

# The Effects of Strategic Sourcing on Organization Performance: The Case of Ethiopian Construction Works Corporation

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## ABSTRACT

The purpose of this research was to see the effect of strategic sourcing on corporate performance. The construction industry was the subject of the research. This study employed an explanatory research design with a quantitative approach. The study target population of ECWC is 105, with elements chosen using a census technique. A questionnaire was used as the primary data collection tool. The response rate was 88.6% and data were analysed using correlation and regression analysis. The study's findings suggest that strategic sourcing supplier selection, buyer-supplier relationship, and contract management have a significant and positive effect on organizational performance. Therefore, all the hypotheses are supported by the data with a predictive of 43 percent of the variance in the dependent variable. Our research provides evidence that supplier selection, strategic relationships and contract management practices have to be given by the practitioners as they significantly affect the performance of construction companies in Ethiopia.

**Keywords:** Strategic Sourcing, Supplier Selection, Buyer-Supplier Relationship, Contract Management, Organization Performance

## BACKGROUND OF THE STUDY

Many industries have understood that to profit from their supply chains, they must shift from outdated procurement to modern strategic sourcing. Sourcing costs are increasing up to 80% of total products sold and up to 50% of revenue, a percentage that has been progressively increasing in recent years. According to Chopra and Meindl (2003), 10% of sourcing costs can be reduced with much less effort than gaining a similar amount of income. An integral part of sourcing is looking for potential input sources, keeping these sources continuous, discovering alternative sources, and maintaining knowledge about these sources (Vollman, Berry, Whybark & Jacobs, 2004). In essence, all companies strive to provide products and services that are competitively and sustainably delivered to their users. The production of these goods and services requires input, including raw materials, personnel, and information. Such input is obtained from a certain source, and here is where

sourcing occurs. By boosting profit margins and asset turnover rates, lowering sourcing costs improve returns on investment (Dobler & Burt, 1996). According to Anderson and Katz (1998), a sourcing strategy includes locating, analyzing, and choosing suppliers, acquiring products and services, and maintaining supplier relationships. Strategic sourcing, which entails the planning, implementation, and management of all sourcing operations, may also assist a firm in meeting its long-term goals. All strategic sourcing efforts are aimed at identifying opportunities that will assist the business in meeting its long-term operational and organizational performance goals (Lawson, Cousins, Handfield & Petersen, 2009).

According to a World Economic Forum report (2022), the construction sector has a significant influence on the economy, environment, and society globally. According to Deloitte's Africa Building Trends report (2020), Ethiopia, behind Egypt and Kenya, has the third-highest number of construction projects in Africa. The global construction

sector is under more pressure than ever before to remain competitive and agile. The construction sector makes significant contributions to the Ethiopian economy, as seen by its 19.5% contribution to GDP (MRE, 2020). As a result, construction has made a significant contribution to urban development and provided cost-effective and modern houses for low-income citizens. Moreover, it is the second-largest employer in the city, employing over 1.8 million people and alleviating urban poverty in the process. The sector has registered remarkable growth, over the last 12 years there has been increased investment in the development and expansion of various infrastructure projects (MoUDC, 2019). The Ethiopian government uses public money to cover a portion of the building finance gap. The construction business is now booming in Ethiopia, and this research is done at Ethiopian Construction Works Corporation (ECWC), one of the country's major government construction companies. It was established as a Federal Government Public Enterprise on December 18, 2015, by Council of Ministers Regulation No. 366/2015. Ministerial Council Regulation No. 390/2016 was updated by the Corporation on September 28, 2016. The Ethiopian Road Construction Corporation (ERCC) was formed by the merger of the Ethiopian Water Works Construction Enterprise (EWWCE) and the Prefabricated Building Parts Production Enterprise (PBPPE).

## Statement of the Problem

An organization operates in an environment that includes a variety of economic, environmental, technological, and political forces that interfere with its sources of goods and services; to thrive in this unfettered market, these firms must constantly check their competitive position and internally regulated procedures, notably their procurement operations (Isaac & Robert, 2015). Procurement is the process of integrating the supply chain into the purchasing organization to reduce costs, increase efficiency, and enhance quality (Giunipero & Sawchuck, 2013). Strategic procurement includes the creation and management of important suppliers, internal procurement management, and organization of sourcing and other company methods, in addition to an effort to meet consumer prospects. Then, to save costs, increase operational performance, get access to dependable suppliers, improve product or service quality, and exchange best practices, strategic sourcing became one of the most important jobs of a firm (Isaac & Robert, 2015).

