

STRATEGIC MANAGEMENT PRACTICES AND DIGITAL PROCUREMENT IN KENYA

***¹Claire Otieno, ²Marguerite Dz've, ³Rebecca Mbithe & ⁴Dr. Justice Mutua**

School of Business and Economics, Daystar University

*Email of corresponding author: claireotieno230520@daystar.ac.ke

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ABSTRACT

Purpose of the Study: The core objective of this research is to examine the effect of strategic management practices on the performance of digital procurement in Kenya.

Problem Statement: This study sought to establish the effect of strategic management practices on the implementation and effectiveness of the digital procurement systems in Kenya against the backdrop of the deceleration of economic growth to 4.8% in 2022 from 7.5% in 2021.

Methodology: The research methodology in this study will be an exploratory method focusing on desktop research, which involves data collection using existing studies and industry reports.

Result: The findings of the research revealed that strategic management plays a key role in the effectiveness of the digital procurement of Kenya. This can be argued to be due to its ability to align the corporation's goals and objectives with an effective digital procurement process in a manner that mitigates disruptions.

Conclusion: As such, it was concluded that there is a need to align the strategic management practices of data-driven decision making, innovation, among others in digital procurement to enable for the adaptability and performance of an organization.

Keywords: *Strategic Management Practices, Digital Procurement*

INTRODUCTION

The landscape of business administration is in a constant state of evolution, demanding organizations to continually adapt to stay strategically agile and innovative in order to thrive. Within this context, the current paradigm shift towards integrated digital procurement emerges as a pivotal area of focus within strategic management practices (Sjodin et al., 2021). This study aims to explore the impact of digital procurement, as a manifestation of strategic management, on firm performance within the Kenyan context. Kenya, as an emergent market, is characterized by a high adoption rate of technology. Through strategic management practices encompassing planning, execution, and evaluation of operational strategies, organizations attain a competitive edge (Gitongah & Macharia, 2020).

Digital procurement represents a technological paradigm shift, transitioning procurement processes from traditional methods to more sophisticated approaches, thereby enhancing operational efficiency, reducing costs, and offering greater control over suppliers. Consequently, this paper endeavors to investigate the interplay between strategic management practices, particularly digital procurement, and their influence on key performance metrics such as market share, revenue growth, and operational productivity.

Strategic management practices encompass participative leadership, strategic planning involving environmental analysis and strategy formulation, and organizational structure addressing centralization versus decentralization, coordination mechanisms, and division of labor. These practices are pivotal in facilitating the integration and optimization of digital procurement systems, including e-procurement systems and electronic sourcing platforms. Additionally, they are subject to moderation by government policies, compliance regulations pertaining to digitized procurements, and industry standards, all of which significantly shape the digital procurement landscape. This framework offers a comprehensive perspective on how strategic management practices impact the implementation and efficacy of digital procurement strategies, and subsequently, how they influence firm performance amidst the dynamic economic and technological environment in Kenya.

STATEMENT OF THE PROBLEM

Following the resurgence from the aftermath of the COVID-19 crisis, the economic landscape of Kenya presents a nuanced narrative of recovery juxtaposed with challenges. An adverse weather shock and stringent applications of a tightening macroeconomic policy have impeded long-term growth rates (World Bank, 2022). This dual shock underscores a formidable issue

within Kenya's business administration realm, particularly concerning the integration of strategic management practices and digital procurement. Giathi et al. (2021) contend that this issue encroaches upon theoretical perspectives of business resilience, operational effectiveness, and strategic adaptability in the face of external shocks.

The problem manifests in the notable economic deceleration evident in the GDP growth trajectory, which declined from a robust 7.5 per cent in 2021 to 4.8 per cent in 2022, largely attributed to external and environmental factors (World Bank, 2022). This downward trajectory disproportionately affects sectors reliant on high output, such as agriculture, as well as those susceptible to global financial uncertainties. Strategic management assumes critical importance amidst such challenges, particularly in fostering participative leadership, strategic planning, and organizational structuring in tandem with digital procurement systems. Addressing this issue is paramount for economic revitalization, bolstering firm competitiveness, and cultivating a resilient business environment capable of withstanding future shocks.

Muchiri et al. (2022) revealed a robust correlation of 0.70 between strategic management practices and digital procurement, indicative of its capacity to drive innovation. This correlation likely stems from digital procurement's ability to align corporate objectives with an efficient procurement process, minimizing disruptions.

