ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

THE EFFECT OF STRATEGIC SOURCING ON THE OPERATIONAL PERFORMANCE OF KOMARI BEVERAGE PLC

BY

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RESEARCH PAPER SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTERS OF ART IN LOGISTIC AND SUPPLY CHAIN MANAGEMENT

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JUNE, 2025

ADDIS ABABA, ETHIOPIA

Declaration

I, the under signed, declare that this thesis entitled '**The *Effect of Strategic Sourcing on Operational Performance: Komari Beverage PLC*',** is my original work and to the best of my knowledge has not been presented for a degree by any other person and that all the sources of material used for the thesis have been duly acknowledged.

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This is to certify that the thesis carried out by Yoftahe Habtuye, on the topic entitled: “The Effect of Strategic Sourcing on Operational Performance: Komari Beverage PLC” is his original work and is suitable for submission for the award of Master of Art Degree in Logistics and Supply Chain management.

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Acknowledgment

All glory to the Holy Trinity, source of wisdom. To the next, this graduation is not just a personal achievement but a collective triumph, to those who stood by me during moments of uncertainty, burnout, and setbacks your faith in me kept me moving forward and i extend my deepest gratitude to my blessed family, for what they have done invaluable supports to each of my journey. consequently, I'd like to express my gratitude to the academic professors, special thanks to my advisor, Dr. Kirubel Bruck, for all of his professional guidance to reach on this milestone. I’m honored to share this moment with everyone who believed in me even when I struggled to believe in myself and I would say thank you all.

The Researcher; Yoftahe Habtuye

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List of Acronyms or Abbreviation

BGI - Brasseries et Glacières Internationales (a brewing company)

BSR - Buyer supplier relationship

CAGR - Compound Annual Growth Rate

CM - Contract Management

ECWC - Ethiopian Construction Works Corporation

ESG - Environmental, Social, and Governance

FAO - Food and Agriculture Organization

FMCG - Fast-Moving Consumer Goods

GSE - Graduate School of Excellence (used in the student's ID number)

KBP - Komari Beverage PLC

PLC - Public Limited Company

RBV - Resource-Based View

SCM - Supply Chain Management

SNNPR - Southern Nations, Nationalities, and Peoples' Region

SPSS - Statistical Package for the Social Sciences

SS - Supplier Selection

SSS - Strategic Supplier Selection

TCE - Total Cost of Economics

TCO - Total Cost of Ownership

USAID - United States Agency for International Development

VRIN - Valuable, Rare, Inimitable, Non-substitutable (attributes of resources in RBV theory)

Abstract

The objective of this study was to analyze the effect of strategic sourcing practices on operational performance at Komari Beverage PLC. The research measured the strategic sourcing dimensions (supplier selection practices, buyer and supplier relationship and contract management) and operational performance. Explanatory research design was employed, and due to the small population size (N=83), a census approach was adopted from purposive selected departments. Data was collected via structured open-ended questionnaires by the five-point Likert scale, and achieving a 91.57% response rate (76 responses). Descriptive (mean, SD) and inferential statistics (correlation, regression) used to address the study's objective. The study demonstrated statistically significant positive relationships between strategic sourcing dimensions and operational performance. Finally, the study revealed that the buyer and supplier relationship had the strongest impact and suggests that stronger supplier relationships substantially boost performance outcomes. Overall, the findings suggest that optimizing strategic sourcing practices can enhance the operational efficiency at Komari Beverage PLC.

***Key words*:** *Buyer & supplier relationship, contract management, Supplier Selection, strategic sourcing, and operational performance*

CHAPTER ONE
INTRODUCTION

1.1. Background of the study

In current global business concerns, firms recognize that effective procurement along with supply chain strategies critically drive competitiveness toward operational success. Instead, it is viewed as a core planned area, and sourcing is more than only a cost-cutting function. Handling supplier relationships as well as sourcing processes act as a major role when ensuring efficiency, innovation, also responsiveness (Monczka et al., 2015; Handfield et al., 2020). Procurement strategists now focus on integrating suppliers and aligning with long-term objectives for organizations. Planned sourcing emerged in the 1980s at a time when organizations saw the limitations of transactional procurement. A complete structure developed throughout its history. Cost optimization, market analysis, and supplier relationship management integrate the framework (Van Weele, 2018). Sourcing done well has become quite important for getting great operations (Kähkönen, Lintukangas, & Hallikas, 2020).

It is a proactive approach and structured approach for procurement. Operational performance reflects an organization's effectiveness as well as efficiency in achieving its calculated and operational goals (Neely et al., 2005). Assessment of organizational performance includes financial metrics like procurement cost savings plus non-financial indicators that include supplier reliability and shorter lead times with improved customer satisfaction (Kaplan & Norton, 1996). Operational success depends on flexibility, delivery, quality, and efficiency (Slack & Lewis, 2011). As opposed to customary purchasing, it focuses mainly on reducing costs, while calculated sourcing stresses creating value through supplier collaboration, risk management, and alignment with organizational goals (Trent & Monczka, 2018). This approach enables organizations to optimize their SC, improve product quality & enhance responsiveness to market demands, all of which are essential for achievement.

Strategic sourcing improves operational performance through efficiency, cost reduction, and resilience in supply. Overall, its three elements are supplier selection, buyer supplier relationship, and contract management. Careful supplier selection with consideration of criteria such as quality, cost, reliability, and innovation will help ensure the input supplied fits with operational

requirements (Bhutta, 2004; Ghazvinian et al., 2023). Moreover, the intentional creation of trusting collaborative relationships with suppliers, enables collaborative problem solving, and ultimately sharing of information resulting more efficient processes and increasing customer satisfaction (Kim, Lee, & Hwang, 2020; Choi et al., 2021). Effective contract management can also have an impact by ensuring performance expectations are formalized, compliance is determined, and the parties to the contract have some launch flexibility to react to unforeseen market demands (Ellram & Tate, 2016; Simchi-Levi, Kaminsky, & Simchi-Levi, 2008). Collectively these features of strategic sourcing improve reliability by enabling backup suppliers, minimizing potential disruptions, and ultimately enhancing long term competitiveness of KBP in the global beer market. However, relationships between strategic sourcing and operational performance are complex. Some studies have concluded that strategic sourcing has a direct influence on operational performance outcomes measuring both buyer & supplier performance, while others note that the outcomes of strategic sourcing were influenced by factors such as supply chain integration, technological capabilities & organisational culture (Kauppi et al., 2016).

The rise in complexity of the global supply chain has further fuelled desire to integrate strategic sourcing to enhance operational efficiency and organisational performance. The beverage industry provides a unique opportunity to observe strategic sourcing because they require high volume, rapid turnaround and often perishable inputs, which require reliable, throughput optimized, and cost-effective sourcing mechanisms to sustain production needs and satisfy consumer demands (Christopher, 2016; Chebichii, Namusonge, & Makokha, 2023). Consistency of quality, price management and reliability of delivery must be consistent across the industry, which also produces market pressures for suppliers to adopt flexible sourcing practices to respond to shifts in demand and disruption to supply.

1.2. Statement of the problem

In this revolutionary change of the global economy, strategic sourcing has considered as a critical driver of operational excellence, enabling firms to optimize costs, enhance quality and build resilient supply chains and alignment with long-term organizational objectives (Monczka et al., 2015; Gopal & Thakkar, 2022). Notably, very limited prior studies have been conducted to assess the operational performance and no previous studies on the selected case company, the

researcher made, a pilot interview with the organization personnel and have revealed critical procurement issues of in-consistence of supplier performance; in terms of quality and lead time on deliverable materials are mentioned and those things has an effect on the procurement process and collectively constrain on operational performance. Since the sector has characterized by high volume, often perishable raw materials, stringent quality and safety standards, and susceptibility to supply chain disruptions (Christopher, 2016). The country's brewery industry as well faces, sourcing raw materials poses a major obstacle, significantly impacting operational efficiency and overall performance (USAID, 2021), particularly the limited availability of high-quality raw materials such as malt, hops, and flavor additives, which are critical for beverage production (Bekele & Ayele, 2021). Evidence from the food and beverage sector consistently indicates a positive link between strategic sourcing practices and operational excellence in quality, delivery performance, cost efficiency, and flexibility (Chebichii et al., 2023; Changalima., 2024; Loury-Okoumba & Mafini, 2018).

