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THE ROLE OF STRATEGIC SOURCING ON THE PERFORMANCE OF LARGE MANUFACTURING FIRMS IN KENYA

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ABSTRACT

Strategic sourcing is a critical supply chain driver that goes beyond the normal acquisition of goods, services, and materials, to encompass on the overall long-term business objective by optimizing value through cost, quality, efficiency, and supplier relationships. On the other hand, among the major attributes blamed to highly contribute to the stagnation and declining performance of Kenya's manufacturing sector include high cost of production, poor quality products, and inefficiencies due to delays in production process. While strategic sourcing has been empirically proven to help in addressing these issues, its effective integration and embrace in Kenya's manufacturing sector remains vague. This paper therefore sought to address the extent to which large manufacturing firms in Kenya have embraced strategic sourcing and whether its level of integration is correlated with the current performance status of the sector. A cross-sectional research design was used which informed a mixed method approach where both quantitative and qualitative methods were used. The study targeted 553 large manufacturing firms in Kenya, where heads of supply chain were the unit of observation. Using slovin sampling formula, a preferred sample size of 233 respondents was established where the respondents were selected using a stratified random sampling technique. A questionnaire with both closed-ended and open-ended questions was used to collect primary data, which was analyzed both quantitatively and qualitatively. The findings revealed that most of the large manufacturing firms in Kenya though recognized the essence of strategic sourcing, had ineffectively embraced it, and only relied on traditional reactive sourcing that mainly focuses on costs. It was revealed that strategic sourcing had a significant and positive ($\beta = 0.823$; $P=0.000<0.05$) impact on performance of large manufacturing firms in Kenya. The study concluded that the low embrace of strategic sourcing was significantly associated with the declining performance of the large manufacturing firms in Kenya. It was therefore recommended that the large manufacturing firms in Kenya through supply chain managers should go beyond the normal sourcing that primarily focuses on costs, to be more proactive and focus on value optimization in order to be competitive

INTRODUCTION

Sourcing is one of the critical supply chain functions especially in manufacturing firms as it involves acquisition of materials, goods and services that are essential for production and operation processes. As the modern business environment is becoming unpredictable and

competitive, sourcing is becoming not only a normal supply chain management function, but a more strategic approach aimed at contributing to the overall business competitiveness and growth. As defined by Çankaya (2020), sourcing refers to the process of identifying, evaluating, selecting, and managing suppliers to procure goods, services, or materials needed for production or operations. It's a critical function that ensures the right quality, quantity, and cost of inputs while minimizing risks and optimizing efficiency. However, owing to the dynamics in the global market, sourcing has become a more strategic function, which according to Halassa and Al Saed (2023), is better referred to as strategic sourcing.

According to Frederico, Kumar, and Garza-Reyes (2021), strategic sourcing is a systematic, long-term approach to procuring goods, services, or materials that aligns with an organization's overall business objectives. Unlike traditional sourcing, which focuses primarily on cost, strategic sourcing emphasizes optimizing value through cost, quality, efficiency, and supplier relationships. It's a proactive, data-driven process that integrates supplier management into the broader supply chain strategy (Zerihun & Wondemalem, 2022). Among the key aspects of strategic sourcing include the data-driven evaluation of suppliers, emphasis on value optimization and focus on long-term supplier relationship building. As stipulated by Ellegaard, Normann, and Lidegaard (2022), to gain more value in materials that are sourced, the global-leading firms go for data, where spend data is analysed to inform on the market trends and supplier performance thus making more informed decisions regarding the suppliers to engage. Further, the selection of suppliers goes beyond the normal cost-focused approach to incorporate other long-term attributes like quality, reliability, innovation, and sustainability. This as described by Frederico et al. (2021) is achieved through thorough and comprehensive assessments which include supplier audits, risk analysis, and capability reviews.

