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## The Effect of Managerial Style on Procurement Performance in Manufacturing Firms in Kenya

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### Abstract

Despite the great impact that the industrial segment plays in the Kenyan economy it is still faced with challenges. The main objective was to establish the factors affecting procurement performance in manufacturing firms in Kenya, a case of Nzoia sugar company Ltd. The study sought to establish whether all the four independent variables that include, Managerial style, Information communication technology, employee competency and procurement policy had significance to the procurement performance. The study was conducted using a descriptive research design with a target population of 526 respondents, which translated to a sample size of 220 from Procurement, Finance, Human Resource, General administration and information communication technology departments. The study anchored variables on different theories for which 5-point Likert scale questionnaire was the main instrument of data collection for the study and data collected 'analyzed using SPSS version 24. Findings indicated Nzoia Sugar Company Ltd lacks a good ICT infrastructure, leans more towards autocratic leadership and hardly adheres to procurement policy. On exploration of prevailing initiatives to address employee competence, it was found out that employee competency was not a priority. The study concluded that managerial style remains central to procurement performance and thus employee involvement is paramount and has direct impact on procurement performance of manufacturing firms. Thus the autocratic leadership style adopted has

failed to foster communication and collective participation resulting to poor performance. On addition, procurement policy is crucial for fostering procurement processes of which most of manufacturing firms remain lax on such policies that eventually results in poor procurement performance. Also technical competence of procurement personnel is fundamental for procurement performance therefore there is need to have continued education and development of procurement personnel. The study recommended that there is need to adopt a participatory managerial style that can encourage quick and efficient accomplishment of procurement role and adoption of EDI to streamline the procurement process. In addition, the research recommends that the firm come up with mechanisms that will boost growth and development of employees and enforce compliance of procurement policy.

### **Introduction**

Procurement performance is an on-going, never-ending, integrated process requiring continuous reassessment and reformation. Procurement is the nerve center of performance in every institution, whether public or private and thus needs a tight system to be followed and adopted. Procurement performance measurement is the process by which procurement establishes criteria, based on strategic planning goals, for determining the results and quality of its activities. It involves creating a simple, effective system for determining whether the procurement is meeting its objectives (Wanyonyi & Muturi, 2015). This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary (Kerzner, & Kerzner, 2017).

### **Statement of the Problem**

Despite the core role that the manufacturing sector plays in the economic prosperity of the country, evidence shows that the industry is awash with challenges ranging from legal to monetary (Anzetse, 2016; Ogot, 2014). Besides, studies have shown that the manufacturing experiences challenges in terms of procurement processes that in turn affects procurement performance (Moenga, 2011; Osoro, 2016). Interest among industry stakeholders and researchers ought to focus more on this industry that is vital to the country's economy, with a view to discerning factors that are deterring its growth. The present study, therefore, examined factors affecting procurement performance (viewed as an antecedent to sector growth) in manufacturing firms, and in particular Nzoia Sugar Company Limited.

Evidence in extract literature shows that manufacturing firms in Kenya have been facing a variety of challenges, Anzetse (2016) for instance argues that manufacturing firms in Kenya are relatively under-developed considering that their growth has on average been growing at a rate lower than the economy. According to Ogot (2014), informal sector micro-enterprises allied to the manufacturing sector experience challenges in form of inadequate capital, production cost, and competition.

According to (Moenga, 2011) study on procurement and supply chain practices and performance of small scale tea sector in Kenya; found that the challenges affecting the sector were procurement performance and supply chain visibility, increasing customer demands, risk management,

globalization and cost containment. In order to attain optimal procurement performance, various factors have to be taken into consideration by firms. Most available are from developed countries and the few available does not touch the areas of my study. The study is done in Kenyan context order to bridge the gap. In view of the foregoing this tends to bridge the gap by creating new knowledge to enhance the better performance of manufacturing in Kenya; most importantly the procurement performance to improve in these firms.

Major setbacks in public procurement performance in manufacturing firms are the poor procurement planning and management of the procurement process which includes needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff responsible for procurement. Similarly, Kakwezi and Nyeko (2010) argue that procurement performance is not usually measured in most PEs as compared with the human resource and finance functions. They conclude in their findings that failure to establish the performance of the procurement function can lead to irregular and biased decisions that have costly consequences for any public procuring entity.

### **Objective of the study**

The objective of this study was to evaluate the effect of managerial style on procurement performance in Nzoia sugar Company

### **Research Question**

What is the effect of managerial style on procurement performance in Nzoia sugar Company?

