

# EFFECTS OF SUPPLIER RELATIONSHIP MANAGEMENT ON PROCUREMENT PERFORMANCE AT KENYA PIPELINE COMPANY LIMITED

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**Abstract:** The main purpose of this study was to establish the effects of supplier relationship management on organizational performance. Effective supplier relationship management has become a vital valuable way of securing competitive advantage and improving on organizational performance. This is because competition in modern business world is no longer between organizations, but among supply chains. The study was guided by the following research objectives, to determine effect of adversarial supplier, effect of partnership supplier relationship, effect of supplier development relationship and effect of electronic sourcing relationship on procurement performance at Kenya Pipeline Company Limited. Procurement performance is crucial in enhancing the performance of organizations because whatever gets measured gets done. The study was achieved through use of the following theories commitment operational principles theory, theory of constraints, organizational buying behavior theory and resource based approach theory.

The study employed descriptive and inferential research design methods. The target population for the study was 410 employees of Kenya Pipeline Company limited from respective departments. The sample size was 123 which was arrived at by using slovin's formula from the target population. The study adopted also quantitative research design. The study used both primary and secondary data in collection of data from the respondents which helped them ascertain the results. Data collection was done using questionnaire method. The researcher used pilot testing of 10% to ascertain the validity and reliability for the results for the study. Data analysis and interpretation was based on descriptive statistics as well as inferential statistics mainly regression analysis and Pearson correlation which was employed during analysis of data. Data analysis was analyzed by using statistical packaging social sciences version 22. Data presentation was done through frequency distribution of tables. From the findings results the independent variables adversarial supplier, partnership, supplier development and electronic sourcing have strong significant relationship with the dependent variable (procurement performance). From the study conclusions it is evident that adversarial supplier, partnership, supplier development and electronic resources are key determinants of procurement performance in an organization. It is recommended that in order to boost the morale of the supply chain unit, management of Kenya Pipeline Company Limited should involves suppliers in design of projects and programmes for the benefits of the organization. The study revealed that cooperating with our suppliers is beneficial to organization in regards to long term relationships. The study therefore recommends that organization puts more emphasize openness of communication between supplier and organization suppliers. Performance in any given organization is used as indicator for measuring the capability of the organization on how it can run its activities. It is recommended that oil firm's stakeholders and policy makers have to strategize on vibrant strategies and policies that initiate and promote performance of the organization.

**Keywords:** Adversarial Supplier Relationship, Supplier Development, Partnership Relationship, Electronic Sourcing and Procurement Performance.

## 1. INTRODUCTION

Procurement is the process of finding, agreeing terms and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process. The process is used to ensure the buyer receives goods, services or works at the best possible price, when aspects such as quality, quantity, time, and location are compared. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing risk, such as exposure to fraud and collusion. "The free encyclopedia," (2010).

The understanding and practicing of supplier relationship management has become an essential part of an organization in ensuring profitability, (Gold, Seuring and Beske, 2010). Supplier relationship management is the relationship between company buyers and its suppliers. It is a mirror image of customer relationship management in the aspect that the same way the organizations strive to manage its relationship with its customers is the same way it should manage the relationship with its suppliers. The main objectives of supplier relationship management is to ensure quality of supplies, timely deliveries and better information flow which in return ensure proper planning in the organization. Globalization of markets has led to intensified competition not only between organization but also between supply chain and this has led to the need for organizations to adopt efficient and effective ways of providing goods and services that meet the customer requirements, (Cooper and Ellram, 2010)

Supplier buyer relationship can be achieved in two different directions that is supplier captive and buyer captive. Supplier captive is when the supplier has only one customer who can buy from them hence dependent on their productivity while buyer captive has only one supplier who can supply the materials and no any other substitute hence dependent on their effectiveness to supply. The short-term objectives of supplier relationship management are to increase productivity and reduce inventory and cycle time while the long-term objectives is to increase market share and profit for all members of the supply chain.

### **Research Objective of the Study**

#### **General Objective**

The general objective of the study was to determine the effect of supplier relationship management on procurement performance at Kenya Pipeline Company.

#### **Specific Objectives**

- i. To establish the effect of adversarial supplier relationship style on procurement performance at Kenya Pipeline Company Limited.
- ii. To determine the effect of partnership on procurement performance at Kenya Pipeline Company Limited.
- iii. To determine the effect of supplier development on procurement performance at Kenya Pipeline Company Limited.
- iv. To establish the effect of electronic sourcing on procurement performance at Kenya Pipeline Company Limited.