Sourcing in the manufacturing sector stands to be one of the fundamental functions of supply chain that determine the overall continuity of manufacturing firms. Unlike other sectors that only source for services and goods mainly for internal consumption, manufacturing firms' overall function and ecosystem relies on sourcing ranging from consumables to raw materials. This explains why the leading manufacturing firms globally uphold sourcing and supplier relationship as key strategic approach that is central to their growth and competitiveness. As argued by Zerihun and Wondemalem (2022), while the manufacturers are increasing in number and competition growing with the expanding demand globally, the raw materials are diminishing. This puts sourcing at the core to effectiveness of every manufacturing entity that intends to continue expanding and being competitive. Chen (2022) alludes that while every manufacturing firm goes for sourcing as a supply chain function, the competitive firms undertake sourcing as a more of a strategic function where the aim is not only to acquire raw materials and other inputs, but to build long-term relationship with the suppliers, and maximize value of the supplies to the overall business goals and objectives. This compares with the assertion by Çankaya (2020), that strategic sourcing upholds building collaborative partnerships with key suppliers to foster

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innovation, reliability, and flexibility, and major focuses on regular performance reviews and joint improvement initiatives.

Kenya's economic growth and development blueprint Vision 2030 endorses the manufacturing industry as one of the essential pillars of the country's development. However, despite the sector's potential, its overall performance and growth has been declining in the recent past, orchestrated by issues such as fluctuating costs of production, inefficiencies among suppliers, high reliance on imported raw materials and growing disruptions in the global, regional, and local supply chains (Awory et al., 2025). While most of these challenges are universal across the sector, some firms have swiftly moved to strategize their supply chain management process since most of the challenges are supply chain driven. However, a big number of Kenya's manufacturing firms are yet to re-evaluate and re-strategize their supply chain process in response to growing disruptions, and this largely explains their continued decline and stagnation. According to Chepng'etich et al. (2016), when effectively embraced, strategic sourcing has the potential to address many of these issues by optimizing supplier selection, ensuring continuity of supply, improving input quality, and reducing procurement lead times.

Kenya's manufacturing sector holds significant potential to drive economic diversification, foreign exchange earnings, and employment, contributing 10.3% to GDP with a growth rate of 3.5% (KNBS, 2023). However, its growth lags behind the broader economy and regional peers like Ethiopia, Rwanda, Tanzania, and Uganda, signaling premature deindustrialization. While Kenya hosts over 700 multi-sector manufacturing firms, including 553 large firms (KAM, 2023), its sector remains small compared to other peers in the region. Regional competitors are outpacing Kenya by creating industrial parks and streamlining investment processes, as seen in Ethiopia's appeal over Kenya due to less bureaucracy and corruption (Odingo,2019). The East African Community's (EAC) push to position the region as a global manufacturing hub offers growth opportunities, yet Kenya's manufacturing sector is only a fraction of Vietnam's, despite a larger regional population (AFDB, 2018).

Strategic sourcing as portrayed in previous empirical evidence is pivotal to reversing this trend and enhancing Kenya's manufacturing competitiveness. By adopting data-driven supplier selection, firms can optimize costs, quality, and reliability, addressing challenges like high energy costs and cheap imports (Johnson et al.,2018). Strategic sourcing involves analyzing total cost of ownership, fostering long-term supplier relationships, and mitigating risks like supply disruptions. For instance, sourcing high-quality, cost-effective raw materials locally or regionally could reduce dependency on imports, while advanced supply chain practices and technology adoption can boost efficiency (Çankaya, 2020). By aligning sourcing strategies with innovation and sustainability goals, Kenyan firms could enhance performance, attract investment, and capitalize on the EAC's regional initiatives.