### **LITERATURE REVIEW**

The study was guided by path-goal theory

#### **Path-Goal Theory**

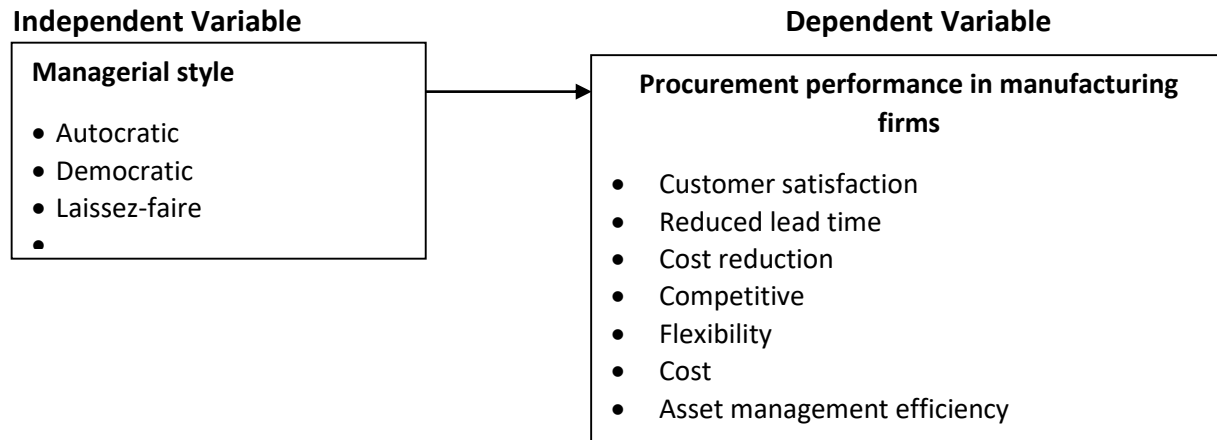
Path-goal theory was developed by Evans (1970), and later modified by House (1971), it was basically designed for identification of most practiced style in order to motivate subordinates accomplish the specified goals. Through motivation the theory plays an important role for the interaction of both the supervisor and the subordinate.

According to House (1971), a leader usually has strategic function is to uplift the subordinates psychological state that will be able to enhance job satisfaction and particular leadership behavior. Similarly House & Mitchell, (1974),outlined that attitudes exhibited by subordinates base on four leadership styles which includes; job satisfaction, expectations of their leaders, and expectation of effective performance (Negron,2008).

The path-goal leadership styles were highlighted as follows; directive, supportive, participative and achievement oriented, which usually provide structure and reward to subordinates (House & Mitchell, 1974; Indvik, 1987).The theory is thought to be relevant for this study so as to establish the link between managerial style and the performance of manufacturing firms in Kenya, hence it gives a theoretical background for this study.

## CONCEPTUAL FRAMEWORK

To implement these study independent and dependent variables was defined for the conceptual framework.



### Managerial Styles

According to Mullins (2010), autocratic, is referred to as controlling leadership of which is seen in the sense that the person exercises a controlling factor over. Despotic leaders typically make choices on their own ideas and judgments and rarely accept advice from followers. Autocratic leadership involves absolute, authoritarian control over a group. Democratic leadership Style is a process in which all citizens are involved in the airing of their opinions. Researchers have found that this learning style is usually one of the most effective and lead to higher productivity, better contributions from group members and increased group morale. Some of the primary characteristics of democratic leadership include; Group members are encouraged to share ideas and opinions, even though the leader retains the final say over decisions; Members of the group feel more engaged in the process; Creativity is encouraged and rewarded.(Mullins, 2010).

Permissive (Laissez-faire Style), this is a free and fair system of leadership in which the people exercise their right through expressing oneself. The leaders and citizens interact freely and they do not impose rules on their subjects. Some of the primary characteristics of permissive leadership include; Very little guidance from leaders; Complete freedom for followers to make decisions; Leaders provide the tools and resources needed; Group members are expected to solve problems on their own, (Mullins, 2010).

Kelly & MacDonald, (2016) looked at leadership styles and workplace solidarity communication. The study found that the other Laissez-faire leadership; is best suited where the people are experienced, are able to be independent and are inspired. While the conventional term for this style is 'laissez-faire' and implies a completely hands-off approach, many leaders remain open and available to group members for consultation and feedback. Laissez-faire leadership is not ideal in situations where group members lack the knowledge or experience they need to complete tasks and make decisions.

