IRA-International Journal of Management & Social Sciences
ISSN 2455-2267; Vol 21, Issue 03 (Q.3 2025)
Pg. no. 79-99.
IRA Academico Research

Procurement Management Practices and Financial Performance of Listed Manufacturing Firms in Kenya

Daniel Misita Ndigwa[#1], **Evans Vidija Sagwa**[2], **Judith Nelima Wasike**[3] **& Moses Wamalwa**[4]
[1]PhD Candidate, Department of Business and Management Studies, Technical University of Kenya, Nairobi, Kenya.
[2,3,4]Department of Business and Management Studies, Technical University of Kenya, Nairobi, Kenya.

[#]corresponding author
Type of Work: Peer Reviewed.
DOI: https://dx.doi.org/10.21013/jmss.v21.n3.p1

Review history: Submitted: July 16, 2025; Revised: July 29, 2025; Accepted: August 19, 2025

How to cite this paper:
Ndigwa, D. M., Sagwa, E. V., Wasike, J. N., & Wamalwa, M. (2025). Procurement Management Practices and Financial Performance of Listed Manufacturing Firms in Kenya. *IRA-International Journal of Management & Social Sciences* (ISSN 2455-2267), 21(3), 79-99. DOI: https://dx.doi.org/10.21013/jmss.v21.n3.p1

Daniel Misita Ndigwa /0009-0003-6385-9592
Evans Vidija Sagwa /0000-0002-7566-4130

ABSTRACT

The field of supply chain management has, over the years, experienced tremendous and steady growth not only internally within the firms but also across the globe. This has led to the introduction of the procurement function, which has become a game-changer. As a result, this has made organizations remain strategic in how they operate and, at the same time, become competitive in the ever-dynamic business environment. In line with the paradigm shift and the emergence of a growing economy, firms, particularly in manufacturing, have continued to play a vital role. In order to achieve the Big Four Agenda by the government of Kenya, there has been a high level of engagement between the policy makers and the manufacturers to streamline procurement activities to reduce losses in the present and future. The objective of the study was to establish the effect of procurement management practices on the financial performance of listed manufacturing firms in Kenya. The Hypothesis was formulated based on this objective. This study was guided by the resource-based theory. The study utilized a descriptive research design due to its ability to explore both single and multiple variables at the same time. The unit of analysis of this study was all the listed manufacturing firms in Kenya, and the unit of observation of the study was the employees drawn from the 25 listed manufacturing firms in the Nairobi Securities Exchange (NSE). Respondents in the specific firms were selected using a proportionate selection method based on a stratified random sampling technique. Data was collected with a self-administered questionnaire, and a total response rate of 384(95%) respondents returned for analysis. The linear regression model and analysis of variance were used for data analysis with the help of the statistical package for the social sciences (SPSS) version 25. Data was analyzed using descriptive and inferential techniques and presented in tables, figures, and models. The findings of the study revealed a positive relationship between the independent variable (procurement management Practices) and the dependent variable (Financial Performance). The study recommended that manufacturers need to embrace the successful implementation of procurement practices into their operations in order to increase their financial performance. The study also revealed other areas in which academicians and future researchers need to explore in the manufacturing industry and the procurement management practices.

Keywords: Procurement management practices, financial performance, listed manufacturing firms

1. Introduction

Governments all over the world, with the support of the World Bank, have been at the forefront to support institutional reforms in the area of procurement and supply chain in general. According to Fazekas (2021), in order to build capacity in the procurement function, companies need to build procurement systems that cut across different activities to include the procedures, guidelines and standard bidding process. Procurement management is viewed by Panga and Mahuwi, (2020) as a critical practice that allows for organizations to increase

efficiency, decrease cost, and ensure timely delivery. The global transformation and digitization of technology, as suggested by Deloitte (2017), has catapulted different functional areas within the organization, such as procurement, workforce management, and marketing. This has shaped the way firms interact with their stakeholder, making operations more competitive and strategic. According to Anane, Adoma, and Awuah (2019), procurement over the years has experienced a great paradigm shift, with the majority of countries focusing on the implementation of successful practices that entail activities that span from identification to contract management. In Ghana, there have been major milestones that have been geared towards the contribution of better service delivery attributed to a workable procurement policy leading to transparency and integrity in the overall procurement process (Tkachenko, 2017).

In Georgia, Shonia (2021) argues that procurement for both goods, works, and services is guided by the public procurement law, which is mandatory for both the local government and the municipality. Procurement planning is considered one of the success factors that has enabled better and seamless functioning in spending and transparency of the whole procurement process. During the planning and implementation of procurement, activities and programs should be streamlined to allow for clear documentation, priorities, and development of strategies. Ruth (2023) points out that procurement management emphasizes promoting suppliers' operations and incorporating sustainability in the organization by looking at the social, economic, and environmental paradigms. In addition, Bravo (2021) looks at procurement management practices as critical in creating both positive and negative impact that enhances procurement innovation strategies.

Procurement management is considered a very critical strategy in enhancing organizational performance, that is, in increasing revenues (Acquah, 2024). The current economic pressures due to the uncertainty of the supply chain have forced organizations to adopt cost-minimizing strategies. Procurement management has proven to be an appropriate strategy in achieving competitive advantage and the achievement of value for money and high profitability (Stoll, 2021). According to Fajin and Cheng (2022), procurement activity entails the acquisition of services, goods, and works in order to satisfy the needs of corporate businesses or individuals. In order to have successful procurement activities effective and efficient procurement process planning should be taken into consideration.

In order to achieve mutual benefit with the suppliers, Oliveira (2021) points out the need to develop supplier relationship management. The reason behind this argument is to increase communication, collaboration, and improve performance. In addition, Chen (2024) argues that companies need to establish collaborative planning that will enhance supplier collaborations. The best way to achieve supplier relationship management is the incorporation of information technology systems, allowing supplier synergy and supply chain agility. According to Lyson (2020), Supplier Relationship Management (SRM) is a procurement function strategy used by organizations to manage the relationships between the organization and its suppliers of goods

and services. Lyson (2020) argues that SRM has increased global competitive advantage due to the growth of supply uncertainty and changing customer demand in the dynamic global market.