Statement of the Problem

The manufacturing sector in Kenya has in the recent past been facing a decline in performance and overall growth, a situation that risks missing the opportunity of a promising sector that could easily turnaround the country's economy. The large manufacturing firms which account for largest portion of the sector's contribution to the country's GDP have been the most-affected as far as continued underperformance is concerned. According to World Bank (2024), more than 38% of large-scale manufacturers operating in Kenya have been registering stagnation and declining profits especially since Covid-19 Pandemic. According to the Kenya National Bureau of Statistics (KNBS), the large manufacturing firms in Kenya contributed to 7.8% of GDP in 2022, 7.6% in 2023, and 7.3% in 2024, an evidence that the sector has been declining in the recent past (KNBS, 2024). Akinyi and Ndeto (2024) cited the growing regional and global competition as well as the high production cost in the country as the main factors forcing most of Kenya's manufacturing firms to the verge of closing shop, as the local market becomes a major hub for imported finished goods. Research from both developed and emerging economies, however, has shown that strategic sourcing positively influences key performance indicators such as cost reduction, product quality, lead time, innovation, and overall operational efficiency. However, the extent to which this relationship holds true in the Kenyan manufacturing context remains under-researched. Kenyan manufacturing firms operate in a unique environment characterized by regulatory bottlenecks, logistical challenges, and fluctuating market conditions. Therefore, the application and effectiveness of strategic sourcing practices may differ from those in other contexts. According to Kiarie et al. (2021), a good number of Kenyan manufacturing firms are increasingly integrating into regional and global value chains, and this makes them highly exposed to disruptions in the global supply chain, thus necessitating realignment of sourcing strategies with international standards and practices if the firms are to survive the increasing competition (Ellegaard et al.,2022). According to Frederico et al. (2021), strategic sourcing can provide a competitive edge by enhancing supplier collaboration, promoting innovation, and ensuring compliance with global norms. Yet, despite these potential benefits, there is limited empirical evidence on how strategic sourcing influences the overall performance of large manufacturing firms in Kenya. It is on this merit that this study sought to examine the role of strategic sourcing on performance of large manufacturing firms in Kenya.

Objectives of the Study

The main objective of the study was to evaluate the role of strategic sourcing on performance of large manufacturing firms in Kenya. To achieve this general objective, the following specific objectives were formulated:

1. To assess the extent to which large manufacturing firms in Kenya have embraced strategic sourcing in their supply chain management processes

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2. To examine the current performance status of large manufacturing firms in Kenya
3. To evaluate the relationship between implementation of strategic sourcing and performance status of large manufacturing firms in Kenya

LITERATURE REVIEW

Theoretical Framework

This study is grounded in Game Theory, originally developed by (von Neumann and Morgenstern, 1944), which provides a mathematical and conceptual framework for analysing strategic interactions among rational decision-makers. The central premise of the Theory is that the outcome for any participant be it an individual, firm, or institution is contingent upon the actions and responses of others within the same environment. (Vasnani et al., 2019) highlight that Game Theory is particularly useful in predicting outcomes where decision-making is interdependent, enabling the analysis of competitive and co-operative behaviour across various strategic scenarios. Game Theory is generally divided into two main branches: co-operative and non-cooperative. The co-operative approach assumes that players derive greater utility through collaboration than through independent actions (Xu et al., 2013). Patare and Venkataraman (2023) describe co-operative games as structured interactions where participants coordinate their strategies and share outcomes to achieve mutual benefit. In this context, strategic sourcing characterised by long-term supplier engagement and joint value creation mirrors the co-operative game model, where stakeholders aim to optimise outcomes through aligned objectives and mutual trust.

The application of Game Theory to strategic sourcing is particularly relevant in manufacturing supply chains, which inherently involve multiple actors, including suppliers, manufacturers, distributors, and customers. As (Tanner, 2020) asserts, rational players must consider the implications of their decisions on others within the system. (Ross, 2021; Rzeczycki, 2022) to reinforce this notion, it is argued that sustainable sourcing relationships thrive when each participant acknowledges their interdependence and commits to mutually beneficial outcomes. Charles and Ochieng (2023) further relate this to strategic sourcing practices, emphasising that value optimisation not merely cost reduction should be the guiding principle. Hence, Game Theory serves as a suitable theoretical lens for exploring how strategic sourcing can enhance the performance of large manufacturing firms in Kenya.