Some people are not good setting their own deadlines, managing their own projects and solving problems on their own. In such situations, projects can go off-track and deadlines can be missed with team members, (Mullins, 2010).

### **Procurement Performance**

This is a measure of identifying the extent to which the procurement is able to reach the objectives and goals with minimum costs. There are two main aspects of the procurement performance; effectiveness and efficiency. Procurement also refers to the relationship between actual and planned performance. Procurement can generally mean the acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise, or by any other contractual means of any type of works, assets, services or goods including livestock or any combination and includes advisory, planning and processing in the supply chain system, (Public Procurement and Asset Disposal Act, 2015). Supply chain, on the other hand, can be summarized to mean the management of all activities, information, knowledge and financial resources associated with the flow and transformation of goods and services up from raw materials suppliers, components suppliers. In addition, other suppliers in such a way that the expectation of the users and the organizations are met or surpassed (Lyson & Farrington, 2012).

### **RESEARCH METHODOLOGY**

The research design is the basic plan that indicates an overview of the activities that are necessary to execute the research (Mugenda & Mugenda 2009). The study adopted a descriptive research design since the study intends to gather quantitative and qualitative data that describe the factors that affect procurement performance in manufacturing firms in Kenya. According to Mugenda & Mugenda (2009), descriptive research was used to obtain information concerning the status of the phenomena to describe, "What exists" with respect to variables or conditions in a situation. The study considered this design to be appropriate since it facilitated the gathering of reliable and accurate data that clearly described the factors that affect procurement performance in manufacturing firms in Kenya.

The target population was the employees of Nzoia sugar company Ltd drawn from the following departments, procurement, production, Finance, General administration and human resource. Based on records retrieved from the human resource department, the total target population was therefore 526 employees.

The data collection instrument used was a questionnaire designed using the variables identified as important for meeting the objectives of the survey. A questionnaire is a printed self-report form designed to elicit information that can be obtained through the written responses of respondents (Mugenda & Mugenda, 2009). A closed-ended questionnaire was administered to the respondents. The questionnaire was used since it was easy to administer and after obtaining data it was easy to analyze, (Mugenda & Mugenda, 2009). 5-point Likert scale questionnaire was the main instrument of data collection for the study. After collection of data the researcher conducted data cleaning, which involved the identification of incomplete or inaccurate responses and correct to improve the quality of the responses. The data were coded and entered into the computer for analysis using the Statistical Package for Social Sciences (SPSS), version 24. The research yielded quantitative data.



## RESEARCH FINDINGS AND DISCUSSION

### Response Rate

Questionnaires were administered to the selected sample of 220 employees of the company. A total of 181 questionnaires were returned completely filled. The overall response rate was therefore 82.3%, which was found suitable for the study, basing on assertions by Saunders, Lewis, & Thornhill (2009) that a response rate of 50% is adequate, while that of 70% is excellent.

**Table 4.1 Response Rate**

Questionnaires	Frequency	Percent
Male	135	74.6
Female	46	25.4
<b>Total</b>	<b>181</b>	<b>100</b>

### Managerial Style

The managerial style was conceptualized as the first factor with the potential to have a direct effect on procurement performance. Buoyed by an understanding that the type of leadership can influence productivity among employees (Mullins, 2010), the researcher deemed it necessary to explore respondents' perceptions of management style adopted by managers in the Nzoia Sugar Company. Six items were therefore used to measure managerial style in the company.

Results (Refer Table 4.7) revealed that on the overall, respondents were dissatisfied with the managerial style adopted in the company ( $M=2.23$ ,  $SD=0.963$ ). Respondents particularly disagreed that; style of management encouraged quick and efficient accomplishment of procurement functions ( $M=2.17$ ,  $SD=1.032$ ); style of management was balanced and focused on competitive advantage ( $M=2.19$ ,  $SD= 1.039$ ); that managers were friendly ( $M=2.31$ ,  $SD=1.077$ ); that the style of management fosters communication and project completion ( $M=2.20$ ,  $SD=1.030$ ); that management was mostly handed off ( $M=2.23$ ,  $SD = 1.043$ ); and that an array of management styles are employed in the company ( $M=2.29$ ,  $SD= 1.067$ ).