## 2. LITERATURE REVIEW

### **Theoretical Framework**

#### **Supply Chain Integration Theory**

Integration is a process of interaction and collaboration in which companies in a supply chain work together in a cooperative manner to achieve mutually acceptable outcomes (Pagell, 2014). Kim and Narasimhan (2012) asserts that supply chain integration links an organization with its customers, suppliers and other channel members by integrating their relationships, activities functions, processes and locations. According to Lambert (2014), successful supply chain management requires cross-functional integration of key business processes within the company and across the network of companies that consist of the supply chain. Organizations must integrate their operations with trading partners in order to sustain competitive advantage for the whole supply chain (Lambert & Cooper, 2016).

#### **Theory of Constraints**

The theory of constraints (TOC) is an overall management philosophy introduced by Eliyahu Goldratt in his 1984 book titled Goal, which is geared to help organizations continually achieve their goals. Goldratt adapted the concept to project

management with his book *Critical Chain*, published in 1997. The theory of constraints (TOC) is a management paradigm that views any manageable system as being limited in achieving more of its goals by a very small number of constraints. There is always at least one constraint, and TOC uses a focusing process to identify the constraint and restructure the rest of the organization around it. TOC adopts the common idiom "a chain is no stronger than its weakest link." This means that processes, organizations, etc., are vulnerable because the weakest person or part can always damage or break them or at least adversely affect the outcome.

The underlying premise of the theory of constraints is that organizations can be measured and controlled by variations on three measures: throughput, operational expense, and inventory. Inventory is all the money that the system has invested in purchasing things which it intends to sell. Operational expense is all the money the system spends in order to turn inventory into throughput. Throughput is the rate at which the system generates money through sales. Before the goal itself can be reached, necessary conditions must first be met. These typically include safety, quality, and legal obligations.

### **Review of Literature on Study Variables**

#### **Adversarial Relationship Style Management**

This relationship is the root of innovation implementation, quality targets, and cost control. Furthermore, many of the industry's opportunities can be exploited only if manufacturers and suppliers work in concert, making "big bet" investments in research, infrastructure, and markets and sharing advanced technology. However, the manufacturer-supplier relationship is beset by a great deal of friction, the result of decades of mistrust between historically unequal partners. That friction has increased in recent years because of lower margins and greater market pressure; indeed, some manufacturers that were once praised by suppliers for evenhandedness have recently adopted a more aggressive approach.

To determine the elements of a successful manufacturer supplier relationship and the skills needed by leaders working toward or sustaining such a relationship, Booz & Company joined with executive search firm Russell Reynolds Associates to conduct 43 in person interviews of senior executives at nine major manufacturers and 19 leading suppliers in the United States and Europe. Included in this survey were companies such as Ford, BMW, Volvo, and Mercedes on the original equipment manufacturer side, and BorgWarner, Visteon, Lear, and Johnson Controls among the suppliers. These interviews covered the nature of the arrangements between automakers and suppliers, how their relationships have changed over time, and areas in which their partnerships have worked and where there was room for improvement

#### **Partnership Supplier Relationship Management**

Companies are under increasing pressure to improve efficiency and bring about innovative processes to stay in the competition. In recent times, there have been many newer avenues being explored by companies to have a robust supply chain. From improving process efficiency to building closer relationship with suppliers, companies are slowly moving to a path to better the supply chain. However, according to a survey by Hitachi Consulting, 80% of supply chain managers do not see the supply chain as an enabler of business strategy. With incidents such as Aston Martin recalling more than 17,000 of its cars following a revelation that a Chinese subcontractor was supplying counterfeit plastic to one of Aston Martin's suppliers in the country, it becomes clear that procurement is yet to be given the importance it demands. So, there is something which companies are missing out to strategize their procurement plan.

#### **Supplier Development Relationship Management**

Supplier development is closely related to supplier relationship management and is the process of working with certain suppliers on a one-to-one basis to improve their performance for the benefit of the buying organization. Study findings revealed that supplier development has a significant on the procurement performance, both in terms of effectiveness and efficiency aspects of measurement. This means that with dynamic customer tastes, world economy and the shrinking supply base, there is a drastic increase in pressure on the manufacturing firms to find new ways of building relationship with key suppliers through supplier development, find was in which they can motivate and nurture the supplier relationships.