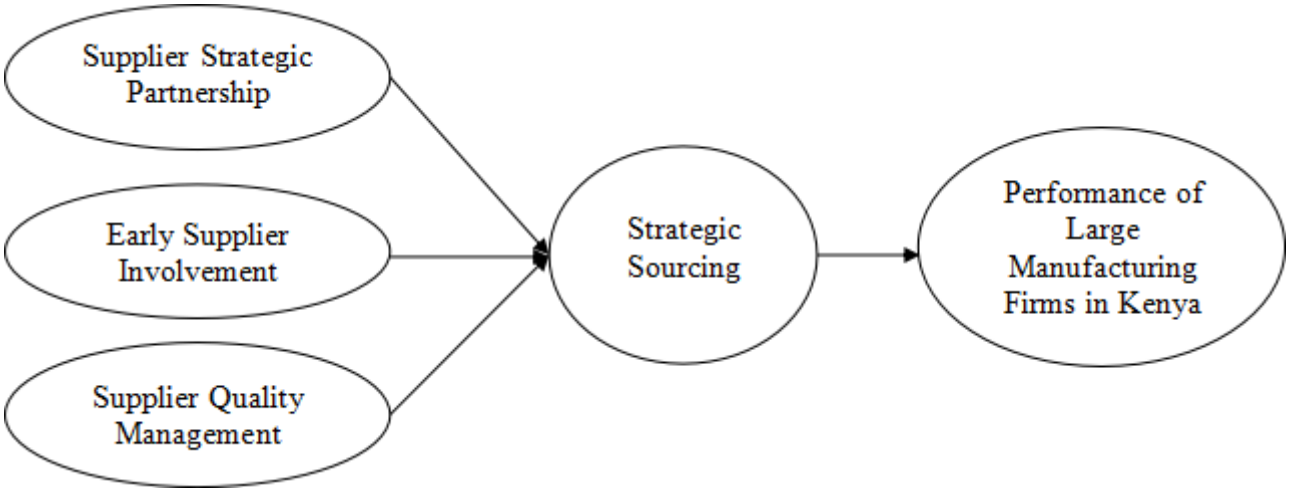

Figure 1: Conceptual Framework

Source: Research data, 2025

Review of Empirical Literature

A growing body of empirical research confirms the pivotal role of strategic sourcing in enhancing organisational performance, particularly in manufacturing contexts. As outlined by Wowak et al.,(2024), strategic sourcing involves aligning procurement functions with an organization's long-term strategic vision, aiming to maximise value rather than merely minimise costs. Kinuthia and Amuhaya (2023) distinguish strategic sourcing from traditional procurement by its emphasis on sustained supplier engagement, quality enhancement, and operational efficiency. Korir and Kagiri (2020) posit that effective sourcing strategies should optimize multiple dimensions, including price, quality, reliability, lead time, and supplier performance. Moreover, Çankaya (2020), emphasizes the importance of establishing strategic supplier partnerships grounded in collaboration, trust, and shared goals. These partnerships facilitate innovation, co-development, and market responsiveness, offering firms a strategic edge.

Ngozi and Dike (2023) highlight that successful strategic partnerships are contingent upon transparent communication, performance monitoring, and a shared commitment to continuous improvement. Early Supplier Involvement (ESI) has also emerged as a key pillar of strategic sourcing. Involving suppliers early in the product development process allows firms to leverage external expertise, optimise design for manufacturability, reduce costs, and accelerate time-to-market (Zerihun & Wondemalem, 2022; Ngozi & Dike, 2023). ESI fosters collaborative innovation by aligning internal functions such as procurement and engineering with strategic suppliers during the design phase.

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Another core element is Supplier Quality Management (SQM), which entails systematically evaluating and enhancing supplier performance to ensure conformity with quality standards. Activities under SQM include audits, corrective actions, performance metrics, and supplier development programs (Zerihun & Wondemalem, 2022). Proactive quality management reduces defects, mitigates operational risks, and strengthens overall supply chain performance. Several empirical studies provide evidence supporting the strategic value of these sourcing practices. For instance, Ngozi and Dike (2023), in a study of manufacturing firms in south eastern Nigeria, found that outsourcing of core functions including HR, production, and auditing significantly enhanced operational effectiveness and competitive advantage. Similarly, Zerihun and Wondemalem (2022) demonstrated that strategic supplier selection, relationship management, and contract administration have a positive influence on performance in Ethiopia's construction sector.

In the Kenyan context, Kinuthia and Amuhaya (2023) reported that multiple sourcing strategies including single sourcing, multiple sourcing, delegated sourcing, and parallel sourcing had a statistically significant impact on the performance of Murang'a Co-operative Creameries. Korir and Kagiri (2020) also found a strong positive correlation between well-managed material sourcing strategies and operational outcomes at James Finlay Kenya Ltd. Collectively, these findings underscore the strategic importance of evolving procurement practices beyond cost-centric models. They affirm that strategic sourcing, when implemented holistically encompassing supplier partnerships, early engagement, and quality control can yield tangible improvements in organisational resilience, innovation, and competitiveness.