According to Yehualaa (2023), resource management is a critical component in the procurement function. Organizations' senior management should develop a platform that allows for better control and monitoring of resources. Shi and Usman (2021) point out that allocation of resources must be carefully taken into consideration due to the limited nature of resources, in this case, financial resources, human resources, and physical resources. On the other hand, Hao (2022) argues that the optimum allocation of human resources plays a crucial role in various organizational systems and the ultimate contribution to organizational performance. In order to maintain a competitive advantage within the organization's operations, human resource management has to recruit and train the right personnel who understand procurement management practices (Islami, 2022). Sokolov (2022) points out that human resources are at the central pillar of ensuring improvement of productivity and quality of service, which is key to organizational sustainability.

According to Ismail (2022), procurement contracts are an integral part of transactions between the suppliers and the firms, which guarantee agreed-upon deliverables that need to be met. Nsefu (2020) points out that in order to achieve value for money on the use of balanced scorecards, contractual obligations should be met through contract management. Contract management is an important component that is performed by both the local and national governments in the majority of countries. Contract management, according to Ismail (2022), provides a framework for managing procurement contracts mechanism that governs the relationship management between buyers and sellers. Succeeding in any project, contract management should be included as a crucial component. Typically, contract management is an operational and technical process that ensures contract obligations to a contractual arrangement by parties executed effectively and efficiently. In order to obtain goods or services, business organizations indulge in contractual responsibilities that will lead to the achievement of deliverables in line with the contractual agreements (Nash, 2021). According to Van Greuning (2020), contract management is normally considered a prudent activity that helps institutions to control costs, lead to logical contractual change, and maintain cordial relationships with trading partners.

1.1 Theoretical Foundation

In view of Albrecht (2018), every job that exists requires resources, which dominantly explains the outcome associated with employees' engagement. Job resources can either take the form of physical, psychological, social or organization aspect of the job with the view to facilitate in achievement of organizational goal and personal development According to Opatha, (2020) no organization can operate without employees, this is because employees are considered unique resources compared to other forms of resources for example financial, physical and intangible

resources. Human resources are the reasons why everything in the organization is made possible. Creativity and innovation are the drivers of organizational development, nation development, and global development as well and those two drivers are possessed by human resources who are identified as human capital.

Resource-Based Theory looks at the marketplace as an inside-outside approach. Madhani (2009) indicates that this approach may either determine the success or failures of the firms and the difference and immobility of resources lead to competitive advantage situations. According to Jang (2013), the success of firms to influence the abilities of the competitors' exploitation of resources leads to better ways of maintaining such resources in both the short run and long run perspectives. Firms' resources are considered heterogeneous, and that explains why competitors are competing to obtain and utilize resources that are valuable. Kull (2016) observes that obtaining a firm's resources in the marketplace is difficult, the reason being the combination of different resources, high transactional costs, and the value involved in controlling such resources.

This theory is linked to procurement management practices, which create a balance and help to explain the capabilities that are part of the competitive sustainable advantage of most firms**.** Suppliers can be viewed as critical stakeholders when it comes to resource bargaining power and a tool that provides a way of generating profits and a competitive setting in the operative areas of the firms. Supplier relationship management is a critical component of effective risk management within the organization's activities. It is geared towards providing stakeholder value on uncertainty in the real world. In order to create opportunities, it is arguably critical to implement efficient risk management in operations as a way of preventing inherent risk that may be viewed in poor procurement management practices. Resource-based theory, therefore, views firms' products, work, and services as a resource model which enhances supplier relationship management and customer perception to yield competitive advantage over competitors (Mishra, 2019).

1.2 Conceptual framework

The relationship between the independent variable and the dependent variable is depicted in Figure 1.

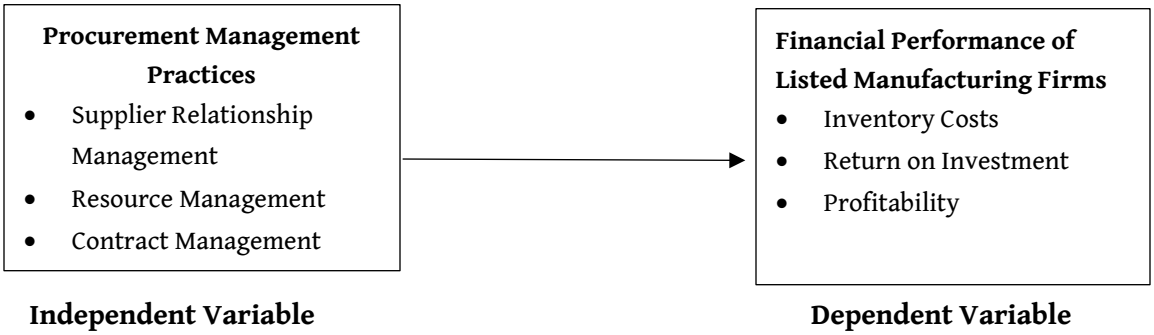

Figure 1: Conceptual Framework

2. Methodology

Positivist philosophy views knowledge development as objective and is influenced by the researchers and participants. However, for the development to be real and accurate, there has to be a separation between the participants and the researchers. The advantage of positivism is that it accepts the supernatural abstract based on data that is obtained for research purposes (Ikart, 2018). The approach is also based on real and objective data interpretation. The knowledge is transmitted in tangible forms through observation. This research concentrated on positivist philosophy, a research philosophy derived from social science that views social entities objectively, proves or disproves hypotheses, and bases its findings on quantitative observations and the analysis of statistics (Zukauskas, 2018).