#### **Electronic Sourcing Supplier Relationship Management**

Best Practice Network (2004) considers e-sourcing as a strategic process to establish, manage and monitor contracts and as an essential part of e-procurement. According to Aberdeen Group, reported by Best Practice Network (2004), a well-managed sourcing process should prioritize organizational requirements, understand supply market, select the supplier best placed in satisfying organizational needs, negotiate for the best overall value, establish and manage

relationships with suppliers, develop cost reduction strategies and enhance long term performance of the purchasing operations and in turn the procurement performance. Aberdeen group developed a seven stages e-sourcing cycle that can be adopted in implementation of e-sourcing. Figure 2 shows the e-sourcing cycle. Lewis (2004) developed a guide for implementation of e-sourcing. In the guide, the first factor he emphasizes on configuration for capacity which involves understanding of the needs of the organization and developing a system take such needs. The second factor is an understanding that an e-sourcing platform will not automatically come with resource savings. Other actors he identified are selection of appropriate tools and development of the right skills is the third point he pointed. The organization need to train employees on the required skills and manage change in the work place.

### 3. RESEARCH METHODOLOGY

#### Research Design

A descriptive research design involved a smaller group of respondents that can be reached fully (Sarah, 2012). A descriptive design was used in order to get an in- depth understanding of the effects of supplier relationship management on organizational performance. Therefore, the study adopted a descriptive survey design. Descriptive research are designed to measure the characteristics of a particular population, either at a fixed point in time or comparatively over time. (Gay, 2014) .The descriptive design was considered appropriate for the study because according to Kothari (2013) research design is concerned with describing, recording, analyzing and reporting conditions that exists or existed. Gay (2014) argues that research design method is widely used to obtain data useful in evaluating present practices and in providing basis for decisions.

#### Target Population

Lavrakas (2012) defines a population as any finite or infinite collection of individual elements. Hyndman (2012) describes a population as the entire collection of ‘things’ in which we are interested. Target population refers to all the members of a real or hypothetical set of people, events or subjects to which a researcher wishes to generalize the results of the study (Ngechu, 2014). This study included 410 staff of the Kenya Pipeline Company from procurement, finance and operations departments and suppliers prequalified in their system. The reason for targeting the staff from the company is that they have viable information and they understand better the systems in the organization thus would procurement performance.

The study population of 410 staff of Kenya Pipeline Company was included as per composition in the table 3.1 below;

**Table 3.1: Target Population**

Department	Population Target
Finance/operations	36
Procurement and supply chain	201
Suppliers	173
<b>TOTAL</b>	<b>410</b>

#### Data Analysis Processing and Presentations

Data analysis method refers to examining what has been collected in a survey or experiment and making deductions and inferences (Kombo & Tromp 2013). This study adopted qualitative and quantitative analysis. The data to be collected was analyzed, edited and sorted for completeness which the researcher checked whether all the questions have been answered. The data was also subjected to validation and verification checks. Accuracy and clarity was also checked and a sequence of steps was applied to convert the raw data into systematic categories. The data to be collected was coded and this involved conversion of data into numerical codes representing attributes or measurements of variables (Mugenda & Mugenda, 2013). The findings were presented using descriptive statistics methods. Descriptive statistics used graphical and numerical summaries to give a picture of a data set. Pie charts, tables and graphs were used too.

(Kumar, 2005) Advises that a researcher must pay attention toward data organization and coding prior to the input stage of data analysis. If data are not properly organized, the researcher may face difficulty while analyzing their meaning later on. Following this advice, data were carefully coded and reduced to manageable chunks and hunks by use of SPSS Version 23. Statistical methods to reduce data such as calculation of central tendencies were used. The relevancy and relationships were determined by the simple regression analysis and correlation analysis techniques where

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + \epsilon$$

Y – outcome as a result of changes in any or all the variables,  $x_1$  to  $x_4$

'a – is a constant, the results when all variables  $x_1$  to  $x_4$  are zero.