METHODOLOGY

This study employed a cross-sectional research design, which involves collecting data from different individuals at a single point in time, allowing for observational studies without manipulation (Cooper & Schindler, 2017). This design enabled generalisation across large manufacturing firms, enhancing external validity and minimising bias. The research was grounded in the positivist philosophy, which emphasises objectivity, measurable facts, and empirical validation (Cooper & Schindler, 2017). Positivism supports hypothesis testing and knowledge acquisition through observable phenomena, aligning well with the study's aim to assess the effect of strategic sourcing on firm performance using statistical inference.

The target population for the study consisted of 553 supply chain managers drawn from the 553 large manufacturing firms registered in Kenya as per the Kenya Association of Manufacturers (2024). The firms are classified into 12 major categories based on their specialisation and sub-sectors. Using Slovin's sampling formula, the study established an appropriate sample size of 233 respondents. The sample size is computed as follows:

$$n = \frac{N}{1 + Ne^2}$$

Whereby:

n = Appropriate sample size

N = Target population (553)

e= error margin / margin of error (0.05)

$$n = \frac{553}{1 + (553 * 0.05^2)}$$

$$n = 232.109$$

To select the sample from the population, a stratified random sampling technique was used. The population was classified by the sub-sectors, which served as strata. The proportionate sample was selected randomly from each stratum.

A pilot study was conducted to ensure that the data collection tool is reliable and valid. The pilot test assisted in correcting some of the challenges encountered before undertaking the study. According to Singpurwalla (2013), a pilot study sample size should ideally be 1-10% of the study sample. A pretesting sample of 23 large manufacturing firms which was 10% of the sample size was applied. Manufacturing firms selected for piloting were not involved in the actual study and their input was used to modify the questionnaire.

The study utilised a questionnaire to collect primary data. The questionnaire contained both closed-ended and open-ended questions to collect quantitative and qualitative data, respectively. The collected data was analysed using both quantitative and qualitative analysis techniques.

RESULTS AND DISCUSSION

Response Rate

Out of the 233 issued questionnaires, 227 were duly filled and returned for analysis. This represented a response rate of 97.4%, which according to Sekaran and Bougie (2016), is an adequate representation of the sample.

Strategic Sourcing in Large Manufacturing Firm in Kenya

The first objective of the study was to assess the extent to which strategic sourcing has been embraced among the large manufacturing firms in Kenya. The study sought to establish the respondents' views in regard to key statements on integration of strategic sourcing in their respective firms. The findings as shown in Table 1 revealed that the aggregate mean score of 2.471 and standard deviation of 0.868 were obtained. This is an indication that the respondents generally disagreed with the statements regarding the adoption of best practices in strategic sourcing. This implies that strategic sourcing practices such as supplier collaboration, early supplier involvement (ESI), and quality audits were not yet firmly institutionalized among large manufacturing firms in Kenya.

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These practices are widely recognized in supply chain literature as crucial enablers of performance, innovation, and cost reduction.

The results indicate a limited commitment to strategic supplier relationships, despite such partnerships being critical for sustained innovation and mutual growth. The findings concur with those by Valentini (2023) who established that long-term strategic relationships with suppliers foster innovation, flexibility, and responsiveness to market shifts. Further, Çankaya (2020) noted that manufacturers that collaborate with fewer, more reliable suppliers benefit from improved quality and reduced costs. Singh and Modgil (2025) on the other hand reported that manufacturing firms that practiced collaborative sourcing experienced significant improvement in supply reliability. According to Sawe et al. (2021), supplier integration provides early insights into technological shifts and demand patterns, critical for agility. Zunac et al. (2022) on the other hand emphasized that close supplier coordination enhances visibility and strategic alignment, while weak supplier collaboration was a key constraint to innovation-led growth in manufacturing.

The findings further highlight a missed opportunity to engage suppliers during the product development lifecycle, which could otherwise yield cost efficiencies and faster time-to-market. The findings concur with those by Rana et al. (2021) who noted that ESI reduces design cycles, enhances product quality, and lowers cost significantly. Further, Sharma et al. (2021) stressed the importance of supplier integration in new product development for achieving innovation and speed. According to Awory et al. (2025), few Kenyan manufacturers utilize ESI, often due to mistrust and lack of supplier capacity.