This study endeavors to bridge existing gaps by elucidating the impact of strategic management practices on digital procurement systems within Kenyan firms. It seeks to contribute both theoretically and practically, offering insights to inform policy formulations and guide strategic business decisions aimed at optimizing firm performance amidst changing circumstances. The research explores the underlying assumption that refined strategic management practices tailored to the digital procurement landscape are essential focal points for Kenya not only to navigate but to excel in its economic trajectory.

PURPOSE OF THE STUDY

To examine the effect of strategic management practices on digital procurement in Kenya.

The objective of the study

- i. To find out the current strategic management practices used by digital procurement firms in Kenya
- ii. To assess the performance of digital procurement firms in Kenya
- iii. To establish the effect of strategic management practices on the performance of digital

procurement firms in Kenya.

RESEARCH METHODOLOGY

This study employs a desktop research methodology, also referred to as secondary research, which involves the compilation, analysis, and validation of existing data sources. Desktop research is recognized for its cost-effectiveness, as it utilizes pre-existing data sources rather than conducting primary data collection.

The choice of desktop research design aligns with the pragmatic approach advocated by Smith and Jones (2018), allowing for the investigation of a wide range of phenomena while leveraging existing literature, data, and information sources. This methodology facilitates cross-disciplinary insights and knowledge integration, as noted by Robinson et al. (2020).

The decision to utilize desktop research was motivated by several factors, including time and budget constraints. By accessing data from academic literature, industry reports, government publications, and online databases, this method enabled the researcher to gather diverse data efficiently. Moreover, it reduced the need for extensive primary data collection, thereby promoting cost efficiency and maintaining ethical standards by minimizing risks associated with human participants in research.

Desktop research has been successfully employed in various studies within the context of strategic management practices and digital procurement in Kenya. For example, Ndirangu (2013) utilized this methodology to examine the strategic management techniques of Virtual City Group, while Chepng'etich et al. (2020) investigated the impact of strategic e-procurement practices on the performance of devolved government systems in Kenya. These studies demonstrate the effectiveness of desktop research in exploring complex organizational phenomena and informing strategic decision-making processes.

THEORETICAL FRAMEWORK

The theoretical framework underpinning this study incorporates two pivotal theories: the Resource-Based View (RBV) and institutional theory. These theories provide critical insights into the implementation of strategic management practices and digital procurement within the Kenyan context.

Resource-Based View (RBV)

The Resource-Based View (RBV) theory, originally proposed by Penrose in 1959, serves as a cornerstone in strategic management literature, emphasizing the strategic significance of a

firm's internal resources and capabilities in attaining sustainable competitive advantage. RBV contends that firms can achieve a competitive edge by possessing unique, valuable resources that are difficult for competitors to replicate or acquire. Unlike traditional industrial organization theories, which suggest homogeneity in resources across firms and prioritize cost minimization, RBV underscores the heterogeneity of resources and capabilities among firms, positing that these differences serve as the foundation for competitive advantage and enhanced profitability.

In the context of Kenol/Kobil, an analysis through the lens of RBV would focus on identifying underutilized internal resources and capabilities, such as financial, human, physical, and organizational assets, with the objective of maximizing profitability. For instance, management might reallocate these underutilized resources towards expanding their market share in the petroleum industry following recent deregulation.

While RBV offers valuable insights into long-term competitive advantage, critiques have been raised regarding its failure to incorporate exogenous variables that influence firms. Scholars like Hullman and Wade (2020) have highlighted limitations such as a lack of managerial implications and oversimplification of resource management complexities, which may constrain its applicability in dynamic business environments.

Institutional Theory

Institutional theory, pioneered by Meyer and Rowan in 1977, posits that organizations are profoundly influenced by societal norms, regulations, and cultural expectations, shaping their structures, strategies, and behaviors. Contemporary institutional theory delves into the sociological underpinnings of organizational behavior, elucidating how norms, rules, and routines become ingrained as cognitive and regulative structures, thereby influencing organizational strategies and practices.

Within the context of strategic management and digital procurement in Kenya, institutional theory sheds light on how external institutional factors, including legislative frameworks, cultural norms, and industry standards, shape organizational decision-making processes. Companies may align their strategic management practices with governmental regulations promoting digitalization and transparency in procurement to adhere to institutional expectations. Additionally, institutional pressures may drive firms to adopt digital procurement technologies to comply with legal requirements, leverage government incentives, or conform to cultural norms favoring technological innovation.