$X_1$  – Adversarial Supplier Relationship Management

$X_2$  – Partnership Supplier Relationship Management

$X_3$  – Supplier Development Relationship Management

$X_4$  – Electronic Sourcing Relationship Management

' $b_1$  –  $b_4$  – Regression coefficients

#### 4. RESEARCH FINDINGS AND DISCUSSION

##### Discussion of Key Findings in Relation to Empirical Review

##### Adversarial Relationship Style

**Table 4.1: Adversarial Relationship Management Style**

	N	Mean	Std. Deviation
Adversarial supplier relationship style improves the service delivery between suppliers and company	101	4.31	1.426
Adversarial supplier relationship style improves the productive efficiency of the supply chain departments of the company	101	4.10	1.578
Good adversarial supplier relationship style initiates the development of a supply work team	101	4.28	1.289
Adversarial supplier relationship style boosts the morale of the supply chain unit	101	4.40	1.297
Suppliers are involved in the design efforts, in all projects and programmes for the benefit of the organization	101	4.19	1.233
Valid N (listwise)	101		

As per the Table 4.6 above, respondents by a (mean= 4.31 and SD=1.426) agreed that adversarial supplier relationship style improves the service delivery between suppliers and company. Majority of the respondents agreed by a (mean 4.10 and SD=1.578) that adversarial supplier relationship style improves the productive efficiency of the supply chain departments of the company. On whether good adversarial supplier relationship style initiates the development of a supply work team, respondents were in agreement with this statement as shown by a (mean score of 4.28 and SD=1.289). Finally respondents agreed by a (mean= 4.40 and SD= 1.297) that adversarial supplier relationship style boosts the morale of the supply chain unit. Respondents were also in agreement by a (mean= 4.19 and SD=1.233) that suppliers are involved in the design efforts, in all projects and programmes for the benefit of the organization. Basing on this statement Wahome, (2014) asserts that in order for organization to achieve procurement performance they have to invest heavily in having better designs for suppliers that would enhance efficiency and effectiveness.

##### Partnership Relationship Management Style

**Table 4.2: Partnership Relationship Style**

	N	Mean	Std. Deviation
In dealing with our suppliers we are willing to change assumptions, in order to find more effective solutions	101	4.28	1.289
We believe that cooperating with our suppliers is beneficial to our organization in regards to long term relationships	101	4.54	1.179
The organization is comfortable sharing problems with our suppliers thus enhancing close relationship with the suppliers	101	4.31	1.426

We emphasize openness of communication in collaborating with our suppliers	101	4.25	1.226
Suppliers are an integral part of the partnership supplier relationship management approach.	101	4.23	1.267
We strive to establish long – term relationships with suppliers	101	4.21	1.254
Valid N (listwise)	101		

Majority of respondents agreed a (mean score = 4.28 and SD=1.289) that in dealing with our suppliers, the organization is willing to change assumptions, in order to find more effective solutions. On whether cooperating with suppliers is beneficial our organization in regards to long-term relationships, respondents agreed with a (mean=4.45 and SD=1.179). This agrees with Wachiuri & Waiganjo (2015) assertion that organization should work closely with their supplies to establish long term relationships which in turn leads to a win-win situation. This implies that collaboration has significant effect between supplier relationship and procurement performance. On whether organization is comfortable sharing problems with our suppliers to enhance close relationship with the suppliers, respondents agreed with a (mean=4.31 and SD=1.426). Majority of respondents agreed by a (mean score=4.25 and SD= 1.226) that openness of communication in collaboration with our suppliers organization is bound to enhance its procurement performance and subsequently gain competitive advantage, Shalle *et al.*, (2014). Majority of the respondents also agreed that suppliers are integral part of the partnership supplier relationship management approach. This is demonstrated by a (mean=4.23 and SD=1.267)

### Supplier Development Relationship Management Style

**Table 4.3: Supplier Development Relationship Style**

	N	Mean	Std. Deviation
We provide a fair advanced return on investment to our suppliers	101	4.28	1.289
The organization maintain close communications with suppliers about quality considerations and designs changes	101	4.54	1.179
We maintain cooperative relationships with our suppliers	101	4.31	1.426
We help our suppliers to improve their quality through training thus increased efficiency.	101	4.27	1.285
Our key suppliers provide input into our product development projects and programmes in the process of capacity building	101	4.32	1.288
The organization embraces team approach as a way to supplier relationship management	101	4.18	1.199
The organization pays attention to the interdependence of its supply chain	101	4.25	1.299
Valid N (listwise)	101		

The study sought to examine the effect of supplier development relationship on procurement performance at Kenya Pipeline Company. From the study the results indicate that majority of the respondents had opinion based on very great extent that organization maintains close communication with suppliers about quality consideration and designs changes with a mean score of 4.54 and standard deviation of 1.179. Watts (2014) asserts that organization that maintains close communication feedback with their suppliers they always achieve procurement performance. Respondents had opinion of great extent that organization should embrace team approach as a way of supplier relationship management having a mean score of 4.18 and standard deviation of 1.199 indicating positive response rate.

