2014). The search and information costs relates to the costs of examining on whether the required goods and services availability in the market as well as their prices. On the other hand, the bargaining costs involve the costs incurred in reaching an agreement between the seller and buyer such as legal costs of drawing contracts. Finally, the policing and enforcement costs are costs of ensuring that the terms of the contract are adhered to by both parties (Driscoll, Halliday, & Stock, 2010).

The theory indicates that firms seek to minimize transactional costs of individual transactions that would take place between a buyer and seller in an open market. The theory seeks to explain the context in which it is beneficial to undertake a particular process within the firm and circumstances making it ideal to outsource a given process to outside firms (Rindova, Dalpiaz & Ravasi, 2011). The theory of transaction cost economics also examines the boundaries between what is better performed within the firm and what should be outsourced. Within the context of transactional cost theory, procurement occurs as a result of need to acquire services and goods from external suppliers in the context that it is not economically viable to produce those goods in house. However, in the procurement of the services from external suppliers it is in the interest of the energy sector parastatals to reduce the transactional costs associated with the procurement. The transactional cost theory is critical in context of operational performance and efficiency (Cuypers, Hennart, Silverman & Ertug, 2021). The transactional cost theory indicates that firms should endeavor to produce the goods through

external suppliers in contexts where they it is not viable to produce them in house (Rindfleisch, 2019).

Conceptual Review

Figure 1 presents the researcher's conceptualized influence of procurement outsourcing on performance of purchasing function. The dimensions of procurement outsourcing (independent variable) investigated was raw material outsourcing and financial services outsourcing. Performance of purchasing function (dependent variable) was measured in terms of cost reduction, lead time, and product and service quality.

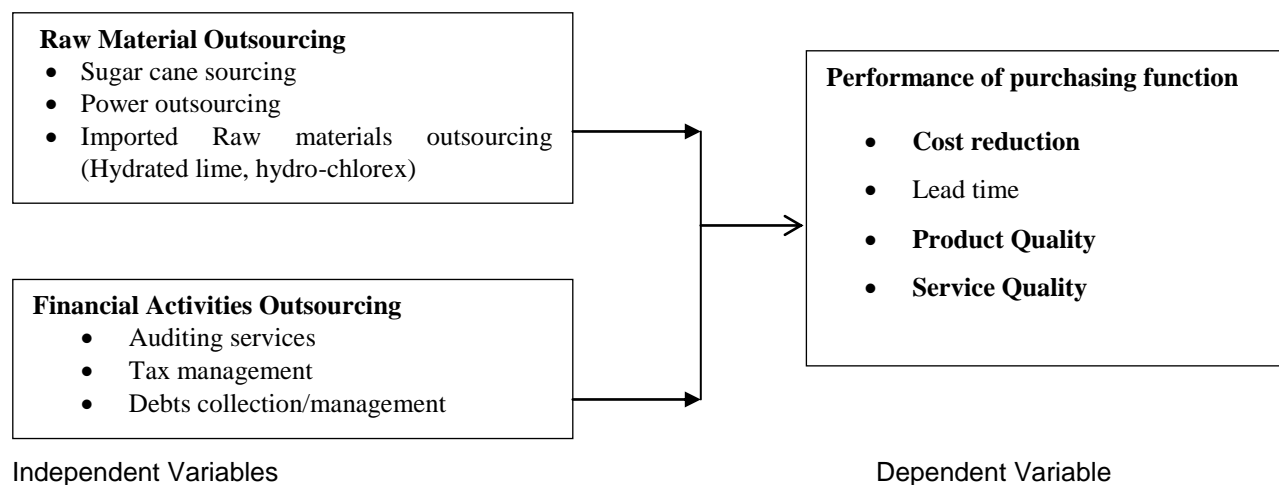


Figure 1: Conceptual Framework

Empirical Review

Chepwogen and Moronge (2019) sought to examine the influence of procurement outsourcing practices on performance of manufacturing firms in Nairobi County, Kenya. The regression coefficients of the study showed that material outsourcing had a significant positive influence on performance of manufacturing firms in Kenya. This implied that increasing levels of material outsourcing would increase the levels of performance of manufacturing firms in Kenya. This shows that material outsourcing has a strong positive influence on performance of manufacturing firms in Kenya. Bernard (2019) sought to establish the effect of outsourcing on supply chain performance at Cadbury Kenya Limited. The respondents also indicate that Cadbury Kenya Limited was outsourcing raw materials like fresh whole milk, skimmed milk, butteroil, sugar, and cocoa. Kinyanjui (2014) sought to establish the effect of procurement outsourcing on supply chain performance among manufacturing firms in Kenya. The study established that firms in the manufacturing sector outsource the storage of its raw materials to a