This study considered the essence of descriptive research or studies by looking at individual events and conditions and studying them in their natural state. To be able to achieve this, the study variables used by the researchers were not manipulated in any way, but rather described the variable or study sample. Descriptive research has the ability to explore both single and multiple variables at the same time. Therefore, samples should be taken without any forms of bias from the researchers to ensure that the results and conclusions are valid and reliable (Sürücü, 2020). Regarding research, validity is demonstrated by ensuring that correct models are used, data are interpreted correctly, and results are discussed in a usable manner. In their article discussing research modeling, Blumberg (2014) discusses the importance of researchers carrying out their research in a valid manner. If specific methods have not been validated, the research should be qualified as such. To research validly protects the researcher from the possibility of misconstrued information being dissimulated (Kothari, 2017). Validity in the research denotes measuring parameters intended to be measured in coming up with the study (Sürücü, 2020). The pilot study involved five manufacturing enterprises, and they also utilized Cronbach's alpha coefficient of 0.7 which is normally used was acceptable for the study when analyzing the internal consistency coefficients of the questionnaire items. The regression model was used to measure the relationships in the study, the linear relationship between procurement management practices and the financial performance of listed manufacturing firms in Kenya

3. Findings and Discussions

3.1 Descriptive Statistics on Procurement Management Practices

The study sought to analyze the relationship between procurement management practices and the financial performance of listed manufacturing firms on the Nairobi Securities Exchange. Different indicators of procurement management practices were put into consideration to include supplier relationship management, resource management, and contract management. These indicators were used to establish the level of impact they had on the financial performance of listed manufacturing firms in Kenya. The questionnaire was designed with a 5-

point Likert scale to measure the level of agreement with a 5-point Likert scale of 1-5; where 1-strongly disagree, 2-Disagree, 3-undecided, 4-Agree, and 5 - strongly agree. The findings in Table 1 indicate that the statement relating to indicator 6.0, which is Supplier Relationship management which required the respondents' view on the influence of supplier relationship management on financial performance. In line with statement 6.1, 182(47.2%) of the respondents who strongly agreed were able to identify with the various models of supplier relationship management, 148(38.5%) of the respondents agreed with the various models of SRM, 39(10.2%) of the respondents were neutrals, however (8)2.1% and 7(1.8%) of the respondents disagreed and strongly disagreed with the identification of models associated with supplier relationship management. The standard deviation of 0.865 and a mean of 4.28 showed a significant relationship between procurement management practices and the financial performance of listed manufacturing firms. The respondents were also to give their views on their level of agreement with statement 6.2 on the maintenance in supplier relationship in their respective organization and the result showed that majority of the respondents strongly agreed 178(46.4%), 165(43%) agreed with the fact that there were good relationship with the suppliers, however 24(6.3%) of the respondents were neutral with 8(2.1%) and 9(2.3%) of the respondents disagreeing and strongly disagreed respectively. On the good supplier relationship maintained by their respective firms, which had an overall influence on procurement management practices on the financial performance in listed manufacturing firms (MEAN 4.29 and standard deviation 0.859). on statement 6.3, the respondents were to explain the level measures of risk mitigation in their respective firms where majority strongly agreed 152(39.6%), 140(36.5%)of the respondents agreed, 79(20.6%) of the respondent were neutral on the issue of risk mitigation measures set by the organizations, on the contrary 11(2.9%) and 2(.5%) of the respondents disagreed and strongly disagreed on the fact that risk mitigation measures were set in their respective firm and its impact on financial performance of listed manufacturing firms in Kenya with a mean of 4.12 and a standard deviation of 0.867. On statement 6.4, respondents had to respond to the awareness of supplier relationship management systems set by their organization. Respondent who were the majority 176(45.8%) agree that there firms have set good supplier relationship systems, 119(31%) of the respondent strongly agree with the statement on SRM systems, however 65(16.9%) of the respondents are neutral with both 6(1.6%) and 18(4.7%) of the respondents strongly disagreed and disagreed respectively on the statement of their awareness of the systems that enhanced supplier relationship management. In totality, there was a positive relationship between the SRM systems and the financial performance of manufacturing firms, with a mean of 4.00 and a standard deviation of 0.900.

The respondents gave their views on the way their firms were at the forefront of mobilizing resources and the impact of resource management in their daily operations based on indicator 7.0. On the statement 7.1 on Resource Management simplifies processes majority of the respondents strongly agreed 156(40.6%), 132(34.4%) agreed with the fact that resource

management played a critical role in simplifying processes with their organizations, however 67(17.4%) of the respondents were neutral with 15(3.9%) and 14(3.6%) of the respondents strongly disagreed and disagreed respectively on the resource management simplification of processes by different firms having an influence of a mean of 4.04 and a standard deviation of 1.039. on statement 7.2 on Resource Management having enhanced customer satisfaction majority of the respondents agreed 183(47.7%), 136(35.4%) of the respondents strongly agreed, 47(12.2%) of the respondent were neutral on the issue Resource Management having enhanced customer satisfaction by the organizations, on the contrary 14(3.6%) and 4(1%) of the respondents disagreed and strongly disagreed on the fact that Resource Management having enhanced customer satisfaction in their respective firm and its impact on financial performance of listed manufacturing firms in Kenya with a mean of 4.13 and a standard deviation of 0.838. the respondent had to respond on statement 7.3 on their organizations preparedness on the measures that they have put in place to mobilize resources within their organizations majority of the Respondent 164(42.7%) agreed, 141(36.7%) of the respondent strongly agree with the statement on measures that they have put in place to mobilize resources within their organizations, however 60(15.6%) of the respondents are neutral with both 6(1.6%) and 13(3.4 %) of the respondents strongly disagreed and disagreed respectively on the statement of their awareness of the measures that they have put in place to mobilize resources within their organizations,.