Empirical studies show, Chebichii, Namusonge, Makokha (2023) and Changalima (2024) they found that rigorous supplier selection significantly improves quality and cost metrics in and lead time and as well Azeem and Ahmed (2015) and Loury-Okoumba and Mafini (2018) revealed that the close buyer–supplier collaboration on mutual success and performance-based contracting enhance delivery performance and flexibility. Disregard this general support, significant gaps remain in the literature on strategic sourcing in the Ethiopian beverage industry. Most existing research comes from broader manufacturing and typically examines individual sourcing dimensions in isolation (Kamaruzzaman et al., 2019). For example, studies by Chebichii et al. (2023) & Changalima (2024) focus on supplier choice or collaboration but often omit measures like flexibility. Similarly, Loury-Okoumba and Mafini (2018) underscore trust in BSR, yet their work in South African FMCG settings may not generalize to beverage producers.

Some empirical studies from Ethiopia, in aviation and Ethiopian Construction Works Corporation, has conducted those three dimensions collectively. While the important of those studies, strategic sourcing reveals diverse viewpoints regarding the dimensions that most significantly enhance organizational performance. Certain studies highlight the importance supplier development as key factors driving performance improvements (Aynalem, 2023). In contrast, other research suggests that contract management and enduring supplier relationships

are the primary influences on performance (Chaneyalew, 2022). Despite the importance of the studies, the focus case was in service provider company with inconsistent empirical findings, and it may not be applicable to beverage industry due to the distinct nature of the sector.

Given the identified above, this study therefore aims to assess the effects of strategic sourcing dimensions; namely supplier selection, buyer-supplier relationships, and contract management on operational performance; indicators such as quality, delivery reliability, cost efficiency and flexibility at KPP. By adopting framework grounded in the Resource-Based View (Barney, 1991), the research provides sector-specific and contextually relevant insights into how integrated strategic sourcing practices can affect the operational performance.

1.3. Research questions

This particular research intends to answer the following research questions:

- What is the effect of supplier selection practices on the operational performance of Komari Beverage PLC?
- What is the effect of buyer-supplier relationship management on the operational performance of Komari Beverage PLC?
- What is the effect of contract management on the operational performance of Komari Beverage PLC?

1.4. Objectives of the study

1.4.1. General Objective

The general objective of the study is to examine the effects of strategic sourcing on the operational performance of Komari Beverage PLC.

1.4.2. Specific Objectives:

- To analyze the effect of supplier selection Practices on the operational performance of Komari Beverage PLC.
- To analyze the effect of buyer-supplier relationship management on the operational performance of Komari Beverage PLC.
- To analyze the effect of contract management practices on the operational performance of Komari Beverage PLC.

1.5. Significance of the Study

This research holds substantial value for academics, policymakers, industry practitioners, and the case company by advancing knowledge and offering actionable insights into strategic sourcing and operational performance. For KBP, the study will deliver a tailored analysis of its strategic sourcing practices, identifying strengths and areas for improvement. The recommendations will support data-driven decision-making, helping the company enhance its procurement strategies and overall operational performance. Academically, the study will enrich the existing literature on strategic sourcing by empirically examining its impact on operational performance, providing a framework for future research, and serving as a reference for scholars in supply chain management, procurement, and strategic operations. From a policy perspective, the findings can inform regulations and initiatives that promote efficient supply chain practices, particularly within the beverage sector. Insights from this research may guide policies aimed at strengthening supplier collaboration, advancing sustainability in procurement, and improving competitiveness in both local and global markets. For the broader industry, the study offers beverage sector stakeholders including manufacturers, suppliers, and procurement professionals practical insights into how strategic sourcing enhances operational efficiency and competitive advantage. By addressing these dimensions, the study serves as a vital resource for theory, practice, and policy development in strategic sourcing and supply chain management.

1.6. Scope of the study

The research examined the effect of strategic sourcing on operational performance of Komari Beverage PLC, focused on three key dimensions: Supplier selection, Buyer-supplier relationships and Contract management. The research conducted at the headquarters of Komari Beverage PLC in Addis Ababa and Cheki (factory which located around Debre Birhan City), covered four distinct department across the Procurement, Supply Chain, Production, and Finance. Those departments are selected purposely, because they involved directly or indirectly to the procurement process. The Procurement and Supply Chain departments are central to supplier selection and contract management while the Production department is critical for assessing operational outcomes. The Finance departments cost-related knowledges also have an impact on sourcing process, which are integral to evaluating the financial benefits of strategic

sourcing. The study data collected in 2024/2025 fiscal year to ensure a focused and timely analysis of the company's sourcing and their operational outcomes.

1.7. Limitation of The Study

While this research has generated important findings regarding the role of strategic sourcing on operational performance, it has notable limitations. Firstly, it focused in a single organization, Komari Beverage PLC, the variables of interest may not be generalizable to other companies or industries. The organization culture, sourcing policies, and operational challenges of Komari Beverage PLC may not reflect wider trends within the beverage sector or other manufacturing sectors. Secondly, it used four departments to collect the data. While it is reasonable to focus only on four of the departments in the research, they may not capture other department perspectives, as other departments perform functions which may directly or indirectly influence or be influenced by sourcing practices.

Thirdly, data collection was structured self-administered questionnaires, which, may be subject to response bias. Participants may adopt one viewpoint to answer the questions or respond to questions based on favorable impression management (provide socially desirable answers) prejudicing results towards accuracy while limiting reflective self-justice. Fourthly, the study was cross-sectional, that is limited to one fiscal year (2024/2025), collectivity as such does not capture delay perturbances nor varied trends over time. Finally, there are external variables such as supply chain issues, price instability due to resource scarcity, or changes in organizational policy may influence sourcing practices and operational outcomes which are not, studied or even accounted for, that could impact the accuracy of causal inferences.

1.8. Definition of Terms

Sourcing is "the process of identifying, evaluating, selecting, and managing suppliers to procure goods or services, primarily focused on transactional efficiency and cost minimization" (Monczka et al., 2016, p. 8).

Strategic Sourcing is systematic and collaborative approach to optimizing supply chains by analyzing spending patterns, identifying long-term supply partners, and aligning procurement with business goals (Burt et al., 2010).

Supplier Selection is the process of assessing and choosing suppliers based on criteria such as cost, quality, reliability, and sustainability to meet organizational needs (Chopra & Meindl, 2021).

Buyer-Supplier Relationship is a dynamic and mutually beneficial interaction between a purchasing organization and its suppliers, aimed at achieving competitive advantage through collaboration and trust (Ellram & Cooper, 2014).

Contract Management is "the process of systematically and efficiently managing contract creation, execution, and compliance to maximize financial and operational performance while minimizing risk" (Rendon, 2019).

Operational Performance is the efficiency and effectiveness of business processes in delivering products or services, measured through metrics such as cost, quality, speed, and flexibility (Slack et al., 2020).

1.9. Organization of the study

The research structured into five chapters. Chapter One introduced the study, covering the background, study area, problem of the statement, research objectives, research questions, significance, scope, limitations, definitions of key terms, and the overall organization of the study. Chapter Two provided a literature review, including relevant theories, frameworks, and previous studies related to the research topic. Chapter Three described the research methodology, outlined the research approach, design, methods of data collection, sampling techniques, and procedures of data analysis. Chapter Four presents and analyzes the research findings, focused on the effect of strategic sourcing on operational performance at Komari Beverage PLC. Finally, Chapter Five summarizes the key findings, draw conclusions, provide recommendations based on the study results and leave suggestion for future studies by demonstrated the limitation of the study.