great extent. Susan and Wagoki (2014) study was to determine the effect of strategic Material Sourcing on operational performance of manufacturing firms, a case of East African Breweries Limited in Nairobi, Kenya. The study adopted descriptive research design to generate findings and made conclusions Strategic Material Sourcing and operational performance. Stratified sampling technique was adopted besides using closed ended questions to obtain data. The study findings showed that strategic material sourcing entails developing sourcing strategy and that it involved improving and re-evaluating the purchasing activities at EABL. Findings also indicated that effective supplier relationship management helps in reducing monitoring costs and that it helped in conflict resolution and better communication between the company and the supplier thereby promoting operational performance.

The essential of financial outsourcing has been highlighted by recent research (Nicholson & Aman, 2018). Tas and Sunder (2014) focus on outsourcing of finance function by UK small to medium sized enterprise. They examine risk and reward mechanisms in maintaining finance activities internally as opposed to contracting it out to the market. Carmel, Lacity and Doty (2016) draw on the practice of finance outsourcing and revealed a broad spectrum of transaction costs and management control. Following this, Nicholson and Aman (2018) provide an in depth study and analysis of financial outsourcing by three UK firms offshoring to India. They focus on both client and vendor sides and examine the risks and control involved in financial outsourcing. Aman, Hamzah, Amiruddin and Maelah (2012) discuss issues of risks and control of finance outsourcing in Malaysia but have not covered issues of manufacturing firms outsourced or relocated their financial services in Malaysia. Hence, the study of financial outsourcing is still limited and there is a need to understand their challenge and issues specifically in mitigating transaction costs. Kinyanjui (2014) sought to establish the effect of procurement outsourcing on supply chain performance among manufacturing firms in Kenya. This is because a descriptive design. The population of the study in this research is manufacturing companies that are based in Nairobi, Kenya. Stratified random sampling method was applied to come up with the sample size. Stratified random sampling method was applied to come up with the sample size. The study concludes that outsourcing financial activities leads to improved supply chain performance in ways such as increased productivity, minimized costs, maximized profits, increased operational efficiency and increased customer satisfaction.

MATERIAL AND METHODS

To investigate the relevance of the research purpose with scientific procedure, this paper adopted a descriptive survey design. It allowed the collection of data from members of a population in order to determine the current status of that population with respect to one or more

variables and it also gives room for collection of quantifiable information from the sample. The target population was made up of procurement managers, stores personnel and employees of procurement department of Nzoia Sugar Company making a total of 54 respondents. Since the population is small (54), census was used to collect information from the entire population (Kothari, 2014). The researcher used structured questionnaires; contained closed ended questions. Researcher administered questionnaires to the staff of procurement department of Nzoia Sugar Company. The questionnaires are piloted using small sample of 10 - 20 employees of West Kenya Sugar Company which is different from the organization of researcher's point of study. The purpose is to detect any error in the research instruments. The data analysis in this study involved the use of descriptive and inferential statistics. The regression and correlation analyses were based on the association between two (or more) variables. SPSS version 23 is the computer analysis tool that was used in this study. Analyzed data was organized into models and tables for easy reference.