The respondent had to respond on statement 7.4 on their organizations use of an enterprise resource planning preparedness on the measures that they have put in place to mobilize resources within their organizations majority of the Respondent 164(42.7%) agreed, 141(36.7%) of the respondent strongly agree with the statement on measures that they have put in place to mobilize resources within their organizations, however 60(15.6%) of the respondents are neutral with both 6(1.6%) and 13(3.4 %) of the respondents strongly disagreed and disagreed respectively on the statement of their awareness of the measures that they have put in place to mobilize resources within their organizations, the respondent also had to give their response on the use of enterprise resource planning systems in their organizations 169(44%) of the respondent agreed, 139(36.2%) of the respondents strongly agreed, however 57(14.8%) of the respondents were neutral, 10(2.6%) of the respondents disagreed, with the remaining 9(2.3%) of the respondents strongly disagreed with the statement of enterprise resource planning system use within their organization. In totality, there was a positive relationship between the resource management indicators and the financial performance of listed manufacturing firms, with a mean of 4.00 and a standard deviation of 0.900.

Contract management represented by 8.0 was another indicator that assisted in explaining the procurement management practices in the listed manufacturing firms in Kenya. Respondent were required to give their level of understanding with different statements regarding contract management. Respondent were to give views on statement 8,1 on the standard operating procedure set up by the organization on contract management, majority of the

respondent 198(51.6%) strongly agreed, 123(32%) of the respondents agreed and 49(12.8%) of the respondents were neutral, on the contrary 7(1.8%) of the respondents both disagreed and strongly disagreed with the organization setting up standard operating procedures on contract management however the mean(4.30) and the standard deviation (0.905) showed a positive impact on the financial performance on listed manufacturing firms in Kenya. the other issue statement 8.2 was on the adherence to appropriate legislation in contract management, majority of the respondents 152(39.6%) agreed with this statements, with 134(34.9%) strongly agreed, 88(22.9%) of the respondents were neutral, 6(1.6%) of the respondents disagreed, 4(1%) of the respondents strongly disagreed with the statement of adherence with appropriate legislation in contract management. The mean (4.06) and the standard deviation (0.856) showed a positive impact on the financial performance in listed manufacturing firms. on statement 8.3 on employee adherence to ethical behavior in transactions majority of the respondents 188(49%) strongly agreed, 111(28.9%) of the respondents agreed with the statement, 67(7.4%) of the respondents were neutral and 9.3(2.3%) of the respondent both strongly disagreed and agreed with the statement of their organization adherence to ethical behavior in transaction with a mean (4.20) and a standard deviation (0.965). on statement 8.4 on whether their organization evaluates and reviewed contracts, 155(40.4%) of the respondents strongly agreed, 134(34.9%) of the respondents agreed, 68(17.7%) were neutral, 16(4.2%) of the respondents disagreed and 11(2.9%) of the respondents strongly disagreed with the statement on evaluation and review of contracts with their respective organization. the mean (4.06) and standard deviation (1.002) indicated the effect of contact management on the listed manufacturing firms in Kenya.

Table 1: Procurement Management Practices

	Procurement Management Practices	1	2	3	4	5	MN	SD
6.0 Supplier Relationship Management								
6.1	My organization is able to identify various models of supplier relationships	7 (1.8%)	8 (2.1%)	39 (10.2%)	148 (38.5%)	182 (47.2%)	4.28	.865
6.2	My organization maintains a good relationship with suppliers	9 (2.3%)	8 (2.1%)	24 (6.3%)	165 (43%)	178 (46.4%)	4.29	.859
6.3	My organization has put in place risk mitigation measures	2 (.5%)	11 (2.9%)	79 (20.6%)	140 (36.5%)	152 (39.6%)	4.12	.867
6.4	My organization has a Supplier Relationship Management system	6 (1.6%)	18 (4.7%)	65 (16.9%)	176 (45.8%)	119 (31%)	4.00	.900
7.0 Resource Management								
7.1	In my organization Resource Management simplifies processes	15 (3.9%)	14 (3.6%)	67 (17.4%)	132 (34.4%)	156 (40.6%)	4.04	1.039
7.2	In my organization Resource Management enhances customer satisfaction	4 (1%)	14 (3.6%)	47 (12.2%)	183 (47.7%)	136 (35.4%)	4.13	.838
7.3	In my organization measures have been put in place to mobilize resources	6 (1.6%)	13 (3.4%)	60 (15.6%)	164 (42.7%)	141 (36.7%)	4.10	.890
7.4	my organization has an Enterprise Resource Planning (ERP) system	9 (2.3%)	10 (2.6%)	57 (14.8%)	169 (44%)	139 (36.2%)	4.09	.905
8.0 Contract Management								
8.1	My organization has set up standard operating procedures in contract management	7 (1.8%)	7 (1.8%)	49 (12.8%)	123 (32%)	198 (51.6%)	4.30	.891
8.2	My organization adheres to the appropriate legislation in contract management	4 (1%)	6 (1.6%)	88 (22.9%)	152 (39.6%)	134 (34.9%)	4.06	.856
8.3	Employees in my organization adhere to ethical behavior in transactions	9 (2.3%)	9 (2.3%)	67 (17.4%)	111 (28.9%)	188 (49%)	4.20	.965
8.4	My organization evaluates and reviews contracts	11 (2.9%)	16 (4.2%)	68 (17.7%)	134 (34.9%)	155 (40.4%)	4.06	1.002

Source: Researcher, 2025

3.2 Descriptive Statistics on Financial Performance

The dependent variable was financial performance with indicators such as the inventory costs represented by 9.0, return on investment represented by 10.0, and profitability represented by 11.0. The respondents had to give their response based on their level of agreement indicated on the Likert scale which represented by a scale of 1- 5 where; 1 = Very Poor 2 = Poor 3 = Fair 4 = Good 5 = Very Good. on the issue of inventory cost there was statement 9.1 on the comparison of whether different organizations had lowered their inventory costs, majority 176(45.8%) of the respondents very good, 132(34.4%) of the respondents indicated good, 49(12.8%) of the respondents indicated fair with 6(1.6%) of the respondents indicated very poor and 21(5.5%) of the respondents indicated poor with the statement that their respective organization had lowered the inventory costs. the mean (4.17) and standard deviation (0.958) gave a clear indication of lowered inventory costs by the specific organization.