CHAPTER TWO
RELATED LITERATURE REVIEW

Introduction

Organizations across the modern business landscape now recognize procurement and supply chain management as essential strategic elements for operational excellence achievement. Strategic sourcing functions as a vital procurement element which develops complete acquisition methods that support organizational long-term targets through total cost of ownership analysis instead of price-based approaches (Monczka et al., 2015). This chapter conducts a thorough examination of existing research about strategic sourcing together with its effects on operational performance. The approach includes evaluation of supplier selection practices and buyer-supplier relationship management and contract administration and management to boost operational performance. The research used previous studies to explain fundamental concepts and theoretical frameworks and empirical evidence which supports the conceptual framework development.

2. Theoretical Literature Review

2.1. The Concept of Strategic Sourcing

Strategic sourcing has evolved from a transactional purchase function to a core strategic driver of organizational success. Initially focus was on securing goods and services at low cost, the discipline underwent a paradigm shift at the early 1980s when scholars like Kraljic (1983) reconceptualize it as a source of competitive advantage. Kraljic's portfolio approach emphasizes managing supplier relationships and mitigating supply market risks, aligning sourcing with broader corporate strategy of the firm. This kind perspective was reinforced by Porter (1985), who argues that sourcing decisions could shape a firm's market positioning and long-term differentiation. In the 1990s, globalization and SC complexity necessitated more structured approaches. Ellram and Siferd (1998) introduces the total cost of ownership frameworks, to expanding sourcing criteria to include quality, reliability and lifecycle costs. This day strategic sourcing integrates environment, social, and governance considerations and risk mitigation, reflecting its role as a multifaceted tool for value creation rather than a narrow cost-cutting mechanism (Gopal & Thakkar, 2022).

The strategic importance of sourcing is perceived differently across organizational stakeholders , reflecting diverse priorities. Procurement/purchase teams focus on operational metrics; cost efficiency, quality, and supplier reliability (Monczka et al., 2015; Handfield et al., 2020), on another senior executives prioritize alignment with strategic goals likes risk reduction and market positioning (Kraljic, 1983; Porter, 2008). Suppliers often face pressure to meet heightened performance expectations while navigating opportunities for long-term collaboration (Ellram & Carr, 1994; Monczka et al., 2015). Internally, operation teams emphasize material quality and continuity supply, whereas finance departments advocate for controlling cost and return on investment (Van Weele, 2018). Even customers, though indirectly involve, benefit from strategic sourcing through reliable, affordable products (Christopher, 2016; Van Weele, 2018). These kinds of divergent perspectives underscore the need for cross functional alignment to balance competing priorities.

The definition of strategic sourcing between scholars are dynamic, integrative process that aligns procurement with organizational strategy. Monczka et al. (2016) define and characterized it as a continuous cycle of evaluating and refining supplier relationships to meet corporate objectives, emphasizing collaboration over transaction exchanges. Trent and Monczka (2003) also defined as a highlight its role in optimizing mutual value creation, where innovation, flexibility & quality complement cost considerations. Carr and Smeltzer (1999) positioning sourcing as an integral part to corporate strategy, ensuring procurement decisions directly support business goals. Tadelis (2012) broadens this view, framing strategic sourcing as a risk-aware, value-maximizing process that adapts to market dynamics. Collectively, these definitions reflect an evolution from price centric purchasing to a holistic approach that enhance sustainability, innovation, and resilience into supply networks.

Modern strategic sourcing transcends traditional procurement by fostering collaborative supplier partnerships, data-driven decision-making, and sustainability integration. Unlike transactional purchasing, it emphasizes long-term value through multi-criteria evaluations of suppliers' quality, ethical practices, and innovation potential (Cousins et al., 2008). Organizations leverage market intelligence and analytics to inform strategies, balancing cost with ESG compliance and regulatory demands (Ellram & Tate, 2016; Carter & Rogers, 2008). In industries such as beverage manufacturing, where supply chain disruptions directly impact production, strategic

sourcing mitigates risks by ensuring raw material quality and supplier reliability (Christopher, 2016). By embedding flexibility into contracts and continuously monitoring performance, firms reduce total cost of ownership while enhancing operational efficiency and innovation (Simchi-Levi et al., 2008).

The strategic sourcing process typically follows an iterative cycle, beginning with spend analysis to identify cost-saving opportunities and inefficiencies (Van Weele, 2018). Market research then assesses supplier capabilities and industry trends, followed by supplier evaluation using frameworks like the Kraljic Matrix (Kraljic, 1983). Contract negotiation and implementation establish terms aligned with strategic goals, while ongoing performance reviews enable adaptive adjustments (Handfield et al., 2020). Cross-functional collaboration among procurement, operations, finance, and legal teams ensures decisions balance strategic vision with operational feasibility (Ellram & Carr, 1994). Ultimately, strategic sourcing's iterative nature and emphasis on alignment position it as a cornerstone of resilient, competitive supply chains.

2.2. Performance measurement in supply chain context

Measurement of performance plays a crucial role in evaluating how effectively and efficiently organizations operate, particularly within the supply chain context. As defined by Neely, Adams, and Kennerley (1995, as cited in Agami, Saleh, & Rasmy, 2012), performance measurement is a process for quantifying the efficiency and effectiveness of activities. In this context, effectiveness is the degree to which customer requirements are fulfilled, while efficiency relates to the optimal utilization of resources in achieving these outcomes. However, performance of firm are complex, multi-dimensional construct that requires both financial and non-financial considerations for a extensive assessment.

A key distinction in performance measurement between financial and non-financial metrics is that financial indicators typically encompass income/sales, profitability, and Return on Investment, which provide insight into a firm's economic success (Martin & Patterson, 2009). On the other hand, non-financial or operational metrics encompass quality, cost efficiency, reliability on delivery, and production flexibility (Flynn, Huo, & Zhao, 2010). These measures are particularly significant in supply chain management, where responsiveness and reliability are essential competitive factors.

Despite extensive scholarly attention, performance measurement in supply chains remains a topic with unresolved conceptual boundaries. Akyuz and Erkan (2010) argue that there is still no unified definition of what should be included in performance measurement systems, leading to inconsistencies in practice and research. The complexity is further compounded in supply chain environments due to the involvement of multiple stakeholders, diverse functions, and dynamic market conditions. The challenge of measuring supply chain performance arises from its integrative and cross-organizational nature. As noted by Thakkar, Kanda, and Deshmukh (2009), supply chains are embedded within broader operational and environmental systems, making straightforward measurement difficult. Otto and Kotzab (2003) reinforce this view, emphasizing that the unique characteristics of different supply chains preclude a one-size-fits-all approach. Consequently, the development of a universally applicable performance measurement framework is impractical, necessitating tailored approaches based on specific organizational contexts.

To address these challenges, performance measurement systems must be both comprehensive & adaptable. According to Thakkar et al. (2009), effective performance metrics should be aligned with various decision-making levels strategic, tactical, and operational. Furthermore, such systems should ensure alignment between organizational objectives and measurement practices, minimize measurement deviations, and accurately reflect core performance drivers. Scholars have consistently advocated for a balanced and integrated approach to performance measurement. This involves combining financial measures such as revenue, ROI, and ROA with operational indicators like as quality, cost efficiency, delivery reliability, and production flexibility (Flynn, Huo, & Zhao, 2010). This blended approach enables organizations to assess not only their economic outcomes but also their process efficiencies and responsiveness to customer needs.