The construction sector is an important economic pillar in many nations (Ngai, Drew, Lo & Skitmore, 2002). However, the construction industry has been criticised in

many countries for inefficiencies such as time and cost overruns, poor quality, and low customer satisfaction (Ericsson, 2002). Therefore, procurement procedures can make a significant contribution to a successful project, because they are one key improvement area for collaboration (Eriksson & Pesämaa, 2007). Understanding how various procurement techniques impact various aspects of project performance is critical to improving change. To establish successful project governance, procurement methods must be comprehensive and systematic (Eriksson & Pesämaa, 2007). The provision of the correct quality for users at the right time and price is critical to the success of construction organization goals. To be effective in procurement, the procurement department should play a critical role in strategic sourcing as well as the organization as a whole.

According to the company's annual report (2021), non-value-adding costs, delay of the project, quality of procurement, lack of planned purchases, inconsistent pricing, misrepresentation of the right supplier, and a shortage of professional procurement staff, and so on are the contributors to the lower performance of the organization. Additionally, at a preliminary meeting held at headquarter (2022) with relevant department team leaders and personnel under study, they stated that the corporation has taken a procurement plan at the corporate level, but that it is not being employed as planned because it results in late delivery, price increases, urgent procurement, failure to procure the specified materials, negative impact on the corporation's goodwill, and increased procurement cost. Even the practitioners are not clear about the significant contributions of strategic sourcing for organizational performance. As a result of this, the researchers tried to examine the effect of strategic sourcing on organization performance within Ethiopian Construction Works Corporation.

## Objectives of the Study

The general objective of this research is to examine the effect of strategic sourcing on organizational performance, more specifically; it attempted to address the following specific objectives.

- To examine the contribution of supplier selection to the performance of ECWC.
- To examine the effect of buyer–supplier relationship management on the performance of ECWC.
- To analyze the effect of contract management practice on the performance of ECWC.

## Significance of the Study

Strategic sourcing is a critical component in today's businesses; to get a competitive edge, companies must spend the majority of their operational expenditures on the acquisition of raw materials, finished goods, and services. The findings of this study will assist sourcing experts in different sectors to be aware of and proactive in their professional decisions. It will also provide input to the different policymakers and planners in the field. Finally, the article will be a valuable resource for academia who wants to undertake similar studies.

## Scope and Limitation of the Study

The ECWC's performance can be affected by many factors. However, the researchers delimit its scope to strategic sourcing-related issues. The survey data collected from only sourcing related departments and CEOs. It would have been complete enough had the information also been elicited from other actors just to triangulate the data. As the projects are separated by a geographical barrier and are located outside of Addis Ababa, they cannot be considered in this study.

## LITERATURE REVIEW

One of the features of the supply chain operations scenario model is strategic sourcing. According to Rendon (2005), it is the process of identifying and resolving costs, characteristics, technologies, appropriateness, dependability, and first-class service that fit a company's objectives. The most basic need of procurement is the acquisition of material that is delivered on schedule and in perfect condition from point of origin to the ultimate consumer. A value chain is a buying input component of a company's value chain (time and place utility) but it may also include indeterminate elements like raw materials (Van Weele, 2010). Two elements must be addressed in strategic sourcing, improving the supply base and satisfying the purchasing criteria specified by users and various components of the company. Portfolio analysis is a technique for identifying and segmenting a supplier base (Lawson et al., 2009). Four quadrants are identified as critical, routine, leverage, or bottleneck. According to Van Weele (2010), the sourcing strategies matrix, which was adapted from Kraljic, is used to categorise top-class firms. This matrix explains how, to control diverse categories, we must use distinct approaches.

Strategic suppliers may be viewed as a chance to help enhance competitive advantage and go through a simple

clearance procedure in the best-case scenario, and if the main focus is on discovering critical suppliers, integration is increased (Koufteros, Vickery & Droge, 2012). Low-cost goods are referred to as ordinary products. The objective is to minimize the number of items in the category by investing small amounts of money and streamlining the procurement process with digital technology. Bottleneck items and transactional services include one-of-a-kind supplies from minor vendors that are vital to the company's success. The form of the products is typically expensive due to the provider's market function. The providers are selected through competitive bidding and should ideally be selected entirely based on the IT requirements indicated in the negotiating strategy (Lawson et al., 2009).