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics are used to define and describe the properties of a set of data (Mboya, 2019). The study sought to interrogate whether procurement outsourcing influences Performance of purchasing functions of Nzoia Sugar Company. To describe a distribution of the scores of measurements using indices or statistics, the study entailed use of descriptive statistics to present findings using percentages where 1-Strongly Disagree, 2-Disagree, 3-Undecided, 4-Agree, 5-Strongly Agree

Table 1: Descriptive Results: Raw Material Outsourcing

Raw material outsourcing	5	4	3	2	1	Mean	SDV
The outsourcing of the raw materials is based on their cost	9 (19.6)	20 (43.5)	8 (17.4)	8 (17.4)	1 (2.2)	3.61	1.06
The outsourcing of raw materials determine the choice of the suppliers	10 (21.7)	17 (37)	11 (23.9)	6 (13)	2 (4.3)	3.59	1.11
The quality of raw materials determines the profitability of the firm	7 (15.2)	18 (39.1)	14 (30.4)	6 (13)	1 (2.2)	3.52	0.98
The cost of the raw materials enhance outsourcing of the raw materials for the firm	11 (23.9)	17 (37)	7 (15.2)	5 (10.9)	6 (13)	3.48	1.33
Outsourcing of raw material allows for minimization of inventory levels	6 (13)	23 (50)	11 (23.9)	5 (10.9)	1 (2.2)	3.61	0.93
Outsourcing of raw materials has led to timeliness in delivery	8 (17.4)	18 (39.1)	10 (21.7)	4 (8.7)	6 (13)	3.39	1.26
Composite Mean						3.53	1.11

Results in Table 1 revealed that 43.8% of the sampled respondents agreed that the outsourcing of the raw materials is based on their cost and 19.6% of the respondents strongly agreed on the same with a mean of 3.61. However, 17.4% of the respondents were uncertain a suggestion that not all respondents were aware that outsourcing of the raw materials is based on their cost. The results also revealed that 37.0% of the respondents agreed that outsourcing of raw materials determine the choice of the suppliers while 21.7% strongly agreed on the same. Although, 30.4% were uncertain with a mean of 3.594. In regards to the quality of raw materials determines the profitability of the firm, 39.1% of the respondents agreed with this assertion while 15.2% strongly agreed. However, 30.4% of the respondents were undecided with a mean of 3.52. The results also revealed that few of the respondents (23.9%) strongly agreed that the cost of the raw materials enhance outsourcing of the raw materials for the firm and further 37.0% agreed with a mean of 3.48. However, 15.2% of the respondents were uncertain that cost of the raw materials enhances outsourcing of the raw materials for the firm. More so, half of the respondents agreed while 13.0% strongly agreed with a mean of 3.61 that outsourcing of raw material allows for minimization of inventory levels. Further, 23.9% of the respondents were uncertain that outsourcing of raw material allows for minimization of inventory levels. Lastly, 39.1% of the respondents agreed that outsourcing of raw materials has led to timeliness in delivery and further 17.4% agreed with a mean of 3.39.

Averagely, the level of raw material outsourcing in Nzoia Sugar Company Limited was at 70.6% mean response (mean=3.53, std. dev. =1.11) rated high as shown in Table 1. This is an indication that the way in which raw material outsourcing is implemented influences performance of purchasing functions of Nzoia Sugar Company. The above findings agree with Kivuva (2018) who noted that many organizations outsource their manufacturing to get rid of the overhead cost associated with operating a manufacturing facility. Some of the overhead costs include utilities, such as gas, electric and water, production equipment maintenance costs, indirect labor such as quality assurance staff, machine technicians, product handlers, shipping and receiving employees. (Anyango, 2018) revealed that an organization can use three ways to minimize cost of sourcing materials, by interviewing her customers, by negotiation with the suppliers, by sourcing for better materials, we mean original material that can go into production and come out with quality product.

Table 2: Descriptive Results: Financial Activities Outsourcing

Financial Activities Outsourcing	5	4	3	2	1	Mean	SDV
The company outsources Book keeping services from experts	6 (13)	29 (63)	5 (10.9)	4 (8.7)	2 (4.3)	3.72	0.96
The company outsources External Auditing services	16 (34.8)	11 (23.9)	15 (32.6)	3 (6.5)	1 (2.2)	3.83	1.06
The company considers managing inventory through renown experts	9 (19.6)	16 (34.8)	10 (21.7)	8 (17.4)	3 (6.5)	3.43	1.19
The company manages taxation matters through consultants	10 (21.7)	20 (43.5)	8 (17.4)	4 (8.7)	4 (8.7)	3.61	1.18
The company manages assets through various accounting experts	7 (15.2)	17 (37)	13 (28.3)	7 (15.2)	2 (4.3)	3.43	1.07
Accounting reconciliations have been reduced by outsourcing accounting services.	6 (13)	21 (45.7)	15 (32.6)	2 (4.3)	2 (4.3)	3.59	0.93
Composite Mean						3.6	1.07