2.3. Operational Performance

Operational performance measured through ability to compete in the market, satisfy customer expectations, and achieve long-term profitability. As highlighted by Beamon (1999), improving operational performance allows companies to reduce costs, enhance quality, improve customer service, and increase overall efficiency, which ultimately leads to a stronger competitive position. The limitations of using financial performance as the sole measure of supply chain effectiveness. Huo et al. (2014) argue that while financial outcomes remain critical, they may obscure

important operational dynamics and fail to capture the full impact of supply chain practices. As such, relying exclusively on financial indicators could lead to incomplete or misleading conclusions regarding supply chain performance. Operational performance is one of the abilities of an organization to efficiently and effectively manage its core processes to transform inputs into value-added outputs that meet customer expectations. It is fundamentally linked to operational capabilities including process optimization, supply chain management, and continuous improvement practices (Hayes & Wheelwright, 1984). The resource-based view suggests that superior operational performance stems from leveraging unique, difficult-to-imitate resources and capabilities (Barney, 1991). In manufacturing sectors, operational performance is particularly critical for maintaining product consistency, equipment reliability, and sustainability (Bamforth, 2017). Effective operational performance ultimately drives customer satisfaction, profitability, and competitive advantage (Skinner, 1969). It serves as a vital component of broader organizational performance and is often evaluated through a set of tangibles, process-driven metrics. Among the most critical of these are quality, cost, delivery time, and flexibility metrics that directly influence customer satisfaction, competitiveness, and profitability in dynamic market environments (Prajogo, 2012, Gunasekaran, Patel, & Tirtiroglu, 2001).

2.4. Theoretical Foundation of the study

The theoretical grounding for this study on strategic sourcing and operational performance is primarily based on the Resource-Based View and supported by Transaction Cost Economics theories. These frameworks have been widely applied in procurement and SCM literature to explain how firms derive performance benefits from sourcing strategies (Barney, 1991; Williamson, 1985).

2.4.1. Resource-Based View (RBV)

The Resource-Based View (RBV), first popularized by Barney (1991) who argues that organizations gain and sustain competitive advantage by acquiring and managing valuable, rare, inimitable, and non-substitutable (VRIN) resources. In strategic sourcing, supplier selection, relational capabilities, and managing the contract are viewed as strategic resources that can contribute to superior operational performance. For instance, selecting high-quality suppliers ensures the acquisition of reliable inputs, while long-term buyer–supplier relationships and well-structured contracts enhance the firm's ability to respond to changing market demands, reduce

transaction errors, and improve overall efficiency (Barney, 1991; Wernerfelt, 1984). These strategic sourcing practices, when effectively implemented, become internalized organizational capabilities that contribute to sustained performance advantages in dimensions such as quality, cost, and delivery reliability.

2.4.2. Total Cost of Ownership (TCO) Theory

Complementing RBV is the Transaction Cost Economics (TCE) theory, developed by Williamson (1985), as it offers a lens in order to evaluate the cost implications for governance structures within buyer–supplier relationships. TCE stresses the idea that the cost for economic exchanges should be minimized, and this also includes search, negotiation, monitoring, and even enforcement. Firms must make a choice of governance mechanisms under the umbrella of this theory. These mechanisms do include collaborative relationships and contracts that are intended to protect against opportunism and to reduce transaction costs. The design of formal contracts with performance clauses, clear deliverables, and incentive mechanisms translates into aligning supplier behavior with organizational goals (Williamson, 1985). Kamaruzzaman et al. (2019) found contract characteristics influenced operational metrics directly, like product quality and delivery timelines in Indonesian manufacturing, which confirms TCE's relevance to operational performance outcomes.

RBV along with TCE integration provides a dual perspective. RBV shows that planned sourcing develops internal capabilities through partnerships, while TCE handles supplier transaction management benefits via contracts. Empirical support has been behind this integrated view. For instance, Paulraj et al. (2006) combined both of the theories as they went on to explain how some planned buyer supplier relationships can improve supply chain performance because all of the parties share knowledge and then contractually govern. Chen et al. (2004) likewise showed that strong supplier ties and performance-based deals greatly help operational response and cost efficiency, supporting theoretical foundations.

This study therefore draws from RBV to conceptualize calculated sourcing practices as resources improving capability. This theoretical foundation justifies positive relationships between supplier selection practices, buyer and supplier relationship, contract management, and operational performance.

2.5. Empirical literature review

2.5.1. Supplier selection in Strategic sourcing

Selecting suppliers is a strategically important decision in supply chain management. Supplier selection processes that match supplier capabilities to company goals (e.g., Kraljic's portfolio model) can create competitive advantages and ultimately improve operational performance. Naqvi and Hassanzadeh Amin (2021) argue, "supplier selection is a strategic process in organizations and is important for the success of organizations." Supplier selection impacts many things in the firm and in relation to products, including costs, quality, innovations and varieties of risk. Thoughtful supplier selection can "minimize purchasing risks, maximize the overall value of purchases and develop stable long-term buyer-supplier relationships ". This importance is reflected in strategic sourcing frameworks and modern supply chain strategies, which explicitly integrate supplier selection as a key driver of operational excellence.

Traditionally, supplier evaluation focused on quantitative, production-oriented criteria. (Bhutta 2004; Hassanzadeh Amin & Naqvi 2021) note that "both qualitative and quantitative factors such as quality, cost, and delivery time should be considered" in supplier choice. In practice, the classic triad of price (cost), product quality, and delivery performance (on-time delivery and lead time) remains central in manufacturing and services alike. For example, Bhutta (2004) also lists pricing structure, delivery lead-time/reliability, product quality, and service capability as the "basic criteria" traditionally used to compare vendors. These hard metrics directly affect a firm's cost of goods sold, defect rates, and responsiveness. Other hard factors often cited include production capacity, technical/engineering capability, and financial stability, which underlie a supplier's ability to meet demand reliably. As many studies mentioning, this classic cost, quality, delivery criteria dominate the evaluation of material suppliers (Hassanzadeh Amin & Naqvi, 2021).

Beyond cost and quality, modern supplier selection embraces broader objectives, in recent decades researches have documented the rising importance of sustainability and ethical criteria in procurement. Increasingly, firm require suppliers to demonstrate environmental responsibility and social responsibility in their practices. Konys (2019) mentioned that green supplier selection has become critical: she notes that awareness of environmental protection is driving interest in supplier choice, and that "green supplier selection has a critical effect on the competitiveness of

the entire supply chain network". Likewise, Althaqafi (2023) explicitly includes environmental performance and social responsibility alongside cost, quality and delivery when evaluating suppliers. These studies emphasize that sustainable sourcing aims to ensure selected suppliers align with an organization's environmental and social values. For example, Hassanzadeh Amin and Naqvi (2021) observe that in sustainable supplier selection, evaluators consider not only cost but also "environmental and social criteria" in addition to a supplier's performance history. At the same, Göncü and Çetin (2022) find that in health care procurement, key criteria now include sustainability and even occupational health and safety, reflecting modern concerns about social impacts. In summary, while cost and quality remain necessary, contemporary strategic sourcing models expand the criteria set to embrace ecological and social factors as a matter of firm strategy (Althaqafi, 2023; Konys, 2019).

In addition to sustainability flexibility is a modern concern. Which is, flexible and lean, supply chain thinking emphasizes the supplier's ability to adapt changes of market and contribute to new product development. For instance, Ghazvinian et al. (2023) integrated lean, agile, resilient, green, and sustainable (LARGS) dimensions into supplier selection. In its framework, flexibility and speed of response are both explicitly identified as success factors in an agile supply chain; enabling rapid new product launches and quick adaptation of to customer want in practical terms, this means firms may prefer suppliers with strong R&D and innovation capabilities or with flexible production systems. Although less commonly quantified than price or quality, a supplier's innovation capacity (i.e., technology development, process improvement) and flexibility (e.g. ability to handle demand swings or customization) are increasingly cited in the literature as critical criteria (Ghazvinian et al., 2023; Hassanzadeh Amin & Naqvi, 2021). Flexibility and agility allow buyers to respond to market volatility and to develop new products, while innovation capability can be a source of competitive differently.

2.5.2. The Effect of Supplier selection on Operational Performance

A robust body of research links careful supplier selection to improved performance outcomes. Ghazvinian et al. (2023) note that reducing the supplier base (by selecting the best ones) can provide "reduced costs, improving quality and advancements in both process and product development". In practice, working closely with a few strategic suppliers allows firms to negotiate better pricing, implement joint quality programs and innovate collaboratively.