The number of suppliers to use, the type of relationship to seek, agreement on what to bargain for, and whether to source locally, nationally or worldwide are all factors in a company's sourcing strategy (Van Weele, 2010). The fundamental emphasis of sourcing strategies is whether to outsource or retain product production processes in-house, whether to manufacture or purchase. A company must make strategic decisions such as whether to manufacture or buy to get a competitive edge. During the outsourcing process, companies must decide whether to develop a tight relationship with suppliers or maintain an arms-length relationship.

According to Van Weele (2010), the relationship between item classes and sourcing strategies, as well as how in-between item classes might aid in choosing the best sourcing approach. When developing a sourcing strategy, there are various factors to consider. Source-to-pay strategies must be viewed as a long-term process that follows a traditional business strategy, commercial organization tactics, and a combination of information services (Rendon, 2005). These two factors link the strategic method to sourcing, moving the organization's attention away from cost-cutting and towards long-term value creation. According to Van Weele (2010), when designing a sourcing strategy single vs. multi-sourcing, global versus local sourcing, and partnership versus competitive bidding are important factors to consider.

## Dimensions of Strategic Sourcing

### Supplier Selection

There are different methods to help with product choice related to diversity and comparison of suppliers (Rajesh & Ravi, 2015). How the supplier is chosen is critical to the company's success. The supplier selection problem is a multi-criteria decision-making dilemma with a variety

of quantitative and qualitative norms, as well as sub-standard suppliers (Shaw, Shankar, Surendra, Thakur & Lakshman, 2013). Supplier selection is typically thought of as a five-step process that begins with identifying the need for a new supplier and progresses through the decision and design of choice criteria, pre-qualification, final supplier selection, and supplier monitoring (Choy & Lee, 2002). To begin, the evaluation and assessment committee must establish criteria for evaluating potential providers. The next step is to assign a weight to each criterion so that the degree and effect of each criterion on supplier appraisal may be assessed. There are several sub-attributes that can be assigned to a particular. Aside from the qualities stated at the start, the final step is to look into potential providers (Choy & Lee, 2002). Supplier selection is a time-consuming procedure in which suppliers are evaluated on a range of factors such as production costs, raw material costs, best assessment, organizational goal, quality personnel, transportation system, and private facilities.

Due to the numerous elements that must be considered throughout the decision-making process, selecting suppliers is a complex task. As a result, unique factors are frequently taken into account during the supplier selection process, which evaluates suppliers based on a variety of factors such as cost of production, raw material cost, quality evaluation, organizational objective, exceptional personnel, delivery system, and personal services. Supplier selection is a time-consuming procedure in which suppliers are evaluated based on factors like production value, raw material costs, first-rate evaluation, organizational aim, happy employees, transportation system, private facilities, and so on. Aside from the lowest price, supporting growth, culture, advanced production, confidence, supply chain management, quality, and communication are all important (Wang & Che, 2007).

In the supplier selection process, the importance of price and quality cannot be stressed. Suppliers must be carefully chosen since they can have a major positive or negative impact on the company's overall success. It has been proven that inferior material causes the bulk of an organization's bearable issues, and well-chosen, competitive suppliers may help an organization avoid bad impacts while also boosting pleasant effects on output quality (Golmohammadi & Mellat, 2012). In today's global economy, organizations are focusing more on their core skills and outsourcing their non-essential expertise (Torabi, Baghersad & Mansouri, 2015). Supplier selection will become increasingly important as a result of this trend. One of the most important strategies for refining the fantastic of any organization's output is the

selection of fantastic suppliers, which has a direct impact on the corporation's recognition because they can have a very positive or very negative impact on the fundamental performance of the association. In today's global economy, companies are focusing more on their core competencies and outsourcing non-essential data (Torabi, Baghersad & Mansouri, 2015). As a result of this tendency, supplier selection will become increasingly crucial.

Supplier selection is a multifaceted decision-making task driven by a number of quantitative and qualitative factors, some of which may create disagreement. The preferences for decision-making are typically represented in terms of supplier selections or traits that may be used to rank providers. As a result, the supplier selection dilemma is laden with ambiguity and will become increasingly difficult. To solve this issue in the future, a new grey-based totally technique will be created to cope with the aforementioned prevalent methods for addressing the provider selection quandary (Hsu, Kuo, Chen & Hu, 2013).