### Electronic Sourcing Relationship Management Style

**Table 4.4 Electronic Sourcing**

	N	Mean	Std. Deviation
There is improved resultant success achieved from the implementation of new ideas	101	4.07	1.570
We have invested much in emphasizing electronic registration of suppliers which enhances procurement performance for the organization	101	4.24	1.498



We have implemented the new system of procurement electronic tendering where suppliers and bidders are encouraged to bid online thus enhancing efficiency and time reduction	101	4.32	1.334
We have more efficient implementation of quality ideas that has enhanced achievement of procurement performance	101	3.79	1.711
Our suppliers are actively involved in our new product development process or rebranding	101	4.54	1.179
Valid N (listwise)	101		

As per results above, respondents agreed with a (mean score= 4.07 and SD= 1.570) that there is improved resultant success achieved from the implementation of new ideas. Respondents agreed with a (mean score = 4.24 and SD= 1.498) that organization have invested much electronic registration of suppliers which enhances procurement performance for the organization. On whether the organization have more efficient implementation of quality ideas that has enhanced achievement of procurement performance, respondents agreed with a (mean= 3.79 and SD=1.711). Respondents also agreed with a (mean= 4.54 and SD= 1.179) that suppliers are actively involved in our new product development process or rebranding. This theory holds that two fundamental factors that are commitment and operational principles need to exist in order for a relationship to be successful. Christopher, (2008). Annekie Brink and Adele Bemdt mention this theory in their book “Relationship Marketing and Customer Relationship management”

**Coefficient of Correlation**

In trying to show the relationship between the study variables, the study used the Karl Pearson’s coefficient of correlation (r). The results findings were as indicated in Table 4.12 below. From the findings, it was found out that there was a positive correlation between the independent variables, adversarial relationship style management, partnership relationship management, supplier relationship management and electronic sourcing management and dependent variable procurement performance.

**Table 4.5: Correlation**

	Procurement	Adversarial	Partnership	Supplier Electronic
Procurement P.Correlation	1	.805**	.713**	.519**
Adversarial P.Correlation		1	.814**	.756**
Partnership P.Correlation			1	.915**
Supplier P.Correlation				1
Electronic P.Correlation				

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

**Correlation of Determination**

**Table 4.6 Coefficient of Determination (R2) Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.913 <sup>a</sup>	0.833	0.826	1.598

**a** Predictors: (Constant), Electronic, Supplier, Adversarial, Partnership

Table 4.13 above indicates an overall P-value which less than 0.005 (5%). This implies that the overall regression model is significant at the calculated 95% level significance. It further implies that the studied independent variables namely; adversarial supplier relationship style management, partnership supplier relationship management, supplier development relationship management and electronic sourcing significantly procurement performance Kenya Pipeline Company Ltd. The regression model summary shows the coefficient determination R square as 0.833. Implying that at 83.3% of the

relationship is explained by the identified four independent variables namely; adversarial supplier relationship style management, partnership supplier relationship management, supplier development relationship management and electronic sourcing. The 16.7% is explained by other factors in the corporation that were not studied in this research.

**Table 4.7: Multiple Regression Analysis Coefficients**

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	3.801	1.116		
	Adversarial_Supplier	.678	.076	.642	8.866 .000
	Partnership	.641	.090	.837	7.079 .000
	Supplier_Development	.501	.061	.852	8.215 .000
	Electronic_Sourcing	.292	.052	.269	5.569 .000

Dependent Variable: Procurement Performance

The general regression Model arrived at was  $Y = 3.801 + 0.678X_1 + 0.641X_2 + 0.501X_3 + 0.292X_4$ .

**Where**

$X_1$ = Adversarial supplier,  $X_2$  = Partnership,  $X_3$ = Supplier development,  $X_4$  = Electronic sourcing and Y= Procurement performance of Kenya Pipeline Company Ltd.

Therefore; Procurement Performance of Kenya Pipeline Company Ltd = 3.801 + 0.678 Adversarial supplier + 0.641 Partnership+ 0.501 Supplier development + 0.292 Electronic sourcing.

The Beta Coefficients in the regression model show that all of the tested variables had positive relationship with procurement performance of Kenya Pipeline Company Ltd., with all the variables tested being statistically significant with p-values less than 0.05.