Changalima, Ismail, and Mchopa (2024) surveyed 179 public entities in Tanzania to assess how supplier selection affects procurement cost reduction for operational efficiency. Their findings show that a one-unit improvement in supplier selection leads to a 27.2% reduction in procurement costs ($\beta = 0.272$, pv = 0.009), indicating a significant direct effect of supplier selection on reducing unnecessary expenses and improving budgetary performance.

Then moreover, Changalima (2024) extended further this line of the study of inquiry into sustainable supplier selection and its impact on leadtime performance within the Tanzanian public procurement framework. By surveying 179 accredited public organizations, the study revealed that SSS has a significant- positive impact on lead-time performance (i.e., reducing delivery delays), and that relational capability between buyers and suppliers strengthens this relationship (β positive at $p < 0.05$). Thus, sustainable criteria such as environmental compliance and social responsibility when integrated into supplier selection processes, yield operational gains by shortening leadtimes, enhanced responsiveness, and aligning procurement with broader sustainability goals.

Aljarah, Al-Obaidi, and Majdalawi (2024) conducted a survey of purchasing managers in high-technology manufacturing and employed structural equation modeling to assess the effects of supplier selection criteria on corporate performance. Their results indicate that green practices, flexibility, price competitiveness, and delivery reliability each exhibit significant positive relationships with both financial and nonfinancial performance metrics. In high-performing purchasing firms, suppliers consistently met or exceeded these criteria, leading to superior operational outcomes; conversely, low-performing firms observed substandard supplier adherence, which correlated with diminished corporate performance.

2.5.3. Buyer Supplier Relationships in Strategic Sourcing

Under this approach, buyers with suppliers collaborate closely to jointly solve problems, share information, also align goals. Kim, Lee, and Hwang (2020) observe that firms in globalization markets form calculated alliances then share knowledge and resources since no single firm acquires all needed inputs alone. Such cooperative linkages did strengthen the entire supply network since close buyer supplier ties were shown to improve logistics and distribution performance; this leads in turn to better overall supply chain outcomes. Calculated sourcing thus

creates relational norms plus information flows as it saves costs, improves quality, and fosters innovation unlike procurement purely transactional.

Experts pinpoint key traits for relationships. These characteristics distinguish strong buyer–supplier partnerships within calculated sourcing. Trust means one party feels confident about another's integrity and reliability. Trust is what enables people to be able to openly exchange information and to willingly invest jointly. High trust is confirmed by research as closely linked to better operational performance. For example, Choi et al. (2021) do show that those companies employing collaborative platforms for the joint planning with their suppliers reduces the delivery delays by about 35%. This is on account of the fact that suppliers are able to adjust to fluctuations in demand. Likewise, long-term partnerships foster trust, minimizing transactional friction. These partnerships do also ensure adherence to the delivery schedules which are a critical factor in industries such as beverage manufacturing where perishable raw materials are involved (Christopher, 2016). Loury-Okoumba as well as Mafini (2018) noted how a firm's performance greatly depends on “buyer–supplier trust”. Trust encouraged both buyer and supplier to share critical information (e.g. demand forecasts or cost data) without fear of betrayal. According to Susanty et al. (2017) find, trust reduced perceived risk and serves as a “cornerstone” of successful partnerships, making firms more willing to collaborate and plan for the long term. Similarly, commitment the belief that both parties value the relationship and will devote effort to maintain it fosters continuity.

Communications and information sharing relate closely to trust and commitment. Ongoing two-way communications both formal (e.g. formal planning meetings) and in-formal are essential to coordination. The intention of communications is to ensure and fundamentally make sure that both parties understand product specifications, production schedules and any changes, if needed. Research in procurement establishes even the act of communication itself fosters trust and commitment. Realistically, one review explains how “communication is valuable for establishing trust and commitment in buyer-supplier relationships in order to facilitate effective procurement performance”. Ongoing information sharing (e.g. of order forecasts, inventory levels or quality issues) alleviates operational workload. For instance, Wang et al. (2016) find that continuous exchange of tracking and status information permits partners to closely monitor shipments, which strengthens on-time delivery reliability. In congruence, Rai et al. (2012) identify that

communication ensure the significant improvement to supply responsiveness and reliability which raise total operational productivity.

Collaboration is also an additional defining characteristic in relationship. Buyers and suppliers work jointly on problem-solving, joint planning, and even co-development. Cao et al. (2010) characterize buyer-supplier cooperation as the "ability to jointly share information, resources and knowledge" to achieve performance improvement. This kind of cooperation is usually facilitated by underlying trust and commitment: Wu, Chuang, and Hsu (2014) show that trustful intent underpins collaborative relations. Collaborative efforts can take many different forms – from coordinated capacity planning to joint technology initiatives. Studies suggest collaborative product development and process engineering can lead to higher levels of innovation. For one Hottenrott and Lopes-Bento (2014) finds empirical support for the idea that when companies are closely interacting (sharing across-department and interorganizational R&D knowledge) then levels of innovative performance increase also. Similarly, Yeung, Lee, and Chan (2013) suggest that joint buyer-supplier activity improves a firm's flexibility to respond to market change.

2.5.4. The effect of Buyer–Supplier Relationships on Operational Performance

The study by Gu, Yang, and Wang (2020) involved 219 supply chain managers in China who demonstrated that collaborative relationships led to shorter delivery cycle times and lower defect rates and better on-time performance. The study by Lavastre, Gunasekaran, and Spalanzani (2021) examined survey responses from 164 French manufacturing firms which showed that better interorganizational collaboration through joint problem-solving and shared performance metrics led to major operational efficiency improvements including lower inventory turnover and decreased rework levels (Gu et al., 2020; Lavastre et al., 2021).

In the FMSG, food and beverage industry of Ghana, Dza, Acquah, and Atsu (2024) conducted a quantitative study involving 179 firms to assess how supplier relationship management comprising communication quality, information sharing, and joint problem-solving impacts operational performance. Data was analyzed using descriptive statistics and structural equation modeling, they demonstrated that robust practices significantly enhance operational metrics such as order accuracy, and lead-time reduction. The study revealed that there is a positive effect of buyer supplier ties on operational outcomes.

As well, Loury-Okoumba and Mafini (2018) examine South African fast-moving consumer goods retailers and find that "fostering information exchange… leads to improved operational processes" and that engagement (a proxy for partnership strength) significantly boosts supplier performance. Their study hypothesized and confirms that commitment and trust are positively influence supplier outcomes in that study.

2.5.5. Contract Management in Strategic Sourcing

Contract management plays quite a critical role as part of planned sourcing process through ensuring supplier agreements align in a tactical manner, sound on a legal basis, and adapt with some changing conditions (Cousins et al., 2008). Contracts with structure clearly define processes to resolve disputes, quality standards, timelines, pricing, and responsibilities so they support accountability and minimize conflict. Good contract design balances with enforces mechanisms such are penalties when suppliers do not comply, also it incentivizes suppliers so they exceed performance targets, improving ultimately control cost, product quality, as well as delivery reliability (Ellram & Tate, 2016; IACCM, 2019). Initial design needs regular monitoring even more. Organizations are able to track performance and can address issues more early by using tools such as KPIs and service-level agreements. Organizations are able to also use audits in order to track performance and address issues quite early (Ejigu, 2021; Simchi-Levi et al., 2008). Poor monitoring often results in late deliveries and substandard outcomes as seen in several Ethiopian procurement cases (Alemu & Teklemariam, 2017; UNDP, 2015). Change clauses permit adjustments when demand shifts or disruptions occur coupled with contract flexibility is as important as amendment processes (Christopher, 2016; IACCM, 2019). Another key element is risk allocation; this assigns responsibility to the party best able to handle specific risks, minimizing disruption and maintaining operational continuity (Knight et al., 2007; Thai, 2009; World Bank, 2018). Generally, in the event that you manage contracts with effectiveness, you considerately design, continue with oversight, ensure structured flexibility, and tactically share the risk. These actions ensure supplier relationships remain resilient, focused on performance, as well as aligned with long-term organizational goals.