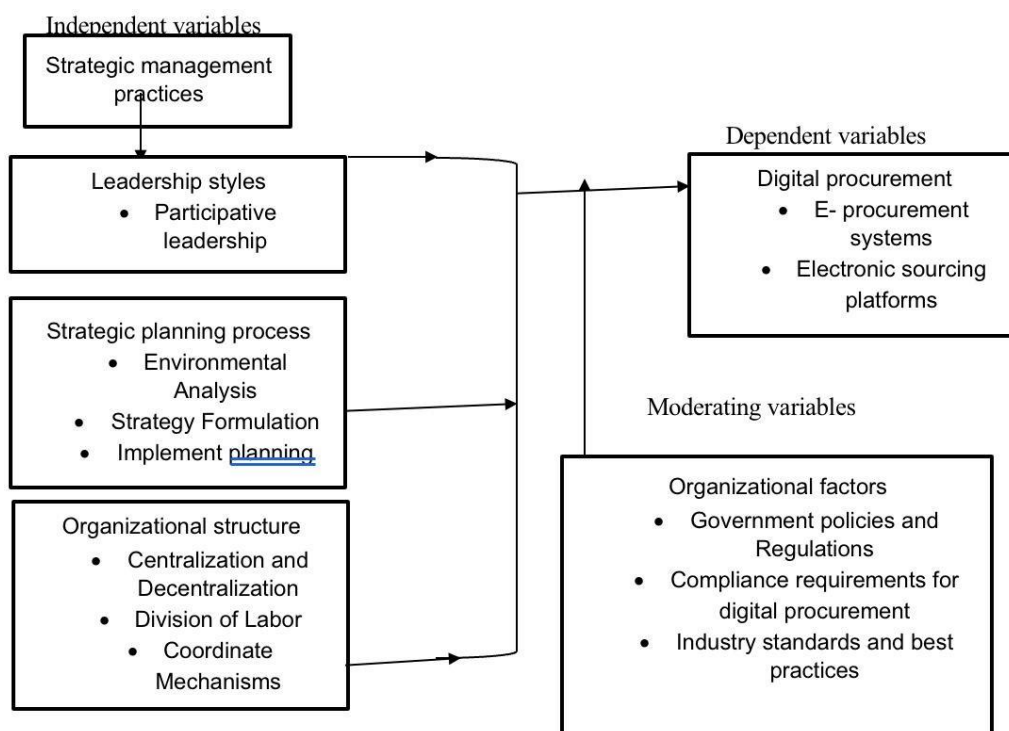
While institutional theory provides valuable insights into organizational behavior, it may overlook the role of individual agency and strategic decision-making within organizations. Furthermore, its focus on how organizations conform to institutional norms often neglects the dynamic processes through which organizations actively shape and respond to their institutional environments.

In summary, the Resource-Based View and institutional theory offer complementary perspectives for understanding the complexities of strategic management practices and digital procurement in the Kenyan context, highlighting both internal resource dynamics and external institutional influences on organizational behavior.

CONCEPTUAL FRAMEWORK

The conceptual framework shown below shows the different strategic management practices companies use in digital procurement in Kenya.

Figure 1: Conceptual Framework



Source: Marguerite, Rebecca, Claire (2024)

EMPIRICAL LITERATURE

Numerous empirical studies have underscored the critical role of strategic management practices and digital procurement in influencing firm performance. These studies offer valuable insights that are pertinent to policy formulation and strategic decision-making within the

dynamic landscape of Kenya's economy. By synthesizing existing research, this literature review endeavors to elucidate the impact of strategic management practices and digital procurement on firm performance.

Research conducted by Reyaz (2024) highlights a significant positive association between strategic management and participative leadership styles, as evidenced through regression coefficient analysis. This finding underscores the pivotal role of leadership in fostering effective strategic planning processes.

Basweti and Achuora (2020) examined the relationship between procurement management and organizational performance within state-owned enterprises in Kenya. Their descriptive research approach, employing structured questionnaires, revealed that various procurement management techniques, including supplier development and strategic alliances, positively influence organizational performance indicators such as profitability, market share, and customer satisfaction.