The findings implies that a unit change of  $X_1$ (Adversarial supplier) = 0.678, will results in to 0.678 change in the Procurement Performance in Kenya Pipeline Company Ltd;  $X_2$  (Partnership) = 0.641, will results in to 0.641 change in the Procurement Performance Kenya Pipeline Company Ltd;  $X_3$  (Supplier development)= 0.501; will results in to 0.501 change in the Procurement Performance in Kenya Pipeline Company Ltd., and finally  $X_4$  (Electronic sourcing) = 0.292, will results in to 0.292 change in the Procurement Performance Kenya Pipeline Company Ltd.

The Y- Intercept ( $\beta_0 = 3.801$ ), predict that the procurement performance in Kenya Pipeline Company Ltd., when all other variables are zero, implying that without the independent variables that include; Adversarial supplier, Partnership, Supplier development, Electronic sourcing on procurement performance in Kenya Pipeline Company Ltd.

From the analysis in table 4.14, PD  $X_4$  ( $\beta = 0.678, p < 0.05$ ) has the strongest relationship with the

Procurement performance in Kenya Pipeline Company Ltd., in terms of procurement performance, followed by Partnership  $X_2$  ( $\beta = 0.641, p < 0.05$ ), then Supplier development  $X_3$  ( $\beta = 0.501, p < 0.05$ ), and finally Electronic sourcing  $X_4$  ( $\beta = 0.292, p < 0.05$ ). All four variables significantly predicted procurement performance of Kenya Pipeline Company Ltd.

**5. SUMMARY, CONCLUSIONS AND RECOMMENDATION**

**Summary**

The positive correlation between adversarial supplier relationship style and procurement performance indicated by a strong positive correlation figure 0.805. This demonstrates that adversarial supplier relationship style is an important element in improving procurement performance and subsequently increase in profitability.

Majority of the respondents were also agreement as indicated with a (mean = 4.54 and Std. = 1.179 that cooperating with suppliers is beneficial to organization. We believe that to our organization in regards to long term relationships. This implies that majority of the respondents do strongly agree that partnership affects procurement performance of Kenya Pipeline Company Ltd.



Majority of the respondents were in agreement as indicated with a (mean = 4.31 and STD. = 1.426 that organization maintain cooperative relationships with suppliers. Respondents strongly agreed with (mean= 4.31 and STD, = 1.426) that the key suppliers do provide input into product development project. This implies that majority of the respondents do strongly agree that partnership affects procurement performance of Kenya Pipeline Company Ltd.

Best practice network (2004). From the study, it was further established as indicated by a higher response rate of (mean = 4.54) that e-sourcing plays an important role in process of developing of new products. The study also clearly shows that e-sourcing positively effects procurement performance as demonstrated with a positive correlation of 0.603 and regression coefficient of 0.292.

### **Conclusions**

The study further showed that understanding and practicing of supplier relationship management ensures quality of supplies, timely deliveries and better information flow. This in short-term guarantees an increase in productivity, reduction inventory and cycle time while in long-term, organization will experience increase in market share and profit for all members of the supply chain.

In terms of effectiveness and efficiency, supplier development was noted to play a significant role in enhancing effectiveness and efficiency on the procurement performance. Hence, there is need for supplier recognition and training in order to upgrade the performance and capabilities of the weakest links in their supply chain by adopting essential part of e-procurement to assist in managing and developing cost reduction strategies.

### **Recommendation**

Through supplier development relationship, the organization is able help suppliers improve their product quality through training. This in the long run increases in efficiency. It is therefore recommended that Kenya Pipeline Company Ltd. maintains cooperative relationships and communications with their suppliers about the product quality for organization achieve good return on investment in their suppliers.

It is recommended that Kenya Pipeline Company Ltd. invest in new system of e-sourcing in procurement where suppliers and bidders are encouraged to bid online. This will enhance efficiency and time reduction in procurement process.

Performance in any given organization is used as indicator for measuring the capability of the organization on how it can run its activities. It is recommended that oil firm's stakeholders and policy makers have to strategize on vibrant strategies and policies that initiate and promote performance of the organization.

Studies have shown that close understanding and trustworthy collaboration between supply chain partners improves procurement performance in the organization. The study therefore recommends that in order to improve procurement performance all parties in supply chain should understand each other's business better and assist in improving each other's procurement performance.

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