2.5.6. The effect of contract management on Operational Performance

Recent empirical research underscores the nuanced ways these practices influence outcomes like cost efficiency, quality, timeliness, and flexibility. In the Li et al. (2020) study, at Chinese

construction firms, demonstrated that robust contract management systems: featuring clear specifications, defined incentives/penalties and structured change protocols, significantly improve project completion times and cost control by reducing ambiguities and disputes. Similarly to, Wang et al. (2021) analyzed public procurement contracts and found that well-managed contracts incorporating performance linked incentives directly enhanced supplier delivery reliability and quality compliance. But overly rigid contracts can backfire. Lumineau et al. (2021) cautioned that excessive contractual complexity without adaptation mechanisms can stifle innovation and responsiveness, negatively impacting operational flexibility, particularly in dynamic environments. Eckerd et al. (2021) experimentally and empirically established that effective monitoring, particularly when perceived as legitimate and focused on problem-solving rather than punishment, significantly curbed supplier opportunism and improved adherence to quality and delivery schedules. Wiedmer et al. (2021) further highlighted the contingent nature of monitoring effectiveness in service triads. Their configuration analysis revealed that monitoring success depends on alignment with the specific service context and the nature of information asymmetry; poorly targeted monitoring increased costs without performance gains.

2.6. The Operational performance Metrics

As mentioned earlier in this chapter, attributing overall firm performance to specific supply chain factors is challenging when using broad measures such as market share, profitability, and return on investment. These general metrics are influenced by numerous economic and managerial variables, making it difficult to isolate the impact of supply chain practices (Rodriguez, 2009; Van der Vaart & van Donk, 2008). Given this limitation, Van der Vaart and van Donk (2008) suggested that a more effective approach is to evaluating collaboration within a single buyer supplier relationship by assessing the operational performance of that specific relationship. This perspective emphasizes operational performance measures rather than broad financial indicators. Similarly to, Huo et al. (2014) highlight that while financial performance remains a common firm-level metric, relying solely on financial measures in supply chain research has significant drawbacks.

For this reason, to assess the strategic sourcing practices on Komari beverage PLC, this study adopted the combined of four dimensions of operational performance metrics; quality, lead time, cost and flexibility (Prajogo, 2012).

Quality; is a first order operational measure influenced by strategic sourcing tactics in this project. it is the totality of the characteristics of a product or service that bear on its ability to satisfy stated or implied needs. According to the definition by Cheng et al., 2016, High quality minimizes the rework and returns that lead to customer dissatisfaction while enhancing organizational reputation and operational dependability. In manufacturing, quality is measured by levels of defects, frequency of customer complaints, or accuracy in services. Supplier selection practices, which use rigorous assessments of suppliers on the basis of quality standards, ensure that the product supplied is constructed of raw materials that meet previously defined specifications and minimize defects and rework (Monczka, Handfield, Giunipero, & Patterson, 2015). In BSR, Collaboration and the buyer supplier relationship can also to further enhance quality through learning from each other and by collaboratively driving improvement projects. Flynn et al. (2010) contend a supplier can drive innovation and improvements in product quality if they are involved in product development, which ultimately leads to quality improvements in the final product. Contract management plays a role, as clauses requiring suppliers to adhere to the quality specifications in product delivery incentivize suppliers to meet quality specifications (Simchi-Levi et al., 2008).

Delivery time; Times is about the responsiveness and speed with which capability meets the day agreed schedules. Supplier selection criteria emphasizing delivery reliability and a joint force with suppliers on planning and forecasting can affect time delays and on time deliveries (Christopher, 2016). Using long term contracts with solid delivery time obligations and penalties for not adhering to required timeframes improves accountability and acts as leverage because suppliers will have the capability to meet the time requirements set out in a contract (Simchi-Levi et al., 2008). The framework of agreements is documented so when deviation from the desired lead times occur it limits disruption to the organization when the organizational processes prompt suppliers' side with the supply chain timelines. It is an obligation on behalf of parties to have constant communication with suppliers to work to minimize any logistical difficulties which can improve delivery (Handfield et al., 2020).

Cost efficiency; Strategic sourcing centers on cost efficiency through optimized procurement processes and supplier negotiations. Ellram and Tate (2016) explain that strategic sourcing achieves total cost reduction through three key elements: leveraging economies of scale and

competitive bidding and establishing value-added partnerships. The combination of collaborative relationships with contract management enables organizations to achieve cost savings through bulk purchasing discounts and process innovations while maintaining budgetary discipline through fixed pricing models and cost-control clauses (Handfield et al., 2020). Simchi-Levi et al. (2008) show that suppliers will identify cost-reduction initiatives when they enter long-term contracts with performance-based reward systems.

Flexibility; stands as an essential capability which gains more importance in environments marked by uncertainty and volatility. The indicators for measuring flexibility include product mix responsiveness together with volume flexibility and supplier substitution capability according to Sanchez & Perez (2005). According to Christopher (2016) agile procurement strategies including dynamic inventory management and contingency planning receive support from collaborative supplier relationships which enable quick production schedule adjustments. Operational resilience improves through contracts that include volume flexibility provisions and alternative sourcing options (Simchi-Levi et al., 2008).

2.7. Strategic Sourcing and Operational Performance in the Beverage Industry

Empirical evidence indicates that rigorous supplier selection is strongly linked to operational performance in beverage (and food/beverage) firms. Chebichii, Namusonge, and Makokha (2023) found that careful selection of suppliers accounted for as much as 49% of variance in firm performance in the context of food and beverage manufacturing in Kenya. This means practical management decisions to select suppliers based on stringent criteria would produce downstream effects of quality outputs and operational efficiencies. It appears that Ghanaian managers also reported that strong supplier relationships, developed responsibly through supplier selection and vetting, resulted in quality inputs and lower procurement costs. These findings conform to the broader procurement theory: firms which screen suppliers based on quality and flexibility typically exhibit higher product quality, better on-time delivery, and lower total cost. Overall, recent studies suggest that quality, reliable, and affordable strategic supplier selection is positively correlated with quality, costs, and flexibility performance in the beverage sector (Chebichii et al.,2023).

Buyer supplier relationships; Studies reported significant benefits to performance with cooperating supply relationships based on trust. Azeem and Ahmed (2015) surveyed beverage manufacturers in Pakistan and reported that trust, communication, cooperation, and commitment dimensions of partnership each exerted a positive effect on organizations' performance. For example, increased levels of trust and open communication in a buyer supplier relationship were reported to be positively correlated with agreed outcomes and performance effects, adherence, and general performance improvement. Similarly, in a study of FMCG firms in South Africa, Loury-Okoumba and Mafini (2018) reported that buyer supplier trust was the strongest highest performance driver and had a significant positive structural effect on supplier performance. These relational practices inform the operational targets pursued by firms; in a Ghanaian case study, respondents reported that close engagement with suppliers, facilitated by buyer-supplier collaboration improved flexibility (refer to previously defined operational targets) and on-time delivery (flexibility) as well as improved procurement quality and reduced costs. In summary, the literature shows evidence that high quality inputs, better delivery performance and lower costs can be expected when firms engage in trusting and cooperative buyer-supplier partnerships characterized by information sharing (Azeem & Ahmed, 2015; Loury-Okoumba & Mafini, 2018; Yamoah et al., 2022).

Contract management, Operational outcomes receive direct influence from the formalized process of creating sourcing agreements through contract management. The literature contains limited studies about beverage-specific contracting yet research related to this field demonstrates its essential role. Kamaruzzaman et al. (2019) show through their research that specific contract elements in Indonesian manufacturing projects directly impact performance results. The structural analysis reveals that extended contract durations lead to inferior product quality and extended delivery times. The research indicates that contracts with excessive duration or strictness tend to negatively affect both product quality and delivery times. The implementation of performance incentives and flexible contract terms (e.g. quality/delivery clauses and short cycles) leads to better operational results. The beverage industry benefits from performance-based agreements and balanced terms in contracts because they guarantee supplier quality and delivery performance but adversarial or inflexible contracts create production delays and increased costs.