Table 1: Descriptive Statistics on Strategic Sourcing

Statement	Mean	Std. Dev.
Our organization prioritizes building long-term strategic partnerships with key suppliers to foster mutual growth and innovation.	2.637	0.891
Our organization collaborates closely with strategic suppliers to enable gain early access to market trends and technological advancements.	2.326	0.882
Our organization enhances its supply chain resilience and agility through strategic supplier partnerships	2.494	0.939
We actively engage suppliers in the early stages of product development to leverage their expertise and optimize design for manufacturability.	2.343	0.734
Our organization embraces early supplier involvement to better meet project timelines and minimize production costs through value engineering.	2.541	0.837
Our organization collaborates with suppliers from the outset to foster trust and smoother production ramp-ups and reduced time-to-market.	2.393	0.853
Our organization implements robust supplier quality management processes to ensure consistent adherence to quality standards and specifications.	2.587	0.849
We conduct regular assessments and audits to evaluate the performance and capabilities of our suppliers in delivering quality components and materials.	2.193	0.992

Our organization has successfully minimized defects through effective supplier quality management	2.615	0.839
Aggregate score	2.471	0.868

Source: Research data, 2025

Qualitative Results on Strategic Sourcing

The qualitative results obtained revealed that strategic sourcing was ineffectively upheld among most of the surveyed large manufacturing firms in Kenya. The results corroborated the quantitative data that showed widespread disagreement with statements related to supplier collaboration, early supplier involvement (ESI), and supplier quality management. The qualitative insights from respondents showed that most of the respondents highlighted operational gaps and organizational apathy toward structured sourcing strategies. One of the identified theme was the supplier collaboration where most of the respondents pointed out that there was an ineffectively structured supplier collaboration mechanism put across to provide guidelines on how to engage the suppliers and corroborate towards achieving common strategic goals. One of the respondents had the following sentiments:

"Suppliers in our firm are mainly engaged when there is a problem—there's no long-term relationship or shared innovation goals."

A different respondent noted the following:

"We mainly buy from the lowest bidder; there's very little effort to develop suppliers beyond price negotiations. ….. So mainly they are seen more of vendors than partners."

These insights confirm the quantitative findings and support Valentini's (2023) argument that firms lacking strategic partnerships fail to build resilient, innovative, and cost-effective supply chains. Kurgat and Aila (2021) also noted that strong supplier alliances promote innovation, shared risk, and mutual growth advantages that Kenyan firms may be missing out on. Kim et al. (2023) argued that such collaboration improves visibility, reduces lead times, and allows firms to respond swiftly to market shifts.

Another major theme was early supplier involvement where the respondents indicated that there was minimal integration of suppliers during product design and development. The following were sentiments from one of the respondents:

"Suppliers are only engaged after the product is already designed and the BOM [Bill of Materials] is set. This leads to delays when adjustments are needed."

Another respondent noted the following:

"Our processes are very internal. Supplier ideas or technical input are rarely considered."

This finding aligns with Manjong et al. (2024), who emphasized the role of ESI in reducing product development costs, enhancing manufacturability, and improving speed-

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to-market. Similarly, Lewicka et al. (2021) argue that ESI fosters faster innovation cycles and smoother production ramp-ups benefits underutilized in the Kenyan context.

Similarly, the findings revealed weak supplier quality management. Respondents noted irregular quality audits and a lack of structured processes to ensure supplier compliance:

“We assume the supplier will meet specs. There are no formal audits or performance reviews.”

This finding resonates with Prajogo and Olhager (2019) who argue that robust supplier quality management is fundamental for achieving operational efficiency and product reliability. Hamdani et al. (2023) further emphasized that poor supplier oversight leads to defects, rework, and customer dissatisfaction, directly undermining performance.

A theme on supplier quality management was noted, where a good number of respondents expressed concern about weak enforcement of supplier quality standards and a lack of regular evaluations or audits. The respondents noted that their respective organizations were not effectively committed on monitoring quality of their suppliers to ensure compliance and supply of materials that met the specified quality. One of the respondents noted the following:

“There’s no structured way of checking if suppliers are maintaining quality. We only act when problems arise.”

Another Respondent noted the following:

“Supplier performance evaluations are infrequent and mostly based on complaints from production.”

These findings suggest poor alignment with the principles outlined by Ha et al. (2023) and Zheng et al. (2023), who underline that supplier audits and continuous quality checks are fundamental to maintaining product consistency, customer satisfaction, and operational efficiency. The absence of rigorous quality assurance processes increases the likelihood of defects, rework, and reputational damage.