From Table 2, majority of the respondents (63.0%) agreed that the company outsources Book keeping services from experts while 13.0% of the respondents strongly agreed with a mean of 3.72. However, 10.9% of the respondents were uncertain an indication that some of the respondents were not aware that the company outsources Book keeping services from experts. Similarly, 23.9% of the respondents agreed that the company outsources External Auditing services and further 34.8% strongly agreed with a mean of 3.83. Nevertheless, 32.6% were undecided that the company outsources External Auditing services. Similarly, 34.4% of the respondents agreed that the company considers managing inventory through renowned experts and further 19.6% agreed on the same. On the hand, 21.7% of the respondents were uncertain and 17.4% disagreed with a mean of 3.43. In regards to the company manages taxation matters through consultants, majority of the respondents confirmed that the company manages taxation matters through consultants as shown by 43.5% of the respondents who agreed and 21.7% who strongly agreed with a mean of 3.61. The results also revealed that 37.0% agreed that the company manages assets through various accounting experts while 15.2% strongly agreed. However, 28.3% of the respondents were undecided with a mean of 3.43. Lastly, 45.7% of the respondents agreed that accounting reconciliations have been reduced by outsourcing accounting services and additional 13.0% of the respondents strongly agreed with a mean of 3.591.

Averagely, the level of Financial Activities Outsourcing was at 72.0% mean response (mean=3.6, std. dev. =1.07) rated high as shown in Table 2 a suggestion that Financial Activities Outsourcing influenced performance of purchasing functions of Nzoia Sugar Company. Financial experts are highly paid thus a medium sized oil firm will not be in a position

to sustain such experts hence opt to outsourcing the services at a fair rate. The above findings agree with Chang-chun (2019) and Park and Hollinshead (2011) who outlined the disadvantages of outsourcing financial services as confidentiality issues, cultural and communication barriers, hidden costs, quality assurance and supervision, and conflicts of interests. However, Basu and Nair (2012) and Wright (2015) noted some of the risks of outsourcing accounting as Language barriers which leads to misunderstandings, hinder proper communication with both parties resulting to legal problems.

Inferential Statistics

From the model summary in Table 3, the coefficient of determination (R-squared) of 0.315 showed that 31.5% of performance of purchasing functions of Nzoia Sugar Company Limited in Kenya could be explained raw material outsourcing and financial services outsourcing. The adjusted R square of 28.3% depicts that the procurement outsourcing in exclusion of the constant variable explained the change in performance of purchasing functions of Nzoia Sugar Company Limited by 28.3%, the remaining percentage could be explained by other factors not included in the model. The correlation coefficient of procurement outsourcing ($R=0.561$) in Table 3 showed that there is a moderate positive relationship between performance of purchasing functions of Nzoia Sugar Company Limited and procurement outsourcing. The standard error of estimate (0.7649) shows the average deviation of the independent variable from the line of best fit. From the ANOVA results Table 3 in model one shows that there is a significant relationship between performance of purchasing functions of Nzoia Sugar Company Limited and procurement outsourcing ($F=9.875$, $p\text{-value} < 0.001$). Further, From the ANOVA Table, both models were statistically significant for the data as the $p\text{ value} < 0.001$.

Table 3 presents the model 1 with the beta coefficients of all independent variables versus performance of purchasing functions of Nzoia Sugar Company Limited. The coefficient of raw material outsourcing (X_1) was 0.465 which was greater than zero. The t statistic of this coefficient was 2.264 with a p value = 0.029. This implied that the coefficient 0.465 was significant. Since the coefficient of X_1 is significant, it shows that raw material outsourcing have a significant influence on performance of purchasing functions of Nzoia Sugar Company Limited. Further, raw material outsourcing contributes 0.465, for every unit increase in performance of purchasing functions of Nzoia Sugar Company Limited. The first null hypothesis was rejected; therefore, raw material outsourcing significantly influences the performance of purchasing functions. The findings concurs with Chepwogen and Moronge (2019) who concluded that concluded that raw material outsourcing influence performance of manufacturing

firms in Kenya. The regression coefficients of the study showed that raw material outsourcing had a significant positive influence on performance of manufacturing firms in Kenya. Similar results were reported by Bernard (2019) who indicated that raw material outsourcing influence supply chain performance at Cadbury Kenya Limited.