The prior research indicates that beverage companies achieve better quality and delivery performance together with cost efficiency and flexibility through strategic sourcing integration. Strategic sourcing practices that include supplier selection and relationship development and contract management enable companies to achieve better quality and cost competitiveness and supplier reliability and flexibility. The food and beverage sector demonstrates through empirical research that strategic sourcing practices (selection, relationships, contracting) create positive effects on operational metrics including quality, delivery performance, cost efficiency and flexibility. The alignment between these elements demonstrates that comprehensive sourcing approaches deliver competitive performance benefits to the beverage industry.

2.8. Research Gaps

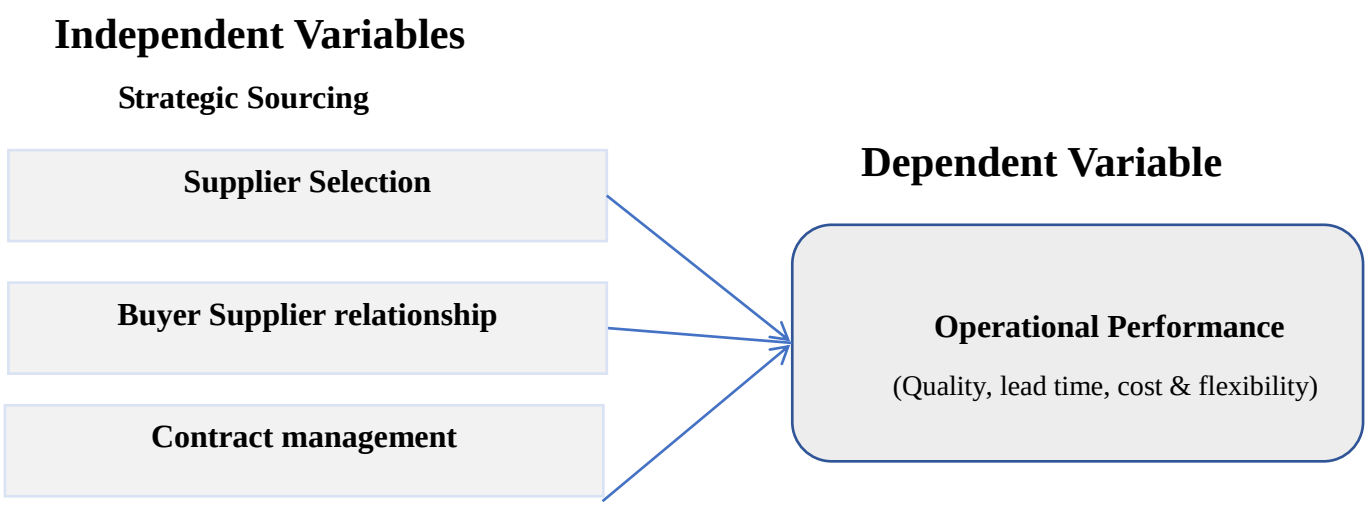
The beverage industry lacks sufficient empirical research about strategic sourcing even though researchers have studied this topic extensively in general manufacturing and supply chain contexts. The investigation by Chebichii et al. (2023) and Azeem and Ahmed (2015) offers important insights about supplier selection and buyer–supplier relationships but lacks performance metrics that include flexibility. The study by Loury-Okoumba and Mafini (2018) highlights buyer supplier trust as a performance determinant but the research draws from the fast-moving consumer goods (FMCG) sector without isolating results for beverage producers.

And the available research shows an unbalanced distribution across geographic regions. Research on sourcing practices exists in Kenya (Chebichii et al., 2023), South Africa (Loury-Okoumba & Mafini, 2018) and Ghana (Yamoah et al., 2022) but there is limited empirical evidence from Ethiopia and comparable emerging markets. The research gap is significant because KBP and other beverage firms in these economies experience fast growth which influences their sourcing approaches through cultural factors. Most empirical research investigates separate sourcing dimensions such as supplier selection and buyer–supplier relationships independently. The three pillars of strategic sourcing dimensions (selection, relationship, and contract management) are rarely integrated into a single framework for operational performance analysis according to Flynn et al. (1995) and Kamaruzzaman et al. (2019). Strategic sourcing practices show underexplored interdependencies between them especially when studied in developing countries and specific sectors.

2.9. Conceptual Framework of the study

The conceptual framework depicts that grounded interaction for this research exists with Resource-Based View (RBV) as well as empirical supply chain literature perceptions. Firms tactically gain a competitive advantage through acquiring and managing valuable external resources such as supplier capabilities trust-based relationships and well-designed contracts RBV posits (Barney 1991). Planned sourcing lets firms access critical resources since it improves internal competencies including cost efficiency, delivery responsiveness, production quality & flexibility. Since this theoretical foundation connects, the framework depicts the study through integrating three dimensions of calculated sourcing practices: Select Suppliers, Relate to Buyers, and Manage Contracts as independent variables. Theorists believe that these practices do positively influence Operational Performance being the dependent variable. Four core metrics measure it: Quality, Delivery Time, Cost, as well as Flexibility. This model fits previous empirical findings. For instance, Chebichii et al. (2023) did show something in an empirical way. They showed that the selection of a supplier impacts upon the quality and the cost in beverage firms to a large degree. Likewise, Azeem and Ahmed (2015) and Loury-Okoumba and Mafini (2018) found strong correlations between buyer–supplier collaboration and improved delivery and flexibility outcomes, according to the Li et al. (2020) study that revealed rigor contract positively affects time delivery and cost.

Figure: 2.1. Conceptual framework of the study



Adapted and modified from (Kannan & Tan, 2006, Chen et al., 2004 and Prajogo, 2012)

CHAPTER THREE
3. RESEARCH METHODOLOGY

The design and methodological framework of a study serve as a comprehensive roadmap, guiding the research towards achieving its intended objectives. Therefore, meticulous attention must be devoted to articulating this framework. In this context, a detailed exposition is provided, encompassing the specific research design to be employed, the sources and methods of data collection, the target population and unit of analysis, as well as the respondents. Additionally, it outlines the instruments to be utilized, their development process, the variables under investigation along with their corresponding measurement items, and the procedures for processing data, analysis and presentation.

3.1. Description of the study area

The Ethiopian brewery industry has grown significantly in recent years, emerging as a crucial sector within the country's economy. Beer production dominates the formal alcoholic beverage market, accounting for 98.9% of total consumption in 2022 (Food Business Africa, 2023). The brewery sector has a rich history dating back to 1922 with the establishment of St. George Brewery. Over the past century, the industry has grown significantly with Ethiopia now boasting a production capacity of approximately 9.5 million hectoliters of beer annually. Continued investments, new product introductions, and increased local sourcing are expected to sustain this growth trajectory. Despite challenges, Ethiopia’s beer industry remains resilient, with projections indicating the sector will reach USD 3.12 billion by 2025, registering a compound annual growth rate (CAGR) of 10.25% (Food Business Africa, 2023).

The study focused on Komari Beverage PLC which is relatively recent entrant in the industry and a pioneering Ethiopian beverage company, best known for introducing Arada Hard Seltzer, the country's first locally produced hard seltzer. Founded in 2017 and headquartered in Addis Ababa, KBP quickly gained recognition for its innovative approach to ready-to-drink beverages, offering lightly sweetened, zero-sugar cocktails with 5% alcohol by volume in flavors like apple, lime, and pineapple. The production facility located at Cheki, North Shoa Zone, Amhara Region, approximately 96 km northeast of Addis Ababa. This factory boasts a production capacity of 27,000 bottles per hour, underscoring the company's commitment to quality and scalability. The

company distributes its product to various regions of Ethiopia, including Amhara, Oromia, Southern Nations, Nationalities, and Peoples' Region (SNNPR), Tigray, Harari, including contributing to the economic development of these areas. The study explores how strategic sourcing affects operational performance of KBP.