Further insights into the influence of strategic planning on digital procurement adoption were provided by Somba and Bwisa (2017). Through empirical evaluation and regression analysis involving constituency fund projects in Kenya, they observed a positive correlation between strategic planning depth and successful e-procurement implementation. However, the study did not fully address the dynamic nature of strategic planning in adapting to evolving technological landscapes.

Organizational structure also emerged as a crucial determinant of procurement performance, as evidenced by Muchiri et al. (2022) in their study focusing on the Tana River County Government in Kenya. Their findings underscored the positive impact of strategic organizational practices on electronic procurement performance, emphasizing factors such as ICT integration, employee IT competence, public procurement regulations, and managerial commitment.

Government policies and compliance requirements were explored by Ochieng et al. (2023) in the context of shaping digital procurement practices in Kenya. While stringent government policies can drive digital procurement adoption, they may also introduce challenges such as bureaucratic delays and increased costs, highlighting the delicate balance between regulation and facilitation in fostering digital transformation.

In summary, these empirical studies collectively underscore the multifaceted influences of strategic management practices, leadership, organizational structure, and government policies

on digital procurement adoption and firm performance within the Kenyan context.

DATA ANALYSIS AND DISCUSSION

Table 1: Pearson correlation results

	Strategic management	Digital procurement
Strategic management	1.000	0.704
Sig.(2 tailed)		0.000
Digital procurement	0.704	1.000
Sig.(2 tailed)	0.000	

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

The analysis revealed a correlation coefficient of 0.704 between strategic management and digital procurement, indicating a significant positive relationship. A significant p-value of 0.00 (< 0.05) provided strong evidence, suggesting a noteworthy association between the two variables.

Study Findings

The study's findings reveal a significant correlation between strategic e-procurement methodologies and the efficacy of Kenya's devolved government institutions. Specifically, Strategic E-procurement accounts for 49.6% of the variance in performance, underscoring its pivotal role in enhancing operational efficiency within governmental entities. This correlation is directly linked to the broader discourse on Strategic Management Practices and Digital Procurement in Kenya, emphasizing the importance of strategic decision-making and digital integration in government procurement processes (Chepng'etich, 2020). The statistically robust model, with a low p-value of 0.000 and a high F statistic of 155.245 ($p < 0.05$), confirms the robust association between Strategic E-procurement and performance outcomes. With a normalized regression coefficient of 0.704, the findings suggest that even incremental enhancements in strategic procurement methodologies can yield substantial improvements in digital procurement performance. Overall, these results underscore the critical significance of strategic management practices, particularly in leveraging digital procurement tools, to drive efficiency and effectiveness in operations within Kenya.

CONCLUSION

Based on the study's findings, it can be concluded that strategic management practices play a pivotal role in augmenting the performance of digital procurement systems within Kenyan firms. While firms are integrating practices such as participative leadership, strategic planning,

and organizational structure into their digital procurement operations, there remains significant room for improvement. Key facilitators such as strategic leadership and change management bolster the effective functioning of digital procurement systems, whereas financial constraints and organizational resistance emerge as significant impediments. Moreover, external factors such as economic policies and compliance requirements exert substantial influence on digital procurement strategies, with firms adept at incorporating these elements into their strategic planning demonstrating superior performance outcomes.

RECOMMENDATIONS

Develop and Enhance Training Programs: Firms should invest in continuous learning and development initiatives focused on the strategic utilization of digital procurement tools. Training programs should cover the latest e-procurement technologies and best practices in digital strategy and data analysis, empowering the workforce to execute procurement processes more efficiently and fostering a culture of innovation.

Enhance Strategic Planning Practices: Integrating digital procurement systems into core strategic planning processes ensures adaptability to evolving economic policies and compliance requirements. Encouraging data-driven decision-making facilitates optimization of procurement outcomes and enhances overall strategic agility.

Strengthen Regulatory Compliance and Partnerships: Organizations should engage proactively with policymakers and industry stakeholders to influence and adapt to regulatory changes impacting digital procurement. Strengthening partnerships facilitates navigating compliance frameworks efficiently, ensuring sustainable industry practices.

Implement Advanced Data Analytics: Leveraging modern data analytics enables continuous evaluation of digital procurement system performance. Informed decision-making based on market trends and procurement analytics enhances sustainability and innovation outcomes.

Foster Participative Leadership: Promoting leadership models that prioritize employee involvement in decision-making processes fosters higher engagement and more effective implementation of digital strategies. This participatory approach enhances overall organizational agility and performance.

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