The second indicator on financial performance was return on investments, represented by 10.0. On the statement 10.1 in view of organization having a higher return on investment, majority of the respondents 160(41.7%) had a good view, 129(33.6%) of the respondents had a very good view, 73(19%) of the respondents were fair in their view and 16(4.2%) of the respondents had poor view and 6(1.6%) of the respondents had a very poor view with the organization financial performance in the organizations. In addition, the mean (4.12) and standard deviation (0.873) strongly gave an indication of the organization of different variables on the impact on financial performance in manufacturing firms in Kenya. On statement 11.1 on whether the organization experienced profitability in different financial years, and on whether profitability analysis was compare by their organizations was, 170(44.3.%) of the respondents suggested it was very good,125(32.6%) of the respondents suggested it was good, 65(16.9%) of the respondents were neutral, 18(4.7%) of the respondents poor and 6(1.6%) of the respondents said very poor with a mean (4.13) and standard deviation (0.962) supported the statement on their respective organization having Annual internal audits are conducted in organization the financial performance of listed manufacturing firms in Kenya.

Table 2: Financial Performance

	Financial Performance	**1**	**2**	**3**	**4**	**5**	**MN**	**SD**
9.0 Inventory Costs								
9.1	Compared to other organizations, my organization has lower inventory costs.	6 (1.6%)	21 (5.5%)	49 (12.8%)	132 (34.4%)	176 (45.8%)	4.17	.958
10.0 Returns on Investment								
10.1	Compared to other organizations, my organization has a higher return on investment.	6 (1.6%)	16 (4.2%)	73 (19%)	160 (41.7%)	129 (33.6%)	4.02	.914
11.0 Profitability								

11.1	Compared to other organizations, my organization has enjoyed profitability in the last financial year	6 (1.6%)	18 (4.7%)	65 (16.9%)	125 (32.6%)	170 (44.3%)	4.13	.962

Source: Researcher, 2025

3.3 Diagnostic Tests

The diagnostic tests were undertaken in this study to ascertain the validity of the tests. According to Schober et al (2021), Diagnostic research is normally done to assess the validity of the index test by comparing it with the reference tests. The diagnostic tests are conducted with the intention of combining variables that will enable the researcher to make a reasonable degree of certainty. Simply put, the diagnosis process takes a multivariate approach to ascertain the validity of research undertakings. Different diagnostic tests were done in this study, including; Normality test, Kolmogorov-Smirnov and Shapiro-Wilk test, heteroscedasticity test and multi-collinearity tests

3.3.1 Normality test

Statistical normality tests are normally conducted with the help of numerical data, depending on the statistical protocol laid down during the research process. According to Khatun (2021), the normality test is normally conducted in order to determine the normality of data the correct identification tests to be performed. Sürücü, Şeşen, and Maslakçı (2023) argue that normality tests are usually used to test assumptions of normality in that the test significantly indicates that data do not differ from the normal distribution.

Normality test was conducted using Kolmogorov-Smirnov and Shapiro-Wilk, normality test with histogram, Q-Q plots for normality test a 95 % confidence level was applied when testing the normality. The mean and the p-value were also compared to assist in ascertaining the rejection of the null hypothesis, which indicated the data were normally distributed. The findings indicate that variables, procurement management practices, inventory audit, information communication technology and financial performance were normally distributed. The variables had a Kolmogorov-Smirnov p-value 0.000 and a Shapiro-Wilk p-value 0.000, as shown in the table below

3.3.2 Kolmogorov-Smirnov and Shapiro Wilk

Normality test is normally carried out to ensure a normal distribution of data is spread throughout the event, on data that has been collected. Normality test normally gives assurances on the appropriateness of data by checking that additional statistical analyses are not exaggerated when giving the results, or the standard errors are being underestimated. The normality was tested using Kolmogorov-Smirnov and Shapiro-Wilk for all the variables under consideration because of their ability to check the different samples having the ability to similar standard deviations or means.

Table 3: Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Financial performance	.182	384	.000	.894	384	.000
Procurement Management Practices	.116	384	.000	.922	384	.000

a. Lilliefors Significance Correction

Source: Research Data, 2025

Table 3 showed the findings using Kolmogorov-Smirnov, having p-values of 0.00 for all the variables i.e. procurement management practices, and financial performance of listed manufacturing firms. Similarly, the Shapiro-Wilk test also showed that all the variables were normally distributed. Table 3 shows the details of the findings, which are in line with the support by Yang and Berdine's (2021) argument that the Shapiro-Wilk test's outcome of data, the random sample conducted from the entire population, should come from a population that is normally distributed. This therefore, means that the Shapiro-Wilk test evaluates the likelihood that the values in the sample are observed. In support of this Habibzadeh, (2024) a significant *P* value ($P < 0.05$) implies that we should reject the null hypothesis and that the data distribution does not follow a normal distribution; with a non-significant *P* value ($P \geq 0.05$), the null hypothesis can be retained, and the data distribution can be assumed normal. The one-sample K-S test can technically only be used when the parameters of the distribution of interest (mean and the SD of the normal distribution) are known; otherwise, the results would be extremely conservative, and the test rejects the normality

3.4 Procurement Management Practices and financial performance of listed manufacturing firms in Kenya

The hypothesis was to test the linear relationship between procurement management practices and the financial performance of listed manufacturing firms in Kenya. According to Nakarmi (2024), the result is shown in Table 4. Of the regression analysis result, the procurement management practices had a coefficient of (beta= 0.554, t=3.856, p=0.000). The significant value obtained was less than 0.05 set by the study, similar to the t-value, which was more than 1.96 at 5% level of significance. The result, therefore, implied a significant positive relationship between procurement management practices and financial performance in the listed manufacturing firms in Kenya. The study findings therefore rejected the null hypothesis by confirming the positive and significant relationship between the procurement management practices and the financial performance of listed manufacturing firms in Kenya.