Several respondents observed that sourcing decisions are driven by short-term cost savings rather than strategic fit or long-term supplier capability. The following were sentiments from one of the respondents:

“We go for the cheapest available option. Long-term value or innovation is rarely a consideration.”

Another respondent noted the following:

“Procurement is mostly reactive and cost-based. There's no framework for evaluating strategic alignment with suppliers.”

These views reinforce earlier literature, where Xiong et al. (2022) noted that the overemphasis on price rather than total cost of ownership (TCO) weakens strategic

sourcing outcomes. Further, Chen (2022) similarly warns that a purely transactional approach can lead to missed opportunities for innovation and supply chain agility. This is also consistent with Zheng's et al. (2023) observation that agility in raw material sourcing achieved through close supplier ties and shared intelligence is a critical component of supply chain resilience. Firms without such systems are more exposed to supply disruptions and market shocks. Murithi et al. (2024) emphasized on the essence of strategic sourcing by ensuring that suppliers are capacitated to deliver materials that align with the strategic goals of the firm.

Performance of Large Manufacturing Firms in Kenya

The second objective of the study was to examine the extent to which large manufacturing firms in Kenya performed, based on key indicators of performance which included sales revenue, profitability, return on assets, productivity, and quality of products. The results as shown in Table 2 revealed that an aggregate mean score of 2.317 and a standard deviation of 0.962 was obtained, implying that on average, respondents disagreed with the statements on improvements in their firms' performance over the past five years. This low score suggests weak or stagnant performance outcomes, pointing to underlying challenges in market expansion, profitability, quality, operational efficiency, and customer satisfaction among large manufacturing firms in Kenya. The results revealed that majority of the respondents disagreed that their respective organizations had recorded a significant increase in their level of productivity for the past five years (Mean = 2.307; Standard Deviation = 1.071).

Table 2: Descriptive Statistics on Performance of Large Manufacturing Firms

Statement	Mean	Std. Dev.
Our organization has recorded significant increase in productivity	2.307	1.071
Our products are now more available across the market than in the past 5 years	2.403	0.982
Our company is able to meet the demand of its products than it was five years	2.316	1.105
The profit margins of the company have significantly increased over the years	2.051	1.004
Our company has significantly increased annual sales revenues for past 5 years	2.364	0.921
The quality of our products has significantly increased over the past five years	2.466	1.102
More customers are satisfied with our products' quality that it was 5 years ago	2.282	0.897
Our company has significantly reduced costs of operations for past five years	2.397	0.930
Aggregate score	2.317	0.962

Source: Research data, 2025

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The findings suggest that most of the large manufacturing firms surveyed had not experienced notable market growth, expanded visibility, or increased product presence. According to the Kenya Association of Manufacturers (KAM, 2021), many firms struggle to expand market share due to stiff competition from imports, regulatory bottlenecks, and underdeveloped local distribution networks. Further, United Nations Industrial Development Organization (UNIDO) (2022) highlights that African manufacturers face issues related to limited export capabilities and supply chain disruptions, hampering brand growth and market reach.

Strategic Sourcing and Performance of Large Manufacturing Firms in Kenya

The third objective of the study was to evaluate the relationship between strategic sourcing and performance of large manufacturing firms. This was carried out using both correlation analysis and linear regression analysis.

Correlation Analysis

Correlation analysis using Pearson correlation was carried out to establish the correlation between strategic sourcing as a supply chain driver and performance of large manufacturing firms in Kenya. The results as shown in Table 3 revealed that the there was a strong positive (r=0.792) and significance (0.000<0.01) correlation between strategic sourcing and performance of large manufacturing firms in Kenya.

Table 3: Correlation Results on Strategic Sourcing and Performance

Variable		Performance of Large Manufacturing Firms	Strategic Sourcing
Performance of Large Manufacturing Firms	Pearson Correlation	1	.792**
	Sig. (2-tailed)		.000
	N	227	227
Strategic Sourcing	Pearson Correlation	.792**	1
	Sig. (2-tailed)	.000	
	N	227	227

Source: Research data, 2025

The findings concur with those of Hervani et al. (2022) who established that strategic sourcing of raw materials plays a pivotal role in ensuring consistent input quality, cost control, and continuity of production. According to Ellegaard et al. (2022), firms that engage in global or strategic sourcing can reduce procurement costs, improve input quality, and reduce lead times. In Kenya, where raw material availability and cost fluctuations pose significant challenges to manufacturing firms (KAM, 2021), the ability to source

competitively and reliably becomes even more critical. Awuor and Kimutai (2020) established that strategic sourcing had a statistically significant effect on firm performance.