### Criteria for Effective Supplier Selection

*Cost Criteria:* The goal of this crucial component is to raise awareness of the procurement-related costs that must be considered. The purchase price, carrying price, and duty are the three most typical expenses associated with items (Mwikali & Kavale, 2012; Stanley & Gregory, 2001). Because profits can't be maximised without paying for operations, it's serious to reason in cost and distribution charges when choosing suppliers for this strategy.

*Organization Profile:* Because of factors such as risk and lead times, it is critical for individuals looking to buy a company to consider the supplier's agency throughout the supplier selection process. Superior overall performance must be evaluated, including ISO accreditation, supplier modernization, and technical advancements (Shahadat, 2003). According to Petroni and Braglia (2000), before making a decision, consider a supplier's geographical location, abilities, and services, since these factors influence whether or not they can supply as much as possible with minimal delays.

*Risk Factor and Service Levels:* Global sourcing is riskier than national sourcing due to various external factors. Because political stability and location have an influence on lead time, these must be considered in strategic sourcing. Another way for the vendor to give assistance to the consumer is through warranties. A provider's capacity to provide technical support, personalised goods, and respond rapidly to customer demands defines their service

level (Tan, 2003). Shorter lead times, on-time delivery, and ease of communication channels are all indicators of a supplier's service level (Mwikali & Kavale, 2012).

*Supplier Profile:* When choosing or evaluating a supplier, it's important to think about the supplier's financial capability as well as their ability to meet the customer's needs (Awino, 2002).

*Technological Capacity:* According to Tan (2017), suppliers with a high level of technology integration, such as digital data interchange, radio frequency identification, and the capacity to pick the essential items will be more competitive and give more flexibility in terms of shipping rates, discounts, and shipment frequency.

*Quality Assessment:* Several empirical investigations concur that quality must be stressed from the end user's perspective if the organization is to remain active. According to Beamon (1999), the great majority of parts are returned because the product's price rejection is reflected in the large range of components that consumers have returned within a given time frame due to various quality issues.

H1: There is a positive and significant effect of effective supplier selection on organizational performance.

## Buyer–Supplier Relationships

According to Mohanty and Gahan (2015), a good buyer–supplier relationship is a strong partnership between suppliers and buyers that benefits both sides over a long period of time. Supplier–buyer relationships should be built on trust, energy, and reliability, as well as two-way communication. More information will be supplied as a consequence of improved supplier–customer connections, which will improve operational factors and, as a result, performance. This collaboration is viable when the agency and the dealer have a solid working connection. According to Mohanty and Gahan (2015), trust, reliability, competency, and functionality of suppliers, as well as two-way communication, must underpin customer–supplier interactions.

*Commitment:* According to Gounaris (2005), maintaining commitment in the consumer–firm relationship has resulted in a number of advantages, including increased willingness in operations, accelerated positivity, extended investment, reduced self-indulgence, and accelerated personal effectiveness, all of which have led to an increase in normal overall procurement performance. These structures are self-assured because the materials are laid

by humans who are intrinsically motivated. Relationship charge is the idea that a relationship commitment only occurs when the connection is deemed vital.

*Communication:* A productive discussion is built on the exchange of ideas. Plans for the cooperation, objectives, and a strategic and operational review (Paulraj & Chen, 2007a, 2007b). A set of similar goals, supported by unwritten trade, provides for a shared understanding of the most important tasks to complete in order to strengthen the relationship, as well as how these goals could be reached. Participation refers to the amount of time partners spend together planning and defining goals, whereas communications refer to the accuracy, timeliness, adequacy, and dependability of information transmitted.

*Cooperation:* High-quality purchases, early identification and rectification of flaws, reduced scrap and wastage, lower stock holding costs, fewer inspections and incentives, and efficiency in the administration phase are all benefits of cooperation between buyer and supplier (Mohebbi & Shafaei, 2012). According to Morgan and Hunt (1994), appear to accept the previous definition of collaboration, but go on to extend it by focusing on the practical part of collaboration rather than being forced into mutually dependent acts. When cooperation and commitment are combined, cooperative conduct emerges, allowing the partnership to work and ensuring that both parties profit from the relationship.

*Mutual Goals:* A level of shared desires between partners that may be satisfied through mutual exploitation and relationship renewal (Wilson, 1995). According to Wilson, Soni, and O'Keeffe (1995), mutual purpose impacts overall performance enchantment, which determines the degree of certainty in a partnership. According to Morgan and Hunt (1994), frequent values are the amount to which companions share attitudes about what behaviors, requirements, and insurance policies are dynamic, irrelevant, unsuitable, applicable, or erroneous.