The correlation output indicates that there was a positive association (r=0.554, t=13.018) between procurement management practices and financial performance in manufacturing firms. The results further indicated that procurement management practices is statistically significant (p=.00<0.05) against the indicators of financial performance in manufacturing firms;

implying that there is a positive significant relationship of the variables leading to rejection of the null hypothesis and acceptance of the alternative hypothesis, and hence the research findings conclude that there is a positive significant relationship between procurement management practices and financial performance of listed manufacturing firms.

Table 4: Hypothesis

Hypothesis	Beta	T Value	P Values	Conclusion
H1. Procurement Management Practices do not have a relationship with the financial performance of manufacturing firms in Kenya.	0.554	3.856	0.000	Reject H1

Source: Researcher, 2025

3.5 Regression analysis for procurement management practices and the financial performance of listed manufacturing firms

The objective of the study was to establish the effect of procurement management practices on the financial performance of listed manufacturing firms in Kenya. To achieve this objective, the respondents from the listed manufacturing firms were asked to respond to various questions that were formulated as statements on supplier relationship management, resource management and contract management. Financial performance of listed manufacturing firms was conceptualized in terms of inventory costs, return on investments and profitability. A five Likert-type of scale for procurement management practices corresponding to a range of 5(strongly agree), 4 (Agree), 3(neutral), 2(Disagree) and 1(Strongly disagree) was used. On the side of financial performance of listed manufacturing firms, the range of 5(very Good), 4(good), 3(fair), 2(poor) and 1(very poor) was utilized.

The statements that were passed to the respondents are depicted on the Questionnaires on procurement management practices and financial performance. Based on the first objectives of the study, the H01. Procurement management practices do not have an effect on the financial performance of listed manufacturing firms in Kenya. The model that was used for the linear regression was $P = \beta_0 + \beta_1 X_1 + \varepsilon$ Where; P= Financial Performance of Listed manufacturing firms (Dependent variable) X1= Procurement Management Practices (Independent Variable) β0 = Y intercept (Constant), β_1-Beta coefficients for corresponding variables and ε=Error term. The results of the regression analysis based on the objective one and hypotheses are represented in Table 4.15 regression results of the effect of procurement management practices and financial performance of listed manufacturing firms in Kenya.

Table 5: Model Summary for Procurement Management Practices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.554[a]	.307	.305	.621	.307	169.469	1

Model Summary

Model	Change Statistics	
	df2	Sig. F Change
1	382[a]	.000

a. Predictors: (Constant), procurement management Practices

a. Dependent Variable: Financial performance

b. Predictors: (Constant), procurement management Practices

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.352	1	65.352	169.469	.000[b]
	Residual	147.310	382	.386		
	Total	212.662	383			

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.945	.245		3.856	.000
	procmgntprc	.764	.059	.554	13.018	.00

Coefficients

Model		95.0% Confidence Interval for B		Collinearity Statistics	
		Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.463	1.427		
	procmgntprc	.649	.880	1.000	1.000

a. Dependent Variable: Financial performance

Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	procmgntprc
1	1	1.992	1.000	.00	.00
	2	.008	15.398	1.00	1.00

Source: Research Data, 2025

Table 5 shows the regression analysis findings between Implementation procurement Management practices and financial performance on listed manufacturing firms in Kenya. From table 5, the value of R- R-squared value was 0.307, implying that 30.7% of procurement management practices on financial performance in listed manufacturing firms. Besides that, the fitness of the model was also indicated by the F-Statistics value of 169.469 with a residual value of 147.310. These findings, implied that there was a significant relationship between procurement management practices and the financial performance of listed manufacturing firms on listed manufacturing firms in Kenya. This means that Procurement Staff Competency

significantly affects the Implementation level of public procurement regulations in devolved governments in Kenya. Similarly, based on the same regression Table 5, t- test was also used to test the relationship between the predictor variable procurement management practices and the financial performance of listed manufacturing firms on listed manufacturing firms and there was significant relationship between the two variables with p-value= 0.00 < 0.05 for the model. The regression equations between procurement management practices and the financial performance of listed manufacturing firms can be expressed as; Y= 0.945 + 0.764X1. The models indicated that for every unit of procurement management practices, the value of financial performance of listed manufacturing firms in Kenya changes by 76.4%.

This implies that for every change in procurement management practices in the manufacturing firms the performance changes by approximately 76.4%. From the findings of the study, there were two critical interpretations. That is first, the null hypothesis was rejected, and the alternative was accepted and secondly, the results of the findings were in line with the empirical literature that was reviewed. For instance, the proposed study by Özkan (2022) on a resource management system that is decentralized to be able to deal with disasters for a non-governmental organization. The study looks at various blockchains and smart contracts that facilitate the effectiveness of resource management. The study revealed that the use of smart contracts assists in the verification of various needs used during the application of shared resource management. On the other hand, a study done in Sri Lanka by Weerasekara (2021) examined the effect of procurement-related issues in foreign-funded projects in construction. The study affirmed that most project delays were a result of procurement-related issues. It was important to address these issues by involving the various project stakeholders who focus on construction projects.

In Africa, A comparative study by Oduro (2020) linked firms' performance both in public and private firms in Ghana as influenced by supplier relationship management. The study used convenience and random sampling models. The SRM dimension mentioned in this study included: communication, cooperation, trust atmosphere and adaptation, which have a positive and significant correlation with the performance of hospitals in Ghana. Additionally, an analysis by Oke (2018) in Nigeria explored how quantity surveyors were able to apply procurement management skills to improve performance. The focus was to understand and recognize the required skills and training for a procurement officer with quantity surveying abilities. To establish the skills required, data was collected using questionnaires and data analysis was done through Spearman's rank correlation to test the relationship among the variables. The study revealed an inverse relationship between the basic skills in procurement and the skills exhibited by the quantity surveyors.