Regression Analysis

Regression analysis was carried out to test the relationship between strategic sourcing and performance of large manufacturing firms in Kenya. The results as shown in Table 4 revealed that a R-squared of 0.627 was obtained, implying that strategic sourcing accounted for 62.7% of the variation in performance of large manufacturing firms in Kenya. The ANOVA test results revealed that the model was statistically significant to predict the relationship between strategic sourcing and performance of large manufacturing firms in Kenya ($F = 274.954$; $P<0,05$). The regression coefficient results showed that strategic sourcing had a coefficient of 0.823, indicating that a unit increase in strategic sourcing would result in a 0.823 improvement in performance of large manufacturing firms in Kenya. It was also noted that the P-value for sourcing coefficient was 0.000 which is less than the set 0.05 significance level indicating that sourcing was significant predictor.

Table 4: Regression Results on Strategic Sourcing and Firm Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792a	.627	.614	.42791

ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.992	1	61.992	274.954	.000b
	Residual	50.721	225	.2253		
	Total	112.713	226			

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.205	.059		3.475	.007
	Strategic Sourcing	.823	.045	.792	18.400	.000

a. Dependent Variable: Performance of Large Manufacturing Firms

Source: Research data, 2025

The findings imply that strategic sourcing has a significant and positive impact on the performance of large manufacturing firms in Kenya. The findings concur with Zerihun and Wondemalem (2022) who revealed that strategic sourcing has a positive and significant influence on organization performance.

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CONCLUSION

The study concluded that strategic sourcing has a significant impact on the performance of large manufacturing firms in Kenya. It was evident that the sourcing practices embraced by most of the surveyed manufacturing firms were ineffectively developed to align with strategic supply chain goals, thus exposing the firms to unreliable and unpredictable supply of raw materials. Firms largely engaged in transactional, short-term interactions with suppliers, neglecting critical practices such as early supplier involvement (ESI), supplier quality management, and long-term partnerships. This approach hampered innovation, while disrupting production efficiency, and undermining quality consistency. The failure to institutionalize strategic sourcing frameworks results in missed opportunities for cost savings, improved product development, and supplier-driven innovation. Furthermore, a predominant focus on cost rather than value exacerbates inefficiencies and exposes firms to supply chain risks, thereby limiting their competitive advantage and overall performance.

Recommendations

Based on the study's findings, several key recommendations are proposed to enhance the performance of large manufacturing firms in Kenya through strategic sourcing. First, firms should institutionalize formal strategic sourcing frameworks that move beyond adhoc procurement by embedding structured procedures for supplier selection, performance evaluation, risk management, and long-term alignment with corporate objectives. Secondly, early supplier involvement (ESI) should be prioritized, integrating suppliers into the product development lifecycle from the design phase to facilitate co-creation, cost reduction, and accelerated innovation. Strengthening supplier relationship management is equally critical; this entails cultivating trust-based, collaborative partnerships through joint planning, knowledge exchange, and supplier development programs. Additionally, firms must enhance supplier quality assurance by conducting regular audits and implementing continuous quality monitoring systems to ensure compliance and minimize operational risks. A fundamental shift from cost-focused to value- based sourcing is also necessary. Procurement decisions should be driven by total cost of ownership, long-term supplier capabilities, and strategic alignment rather than immediate price advantages.

Furthermore, leveraging data and digital technologies such as spend analytics, supplier performance dashboards, and risk modelling tools can significantly improve transparency, agility, and decision-making across the supply chain. Finally, policy and regulatory support are essential; government bodies and industry associations, such as the Kenya Association of Manufacturers, should champion best practices through capacity building, training, and incentivizing supplier development and localization. Collectively, these strategies provide a pathway for Kenyan manufacturers to build resilient supply chains, achieve a sustained competitive advantage, and thrive in an increasingly globalized and volatile economic landscape

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