*Trust:* The building of faith is a vital component for reaping the significant benefits of more collaborative supplier relationships (Smith, Carroll & Ashford, 1995). Trust is said to alter a variety of costly governance systems as well as sophisticated legal frameworks. According to Terpend and Ashenbaum (2012), it is normal to see an aggressive relationship between consumer and supplier with goods, commodities, and services that are only focused on price and delivery. This type of supplier connection no longer allows for price reductions throughout the grant chain. It may also be extremely beneficial to the community and the provider to develop relationships and alliances

based entirely on trustworthiness, which will have mutual benefits for both parties. This is mostly focused on production, financial, personal, and symbolic networking, which will revolve around strategic coalitions, allowing for data sharing and risk extenuation, common benefit, and plan coordination, allowing for supply chain improvement (Gualandris & Kalehschmidt, 2016). Therefore, from the above discussion, we can deduce that:

H2: The better the buyer-supplier relationship, the more organizational performance.

## Contract Management

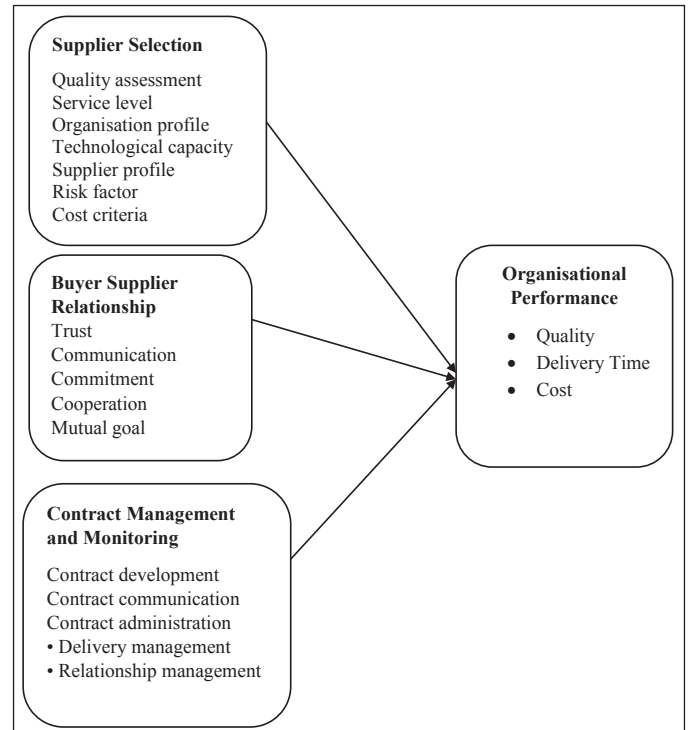
Successful contract management solutions may aid a company's success. Contract management is used in procurement to achieve the company's strategic goals. Contract management definitely increases an organization's performance when compared to a range of comprehensive indicators such as quality, speed, efficiency, and dealer relationships. According to Costello (2013, 2008), suppliers are more willing to do business with companies that have successful contracting tools, since things are simple, wants and goals are realized, and expenditures are properly managed, leading to greater organizational performance. In today's competitive business environment, overall performance measures are crucial; agencies will seek to create performance size metrics to determine how effectively they are fulfilling their objectives (George, 2005). Efficiency, quality, submission, supplier relationships, supplier fault quotations, and procurement cycle time are all indicators of overall organizational performance (Cho & Pucick, 2005). Furthermore, the organization's success is assessed through the use of supporting good indicators. Thus, it is possible to hypothesise that

H3: The more effective and efficient contract management practices, the more organizational performance.

## Strategic Sourcing and Organizational Performance: Conceptual Model

According to Carr and Pearson (2002), strategic purchasing at a firm has an influence on its success. When a company has a certain skill that is demonstrated in the form of goals that allow the organization to survive for an extended period of time, it may achieve excellent agency performance (Ramsay, 2011). Strategic purchasing's purpose is to cultivate close connections with a limited number of suppliers, allowing for open and honest communication among partners, fostering long-term

partnerships for mutual benefit, and eventually improving the organization's performance (Chen, Paulraj & Lado, 2004). Strategic sourcing is required for more than just purchasing, and it will reshape management roles (Paulraj, Chen & Flynn, 2006; Paulraj & Chen, 2007b).