Similarly, in Kenya, Kiarie (2017) studied the manufacturing sector on the influence of supplier relationship practices on organizational performance. The study adopted a correlational and descriptive research design and both quantitative and qualitative data were analyzed. They applied the regression analysis model to establish the relationship between the variables. This

study established a positive correlation between the independent variable and the moderating variable on the organization's performance, which in this case is the dependent variable.

These findings are in line with the resource-based theory, which focuses on firms creating sustainable competitive advantage when using firms' resources which leading to creating a superior advantage when using firms' resources. Resources are considered a critical element in the successful coordination of different activities within the organization. Manufacturing firms need to embrace the prudent use of resources if they need to be competitive. The study opines that the findings of the study are supported by the extent to which procurement management practices affect the financial performance. The resource-based theory is in line with the propositions of procurement management practice indicators such as Supplier Relationship Management, Resource Management, and Contract Management. The empirical findings also revealed a positive and significant influence on procurement management practices of manufacturing firms in Kenya.

The focus is that listed manufacturing firms need to take into consideration deliberate measures that enhance the supplier relationship Management Initiatives through building collaborations with suppliers as key stakeholders, resources also need to be well managed and streamlined the contract management aspect of the organization as postulated in the resource-based theory (RBT) and also supported by the empirical literature. In this respect, therefore, Supplier Relationship Management (SRM), resource management, and Contract Management represent Procurement management practices that manufacturing firms, particularly those listed in the Nairobi Securities Exchange (NSE), like any other organization, can enhance their financial performance, as supported by the findings of Oduro (2020)

4. Conclusion

The objective of the study was to determine the role of procurement management practices on the financial performance of listed manufacturing firms in Kenya. This objective was measured using three indicators: supplier relationship management, resource management and contract management. The findings revealed that the majority of manufacturing firms embraced supplier relationship management when dealing with their different service providers and suppliers. The manufacturing firms also had incorporated models that were supporting supplier relationship initiatives. There was a good relationship with their suppliers in all aspects of their engagements. It was also established that risk mitigation measures were put in place to strengthen supplier relationships. Finally, on the supplier relationship management, better systems were put in place to manage this relationship. The inferential analysis of the regression model also gave a positive correlation between supplier relationship management and the financial performance of listed manufacturing firms in Kenya.

The second indicator was resource management. The study established that resource management was able to simplify processes in most of the manufacturing firms. The finding clearly established that the level of resource management implemented in most

manufacturing firms led to an enhancement of customer satisfaction. It was also confirmed that measures have been put in place by most organizations to mobilize resources for operational efficiencies. The findings also established that the firms had an enterprise resource system that streamlined the resource management in their respective organizations and within their specific departments. The respondents were also in agreement that resource management in general had a positive impact on the financial performance of listed manufacturing firms in Kenya.

The third indicator on procurement management practices was contract management. The findings on this indicator established that contact management was a critical element when it came to procurement management practices. The study implied that standard operating procedures were set up by the specific organizations to support the aspects of contract management. The respondents indicated that there was adherence to appropriate legislation on contract management by the majority of the organizations in the listed manufacturing firms. To ensure that contact management was implemented successfully on the transactions, employees were also at the forefront in adherence to ethical behavior on transactions. It was also established that the organizations were able to evaluate and review to contracts. This therefore explains that contact management was a critical indicator in procurement management practices on the financial performance of listed manufacturing firms in Kenya.

4.1 Implication of the Study

This study concluded that procurement management practices had a significant effect on the financial performance of listed manufacturing firms in Kenya. Through a well-defined and organized supplier relationship management framework, the specific firms were able to ensure operational efficiency that had a ripple effect on the financial performance. The study also concluded that supplier relationship management led to the reduction of inventory costs within the specific manufacturing firms. The study also concluded that measures had to be taken within the firms to support good supplier relations, which would translate to profitability in the listed manufacturing firms. Furthermore, there were risk mitigation measures that were incorporated with various organizations, coupled with supplier relationship management systems, which were critical in the aspect of return on investment in the different organizations within the manufacturing space. From the findings of the studies, it was concluded that resource management was critical in supporting procurement management practices to increase the financial performance. Contact management is also indicated significant indicator in procurement management. These indicators in mind, the findings were found to be significant in measuring the impact of procurement management performance on financial performance.

4.2 Future Research

The study sought to determine the role of procurement management practices on the financial performance of listed manufacturing firms in Kenya. The study recommends that further

studies be carried out in manufacturing firms that are not listed on the Nairobi Stock Exchange and other institutions that indirectly support the manufacturing firms in their daily operations. This study specifically examined the role of procurement management practices, which included supplier relationship management, resource management, and contract management as the indicators that formed the independent variable. A study can therefore be done using other indicators like procurement planning, inventory level management, and warehousing management.

ACKNOWLEDGEMENT

Research conducted under Research Authorization Permit NACOSTI/P/24/37277 of 04th July, 2024, issued by the National Commission for Science, Technology and Innovation, Kenya. The Technical University of Kenya.

References

Acquah, I. S. (2024). Unravelling the asymmetric effects of procurement practices on firm performance: A complexity theory approach to complementing fsQCA with NCA. *Science Direct*.

Albrecht, S., Breidahl, E., & Marty, A. (2018). Organizational resources, organizational engagement climate, and employee engagement. *Career Development International*, *23*(1), 67-85.

Anane, A., Adoma, V., & Awuah, G. (2019). The effect of procurement practices on service delivery: a case study of VRA, Ghana. *Asian Journal of Economics, Business and Accounting, 13(1)*, 1-23.

Blumberg, B. C. (2014). *EBOOK: Business Research Methods.* McGraw-Hill.