**Table 4.7 Managerial Style**

Scale Items	M	SD
The style of management encourages quick and efficient accomplishment of procurement functions	2.17	1.032
The style of management in this company is balanced and focuses on competitive advantage	2.19	1.039
Managers adopt a friendly approach to employees	2.31	1.077
The style of management in this company fosters communication and project completion	2.20	1.030
Management of this company is mostly hands off	2.23	1.043
An array of management styles is employed in this company to cater for all cadres of employees	2.29	1.067
<b>Overall response scores</b>	<b>2.23</b>	<b>.963</b>

The implication of these results is that managerial style in Nzoia sugar company Ltd tends to lean towards Autocracy. This has gone down poorly among employees most of whom feel that the style adopted does not encourage their efficient and committed inputs. Besides, managers appear unfriendly and do not foster communication. These results are consistent with the Autocratic management style which, as noted by Mullins (2010) is an authoritarian style of leadership that does not bring others on board. Over-reliance on autocratic managerial style may not augur well with procurement performance, which requires input from other employees.

### Model Goodness of fit

Regression analysis was used to establish the strengths of relationship between performance of procurement (dependent variable) and the predicting variables; managerial style, information and communication technology, employee competency and procurement policy (independent variables). The results showed a correlation value (R) of 0.851 which depicts that there is a good linear dependence between the independent and dependent variables.

**Table 4.13 Model Goodness of Fit**

R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate
0.851	0.781	0.796	0.056

a. Predictors: (Constants), democratic leadership style, E-procurement, Training, personnel conduct, social and minority business objective.

b. Dependent Variable: Procurement performance in manufacturing firms.

### Regression coefficients

With an R-squared of 0.781, the model shows that democratic leadership style, E-procurement, training, personnel conduct and social and minority business objectives explain 78.1% of the variations on performance of manufacturing firms while 21.9% is explained by other indicators which are not inclusive in this study or model. A measure of goodness of fit synopsis the discrepancy between observed values and the values anticipated under the model in question (Capelli, 2010).

The multiple regression coefficients (Table 4.27) indicated that when the four factors were considered together, ICT ( $\beta = 0.638$ ,  $p < 0.05$ ); managerial style ( $\beta = 0.495$ ,  $p < 0.05$ ); and procurement policy ( $\beta = 0.151$ ,  $p < 0.05$ ) were positive and significant predictors of procurement performance. Employee competence ( $\beta = 0.085$ ,  $p > 0.05$ ) though having minimal positive effects on procurement performance, was however not significant. The implication being that employee competence may not be felt when the four factors are considered in a multiple variable setting. The confirmed multiple regression models can, therefore, are modeled as;

$$Y = 0.187 + 0.495 X_1 + 0.638X_2 + 0.085X_3 + 0.151X_4 + \epsilon$$



**Table 4.27: Regression Coefficient Results**

Model	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Coefficients		
1 (Constant)	.187	.065		2.878	.004
Managerial Style	.420	.187	.495	2.241	.026
ICT	.595	.054	.638	11.059	.000
Employee Competence	.073	.190	.085	.384	.701
Procurement Policy	.156	.059	.151	2.635	.009

a. Dependent Variable: Procurement Performance

b. Constant: Customer satisfaction, Reduced lead times, Cost reduction, Competitive advantage.

### CONCLUSION AND RECOMMENDATIONS

In view of the above findings, the following conclusions were drawn in line with the research objectives. Managerial styles remain central to the procurement performance of manufacturing firms such as Nzoia Sugar Company. Involvement of employees is paramount and has direct impacts on procurement performance of these firms. However, the managerial style adopted in some of these firms is predominantly autocratic and inhibits employees' commitment to the aims of the firms. The autocratic style so adopted fails to foster communication and collective participation resulting in poor performance of the procurement process.

The role played by managerial style in the procurement process is such that manufacturing firms should adopt more participatory managerial styles that can encourage quick and efficient accomplishment of procurement functions. Managers ought to be more friendly and should foster communication and collaboration among employees by adopting diverse managerial styles depending on the situation.

The weighty nature of the study requires that future studies be conducted using more manufacturing firms, and which should be distributed across the entire country for proper generalization of the study findings. Relying on only one firm such as was the case in the present study may not give a clear picture of procurement performance in manufacturing firms in Kenya.

The role of background characteristics was not clearly brought out. The study recommends that future studies should try to address the moderating influence of background characteristics on the relationship between the identified factors and procurement performance.

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