Source: (Adapted from Stratman and Roth, 2004).

Fig. 1

## RESEARCH METHODOLOGY

### Research Approach and Design

A quantitative research approach was employed to achieve the research objectives. According to Kothari (2006), quantitative research is described as a rigorous, objective, and systematic technique for obtaining knowledge using numerical data. This research was categorised as quantitative since it relied on systematic data collection and measurement, as well as statistical approaches, to reach its objectives. The goal of the study design in empirical research is to answer particular research questions or test specific hypotheses by defining the instruments and methods for collecting and analysing relevant data. It may also be used as a model for empirical study (Bhattacharjee, 2012). Explanatory research design seeks a cause-and-effect link between variables. This study employed an explanatory research design to

examine the effect of strategic sourcing on organizational performance. This is because the design focuses on facts measured empirically on variables using quantitative methods survey, and statistical analysis of the data.

### Target Population and Size

The ECWC has six major departments. The total targeted population is 105. As the population is a manageable size, the census method is used as respondents including the Procurement department (25), Supply department (20), Cost and budget department (23), Project management department (17), Equipment specification and management department (15), and Department head (5). The researcher chose these respondents because they are directly or indirectly involved in procurement/sourcing activities.

### Data Sources and Types

The primary data source is used in this study. A survey study with a five-point Likert scale questionnaire was employed to elicit primary data as it is a good method for collecting quantitative data.

### Reliability and Validity of the Instrument

A reliability test was performed to ensure the consistency of the instrument. The Cronbach's Alpha should be more than 0.70 Sharma (2016). Accordingly, the result

revealed that the items have strong internal consistency which is greater than 0.811 for all the variables. To check the validity of the instruments, the already standardised instruments are used but the face validity is checked by the researchers.

### Model Specification

The researchers used multiple linear regression models using the following equation:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$$

Where Y = Organization Performance, A = constant term, X1 = Supplier Selection, X2 = Buyer–Supplier Relationship, X3 = Contract Management and  $\epsilon$  = error term.

## RESULTS AND DISCUSSION

A total of 105 were distributed to the target respondents and 93 (88.6%) of them were completed and returned for analysis. The association between the variables was evaluated using Bivariate Pearson at the 95% level of significance,  $P < 0.01$ . The magnitude of the correlation coefficient  $R$  is determined as follows: If it's between 0.1 and 0.20, it's slight or small; between 0.20 and 0.40, it's low correlation or weak relationship; between 0.40 and 0.70, it's moderate; between 0.70 and 0.90, it's high correlation or substantial relationship; and between 0.90 and 1.00, it's very high correlation or very strong correlation between variables (Burns & Burns, 2008).

**Table 1: Pearson Correlation Matrix**

Correlation				
Strategic Sourcing Dimensions	Strategic Supplier Selection	Strategic Buyer–Supplier Relationship	Strategic Contract Management	Organization Performance
Strategic Supplier Selection	1	.405**	.475**	.532**
Strategic Buyer–Supplier Relationship	.405**	1	.325**	.500**
Strategic Contract Management	.475**	.325**	1	.492**
Organization Performance	.532**	.500**	.492**	1

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

According to the correlation matrix, strategic sourcing dimensions are modestly correlated with overall organizational success. Strategic supplier selection has the greatest strong coefficient of association with total organizational performance ( $r = 0.532$ ,  $n = 93$ ,  $p \leq 0.01$ ).

### Regression Results

To ensure that the generated data accurately reflected the sample and that the researcher achieved the best findings, the regression assumptions must be met (Hair et al.,

1998). In this research, all the required assumptions are tested and given a go-ahead signal for multiple linear regression analysis.

**Multi-Collinearity Test:** The study used the Variance Inflation Factor (VIF) to investigate the impact of independent variable correlations on regression estimation precision. The VIF factor should be under 10, ideally one. The formula  $1-R^2$  is used to determine how much of each independent variable's variability is not explained by the model's other independent variables. If this number is extremely low (less than 0.10), it means there is a high-multiple correlation with other variables, indicating multi-collinearity.

**Table 2: Multi-Collinearity Test**

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Supplier Selection	.704	1.420
	Buyer-Supplier Relationship	.813	1.229
	Contract Management	.753	1.328

<sup>a</sup>Dependent Variable: Overall Organization Performance.