Bravo, V. L. (2021). Analyzing competing logics towards sustainable supplier management. *Supply Chain Management: An International Journal, 27(7)*, 49=63.

Chen. (2024). Supply chain agility, supplier synergy and information sharing on supplier performance: Basis for supplier relationship management framework. *International Journal of Research Studies in Management*.

Deloitte. (2017). Digital Procurement New Capabilities from Disruptive technologies.

Fajin Li, and Eugene Cheng-Xi Aw. (2022). The Eureka moment in understanding luxury brand purchases! A non-linear fsQCA-ANN approach. *Journal of Retailing and Consumer Services*, 68.

Fazekas, M. &. (2021). Improving public procurement outcomes. *Policy research working paper, 2(4),* 2-3.

Hao, L. (2022). Optimal allocation of human resource structure based on capability maturity model integration. *Hindawi Security and Communication Network, 4(5)*, 1-10.

Ikart, E. M. (2018). The Research Design and Methodological Framework into the Study of the Adoption of Decision Support Systems by Knowledge Workers and Lesson Learned.

Islami, X. (2022). Lean manufacturing and firms' financial performance: The role of strategic supplier partnership and information sharing. *An International Journal, Vol. ahead-of-print No. ahead–of–print*.

Jang, S. H. (2013). The offensive framework of resource based view (RBV). *Journal of Management and Strategy,* 62.

Khatun, N. (2021). Applications of normality test in statistical analysis. *Open journal of statistics*, *11*(01), 113

Kiarie, J. W. (2017). The Influence of supplier relationship management practices on operational performance of large manufacturing organizations in Kenya. *(Doctoral dissertation, Strathmore University).*

Kothari, C. (2017). *Research methodology methods and techniques.* New Age International (P) Ltd., Publishers.

Kull, A. J. (2016). A resource-based view of stakeholder marketing. *Journal of Business Research, 69(12),* 5553-5560.

Lyson, K. &. (2020). *Procurement and supply chain management.* Pearson.

Madhani, P. M. (2009). Resource based view (RBV) of competitive advantages: Importance, issues and implications. *KHOJ Journal of Indian Management Research and Practices*, 2-12.

Mishra, P. P. (2019). Descriptive statistics and normality tests for statistical data. *Annals of cardiac anesthesia, 22(1),* 67-72.

Nakarmi, S. S. (2024). Multi-collinearity in Research and Way forward. *Kaladarpan4, no. 1*.

Nash, R. C.-D. (2021). the government contracts reference book: *A comprehensive guide to the language of procurement.*

Nsefu, M. K. (2020, June). Effectiveness in the Contract Management Performance within the Lusaka Provincial Administration–A Balanced Scorecard Application. On *Proceedings of the 2nd African International Conference on Industrial Engineering and Operations Management Harare, Zimbabwe, December*, (pp. 7-10).

Oduro, S. N. (2020). Supplier relationship management and organizational performance of hospitals in an emerging economy context: a comparative study. *Journal of Modelling in Management.*

Oke, A. E. (2018). Quantity surveyors and skills required for procurement management. *International Journal of Construction Management, 18(6),* 507-516.

Oliveira, K. B. (2021). Guidelines for efficient and sustainable energy management in hospital buildings. *Journal of Cleaner Production, 329*, 129644.

Opatha, H. H. D. N. P. (2020). The coronavirus and the employees: A study from the point of human resource management. *Sri Lankan Journal of Human Resource Management*, *10*(1).

Özkan, A. K. (2022). A Decentralized Resource Management System Proposal for Disasters: NGO-RMSD (STK-AKYS). ArXiv preprint arXiv: 2204.05884.

Panga, F., & Mahuwi, L. T. (2020). Procurement Best Practices and Performance of Public Institutions in Tanzania. *Experience from Higher Learning Institutions.*

Ruth, A. P. (2023). Effect of Procurement Management Practices on Sustainability and Innovation Outcome among Mining Firms in Ghana. *(Doctoral dissertation, University of Cape Coast).*

Schober, P., & Vetter, T. R. (2021). Logistic regression in medical research. *Anesthesia & Analgesia*, *132*(2), 365-366.

Shi, W., Li, Q., & Usman, M. (2021). Human resources balanced allocation method based on deep learning algorithm. *Handawi Scientific Programming,* 1–13.

Shonia, N. M. (2021). SPECIFIC OF LOCAL GOVERNMENT PROCUREMENT MANAGEMENT IN GEORGIA. *European Journal of Economic and Financial Research, 5(2).*

Sigalov, K. Y. (2021). Automated Payment and Contract Management in the Construction Industry by Integrating Building Information Modeling and Blockchain-Based Smart Contracts. *Appl. Sci, 11,* 7653.

Stoll, O., West, S., & Hennecke, L. (2021). Procurement of advanced services within the domain of servitization: preliminary results of a systematic literature review. *Smart services summit: Digital as an enabler for smart service business development*, 73-81.

Sürücü, L. &. (2020). Validity and Reliability in Quantitative Research. 2694-2726.

Tkachenko A, Y. A. (2017). Sweet deals: State-owned enterprises, corruption and repeated contracts in public procurement. Economic Systems. 3(1):33-44.

Van Greuning, H. &. (2020). Analyzing banking risk: a framework for assessing corporate governance and risk management. *World Bank Publications.*

Weerasekara, D. T. (2021). Procurement management in the foreign-funded construction projects implemented in Sri Lanka. *International Journal of Construction Management,* 1-13.

Yang, S., & Berdine, G. (2021). Normality tests. *The Southwest Respiratory and Critical Care Chronicles, 9(37)*, 87-90.

Yehualaa, A. (2023). The effects of supplier relationship management practices on organizational performance and competitive advantage of large manufacturing companies in Bahir Dar, Ethiopia. *Journal of Future Sustainability, 3(4),* 233–242.

Žukauskas, P. V. (2018). Philosophy and paradigm of scientific research. Management Culture and Corporate Social Responsibility, 121.