Table 3: Multiple Linear Regression

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.561 ^a	.315	.283	.7649	.315	9.875	2	43	.000
a. Predictors: (Constant), raw material, Financial services									
ANOVA^a									
Model		Sum of Squares	Df	Mean Square	F	Sig.			
1	Regression	11.555	2	5.777	9.875	.000 ^b			
	Residual	25.158	43	.585					
	Total	36.713	45						
a. Dependent Variable: performance of purchasing functions									
b. Predictors: (Constant), raw material, Financial services									
Coefficients^a									
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.		
		B	Std. Error	Beta					
1	(Constant)	.524	.636			.824	.414		
	Raw Material Outsourcing	.465	.205	.387		2.264	.029		
	Financial Services Outsourcing	.281	.117	.221		2.401	.020		
a. Dependent Variable: performance of purchasing functions									

The study regression model is as shown below:

$$\text{Performance of Purchasing function (y)} = 0.525 + 0.465x_1 + 0.281x_2$$

Where X_1 = Raw Material Outsourcing

X_2 = Financial Services Outsourcing

Table 3 also shows that the coefficient of financial services outsourcing (X_2) was 0.281 which was greater than zero. The t statistic of this coefficient is 2.401 with a p value < 0.005. This implies that the coefficient 0.281 is significant. Since the coefficient of X_2 is significant, it shows that financial services outsourcing have a significant influence on performance of purchasing functions of Nzoia Sugar Company Limited. According to the study findings, Financial services outsourcing contributes for every unit increase in performance of purchasing functions of Nzoia Sugar Company Limited and the contribution is statistically significant (p-value = .020). The

second null hypothesis was rejected; therefore, financial services outsourcing significantly influence the performance of purchasing functions. The findings are in agreement with Kinyanjui (2014) who concluded that the manufacturing firms outsource financial services to a great extent and this affects supply chain performance of manufacturing firms in Kenya. In another study, Mburu (2017) established that financial services outsourcing was main determinants of procurement performance of universities in Kenya.

CONCLUSION AND RECOMMENDATION

The study established that raw material outsourcing played a statistically significant positive role on the performance of purchasing functions of Nzoia Sugar Company Limited in Kenya. Raw material outsourcing positively influenced performance of purchasing functions through outsourcing of sugar cane from local cane farmers, outsourcing of power and fuel as well as outsourcing imported raw material chemicals. The study findings indicated that financial services outsourcing played a significant positive role on the performance of purchasing functions of Nzoia Sugar Company Limited in Kenya. Financial services outsourcing positively influenced performance of purchasing functions through outsourcing book keeping services from experts, outsourcing external auditing services and managing taxation matters through consultants as well as the company managing assets through various accounting experts. Implementation of transport logistics outsourcing in operations of Sugar manufacturing companies is highly recommended. This is because of the benefits that can be realized if fully implementation of sugar cane to factories and sugar to market. Sugar companies shall benefit by improving service delivered to customers, reducing delays, improve efficiency of services, and ensure concentration on core activities of the company.

However, the study was limited to Nzoia Sugar Manufacturing Company. In future, the same study can be extent to non-manufacturing firms to enable availability of data for comparison purposes. The study limited itself to financial activities outsourcing and raw material outsourcing. A research into the other procurement outsourcing influencing performance of purchasing function would be very relevant since procurement outsourcing can only account for 31.5% of the performance of purchasing function in Nzoia Sugar Company. This include warehousing outsourcing, human resource outsourcing and supplier outsourcing.

The study recommended that there is need for sugar manufacturing firms to ensure that the raw materials outsourced providers meet the set standards set by putting in place a strict Service Level Agreement and monitoring closely to ensure the provider meets the set standards. Sugar manufacturing firms should ensure close interaction with the owners and or supervisors of the organizations providing outsourced raw materials. This way, the gap in values

should not be felt when raw materials are outsourced thereby sourcing for better raw materials that can go into production and come out with quality product.

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