**Linearity:** The degree to which the change in the dependent variable is tied to the change in the independent variable is replicated by the linearity of the connection between the dependent and independent variables. Organizational

**Table 3: Model Summary for Organization Performance**

Model Summary										
Model	R	R Sq.	Adj. R Sq.	Std. Error of the Estimate	Change Statistics					Durbin Watson
					R Square Change	F Change	df1	df2	Sig. F change	
1	.655 <sup>a</sup>	.430	.410	.15091	.430 <sup>a</sup>	22.339	3	89	.000	1.849

<sup>a</sup>Predictors: Supplier Selection, Buyer-Supplierrelationship, and Contract management.

<sup>b</sup>Dependent Variable: Overall organization performance.

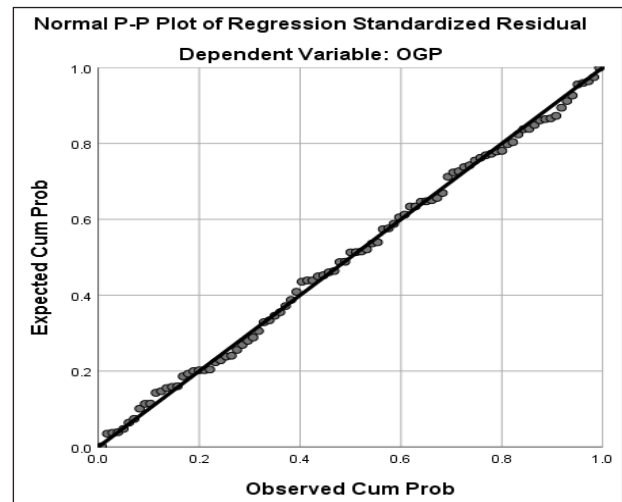
**Table 4: ANOVA of Organization Performance**

ANOVA <sup>a</sup>						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	1.526	3	.509	22.339	.000 <sup>b</sup>
	Residual	2.027	89	.023		
	Total	3.553	92			

<sup>a</sup>Dependent Variable: Overall Organization Performance.

<sup>b</sup>Predictors: supplier selection, buyer-supplier relationship, and contract management.

performance and strategic sourcing dimensions have a linear connection, as seen in the graph below:



**Fig. 2**

Linear regression best predicts the value of the dependent variable by estimating the coefficients of a linear equation with one or more independent variables (Field, 2005). The explanatory power of the independent variables was analyzed using multiple linear regression to determine the relationship and the most important components that influenced organizational performance. A significance threshold of 0.05 was applied with a 95% confidence interval.

The F value of 22.339 in the ANOVA table above is significant with  $p < 1$ . When seen as a whole, this indicates that the three independent factors are tightly linked to the dependent variable.

### The Regression Coefficient

The standardized Beta coefficient may be used to assess the influence of each independent variable on the criterion variable. The regression coefficient indicates how much a change in the independent variable has an effect on the dependent variable.

**Table 5: Summary of Coefficient on Organization Performance**

Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig. Bound	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(constant)	.954	.320		2.980	.004	.318	1.591
	Supplier Selection	.261	.086	.28	3.017	.004	.089	.432
	Buyer–Supplier Relationship	.199	.059	.299	3.369	.001	.082	.317
	Contract Management	.264	.094	.258	2.800	.006	.077	.452

Dependent Variable: Organization performance.

All of the independent variables have a *p*-value of less than 0.05, indicating that they all have a significant effect on the organization's performance. The regression equation for predicting total organization performance based on a linear combination of supplier selection, buyer–supplier relationship, and contract management is as follows:

$$Y = .954 + .288 X_1 + .299 X_2 + .258 X_3 + e$$

Where *Y* = Organization Performance, *X*<sub>1</sub> = Supplier Selection, *X*<sub>2</sub> = Buyer–Supplier Relationship, *X*<sub>3</sub> = Contract Management and *e* = sampling error.

According to the study, strategic supplier selection has a positive and significant effect on organizational performance so that *H*<sub>1</sub> is supported. Supplier selection is viewed as a significant managerial decision in the supply chain literature. The finding is consistent with the findings of Lawson et al. (2009). As the organization's suppliers impact the pricing, quality, delivery reliability, and availability of its products, supplier selection is often viewed as the most important factor that would affect an organization's performance.

The strategic buyer–supplier relationship has a significant and positive effect on organizational performance, thus, *H*<sub>2</sub> is supported by the data. It is consistent with the findings of Gualandris and Kalehschmidt (2016). Strong buyer–supplier relationships have a positive correlation that improves the company's performance; good supplier–buyer relationships result in a shorter lead time for delivery; increased efficiency due to information sharing between suppliers and the company; lower operational costs due to suppliers' involvement in the company's decision-making; real-time supply delivery due to developed supplier relationships. Interactions in the supply chain that are based on trust, collaboration, mutuality, and commitment, as well as a willingness to share risks, minimize uncertainty and establish quality, delivery, quality, and timeliness improvements.

Finally, strategic contract management has a positive and significant effect on organizational performance implies

that *H*<sub>3</sub> is supported. It is consistent with the findings of Joyce (2014) and Abeeden Group (2006) where contract management practices and organizational performance have a positive association. Contract management is a systematic approach to establishing, executing, complying with, and evaluating corporate contracts in order to improve organizational performance, save costs, and decrease risks.

## MANAGERIAL IMPLICATIONS AND FUTURE DIRECTIONS

### Implication for Theory

The main purpose of the study was to see the effect of strategic sourcing on organizational performance. The research focused on ECWC. The strategic sourcing dimensions such as sourcing supplier selection, buyer–supplier connection, and contract management have a significant and positive effect on organizational performance. According to the study's findings, there is a strong and favourable association between strategic supplier selection and organizational performance. Supplier selection is viewed as a significant managerial decision in the supply chain literature. According to Cousins, Lawson and Squire (2008), suppliers consistently provide supplies, components, or products to an organization on time and in good condition. The research findings also show that there is a significant and positive relationship between strategic buyer–supplier relationship and organizational performance. According to Wambani and Amutabi (2017), in many companies across various sectors, buyer–supplier collaboration has a positive influence on performance and quality improvement. Buyer–supplier relationship management is critical to an organization's performance since suppliers determine the pricing, quality, delivery, reliability, and accessibility of its products and services. According to Wambani's empirical study, strong buyer–supplier relationships have a positive correlation that improves

the company's performance; good supplier-buyer relationships result in a shorter lead time for delivery; increased efficiency due to information sharing between suppliers and the company; lower operational costs due to suppliers' involvement in the company's decision-making; real-time supply delivery due to developed supplier relationships. Interactions in the supply chain that are based on trust, collaboration, mutuality, and commitment, as well as a willingness to share risks, minimise uncertainty and establish quality, delivery, quality, and timeliness improvements. Finally, strategic contract management and organizational performance have a strong and beneficial link. The result is also aligned with the findings of Joyce (2014) and Abeeden Group (2006), which state that contract management is critical to improve organizational performance.

### Implications for Practitioners

The study suggests that in order to enhance strategic sourcing supplier selection, which has a beneficial impact on the organization's performance, the construction business should examine and acquire feedback on the supplier from other customers. The construction firm should set up a proper strategic sourcing supplier selection process for the company, considering various factors that can assist the company in achieving its competitive advantage and strategic needs, as it is very difficult to achieve organizational performance without effective strategic supplier selection. The researchers' advice is that construction businesses in Ethiopia should use strategic sourcing with solid buyer-supplier relationships since the study discovered that buyer-supplier relationships have a beneficial influence on organizational performance. As a result, the firm must collaborate closely to develop strong and positive relationships between the buying company and the supplier company in order to have a smooth and long-term sourcing relationship in this competitive business world. Finally, researchers suggest that construction firms should ensure that contract management is properly managed and that the firm strives to have skilled and experienced manpower in sourcing contract management by providing training and coaching to its employees. This implies that the firm can anticipate (proactive) any issues or problems that may arise and offers timely solutions. Because proactively managed contract management reduces disputes and resolves misunderstandings between the supplier and the buyer.

### Limitations and Future Research Directions

Further research should be carried out considering all the dimensions of strategic sourcing that affect organizational

performance. According to the researchers, a contrast study of the effect of strategic sourcing on organization performance should be conducted with other similar organizations, as strategic sourcing is a contemporary issue in the field of business. Future studies should also analyse the hurdles to strategic sourcing adoption in the building industry as a descriptive study as little literatures are found in the area; and it is important since it will help the organization discover market sectors that need to be refined in order to boost performance. Finally, the findings of the study might not be generalised to other sectors of the economy because the study is limited to construction businesses. As a result, future research may focus on replicating this model in other economic sectors.

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