3.2. Research Approach

Research Approach refers to the overarching plan of action that guides the process of collecting, analyzing, and interpreting data in a study, whether qualitative, quantitative, or mixed methods (Saunders et al., 2019). As Croswell (2011) explains, the goal of quantitative research is to test theories and hypotheses about real-world phenomena. By analyzing relationships between variables using mathematical models, researchers can uncover patterns and draw data-driven conclusions. The study adopted a quantitative research approach focusing on the systematic collection and analysis of numerical data. Quantitative methods allow for precise measure variables and apply inferential statistics; such as correlation and regression analysis; to assess the strength and significance of the relationships between strategic sourcing practices and operational performance.

3.3. Research Design

It is the overall plan and structure of a study that guides the collection, measurement, and analysis of data in order to answer research questions and achieve the study's objectives (Creswell & Creswell, 2018). The study deployed an explanatory research design to investigate the effect of strategic sourcing on operational performance of Komari Beverage PLC. This design is appropriate as it allows for the identification of causal relationships between independent variables - Strategic sourcing practice (supplier selection, buyer-supplier relationships, and contract management) and dependent variable - operational performance (Quality, delivery time, cost and flexibility). The study used a quantitative survey strategy to collect the data from employees across key departments at Komari Beverage PLCs from both; headquarter office and Factory. The data for the study were collected during the 2024/2025 fiscal year, focusing on how strategic sourcing practices affect the operational performance of KBP.

3.4. Target Population

The target population refers to the complete group of individuals or objects that a researcher aims to study, from which a sample can be drawn for generalization purposes (Creswell & Creswell, 2018). The study's target population comprises 83 KBP's employee sampled from four key departments: procurement, supply chain, production and finance, which had selected in purposive method. These departments contribute directly or indirectly to the sourcing process. Due to the very small number of population and to ensure comprehensive data collection, a census survey method was employed across these departments.

Table 3.1 Target Population of the Study

Units	**Population size**
Procurement department	11
Supply chain department	27
Production department	34
Finance department	11
Total	**83**

Source: Own survey result, 2025

3.5. Data Sources and Collection Methods

3.5.1. Data collection method

The researcher secured approval from the the organization's human resources manager of participating in the study to carry out the research within their companies. Following the approval, the data collection process began. Initial outreach was made to respondents to clarify the study's purpose and nature, which aimed to enhance the response degree. The structured questionnaire was distributed to and collected in person from employees at both; Head Office and plant.

3.5.2. Source of data

The researcher used a combination of both primary and secondary data to analyze the effects of strategic sourcing. Primary data has gathered through structured aimed at obtaining quantitative information regarding supplier selection, buyer supplier relationships, contract management and

operational performance of KBP. Secondary data sourced from organizational records, industry reports, and academic literature to contextualize and enhance the understanding of strategic sourcing practices and their effect on operational performance, for that, the researcher conducted thorough review of industry reports to support literature. Additionally, the researcher referred documentation and manuals that outline procurement objectives and detail existing contracts. This comprehensive analysis facilitated a deeper understanding of the procurement landscape.

3.5.3. Data collection procedure

The research utilized a survey method and a structured questionnaire as the main instrument for data collection owing to its straightforwardness and efficiency in obtaining quantitative information. The questionnaire is divided into five main sections; the first section collects demographic information. Second section focuses on supplier selection practices. The third section examines buyer-supplier relationships practices. The fourth section analyzes contract management practices. The final section measures operational performance through metrics such as quality, delivery time, cost efficiency and flexibility.

The questionnaire featured both closed-ended and Likert-scale questions to facilitate thorough data collection. The questionnaire primarily used closed-ended questions and a five-point Likert scale to ensure consistency and ease of data analysis (Bryman & Bell, 2015). The five-point Likert scale helped to create the near end questionnaire, with 5-indicating Strongly Agree, 4 - Agree, 3 - Neutral, 2 - Disagree, and 1 indicating Strongly Disagree, (Likert, 1932; Boone & Boone, 2012). This structured approach allows for the systematic collection of quantitative data, enabling the use of statistical tools like SPSS for analysis.

3.6. Data Analysis Methods

Data Analysis Methods refer to the systematic techniques and procedures used to process, interpret, and derive meaningful insights from collected data, ensuring alignment with the research objectives and methodological framework (Creswell & Creswell, 2018). The study used both descriptive and inferential statistical methods to analyze the data. The primary tool for analysis is SPSS 26.0, which will be used to perform descriptive statistics (e.g., percentages,

frequencies, means, standard deviation) and inferential statistics (e.g., correlation analysis, multiple linear regression).

Quantitative Analysis

To quantitatively assess the effect of strategic sourcing practices on operational performance, a multiple linear regression model had developed. This model helped to identify the strength and significance of the relationships between the independent variables (strategic sourcing practices) & the dependent variable (operational performance). The general form of the regression model is:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\epsilon$$

Where:

Y = Operational performance (dependent variable), measured by metrics such as quality, delivery time, cost efficiency and flexibility.

X1= Supplier selection (independent variable)

X2= Buyer-supplier relationship (independent variable).

X3= Contract management (independent variable).

β0 = Intercept (constant term).

β1, β2, β3 = Regression coefficients, representing the impact of each independent variable on operational performance.

ϵ = Error term, accounting for unexplained variability

Inferential statistics, specifically the Pearson Correlation Coefficient, was utilized to examine the relationship between strategic sourcing practices and the operational performance of the organization. This statistical method is widely recognized for measuring the direction and strength of a linear relationship between variables (Tharenou, Donohue, and Cooper, 2007). Additionally, multiple regression analysis was conducted as part of the broader data analysis process. This analysis aimed to determine the extent to which factors such as advance notification of changing needs, exchange of proprietary information, updates on events or

changes affecting the other party, frequency of information exchange, and the timeliness, accuracy, and completeness of shared information (as noted by Chen et al., 2004; Krause et al., 2007; Li et al., 2006) influence operational performance through strategic sourcing practices. Finally, a detailed interpretation and discussion of the statistical analysis results were provided.

3.7. Reliability and Validity test instrument

3.7.1. Reliability Test

To ensure the accuracy and consistency of the measurement instruments, a reliability test was conducted. Among various reliability coefficients available, Cronbach's Alpha is one of the most widely applied. A low Cronbach's Alpha value suggests that the items may not be measuring the same underlying construct, while a high value indicates that the items are consistently reflecting the intended construct. For a scale to be considered reliable, the Cronbach's Alpha coefficient should exceed 0.70. Scales with values below this threshold are typically deemed unreliable and should be excluded (Sharma, 2016).

Table 3.2. Reliability test

Reliability Statistics		
Variables/ Dimensions	**No of Items**	**Cronbach's Alpha**
Supplier Selection	7	0.759
Buyer Supplier relationship	7	0.833
Contract Management	6	0.705
Operational Performance	12	0.886

***Source: Own survey result, 2025*.**

The reliability of the Likert scale questionnaire items was assessed using Cronbach's Alpha coefficient, calculated through SPSS software 2022 version to determine internal consistency. According to commonly accepted standards, a Cronbach's Alpha value above 0.70 is considered indicative of acceptable reliability (Leary, 2012). In this study, the computed alpha for all variables was >0.70, demonstrating strong internal consistency among the items and supporting the reliability and credibility of the study's findings.

3.7.2. Validity instrument Test

Content validity in this study was ensured through a thorough review of existing literature and by adapting measurement tools previously validated in related research. Content validity refers to the degree to which a measurement tool accurately represents the construct it is intended to assess (Fitzpatrick, 1983). Campbell (1960) categorized the primary forms of validity as related to content, related to criterion, and related to construction. In general, validation pertains to how well a test or instrument measures what it is supposed to measure. Groth-Marnat (2003) further described content validity as the degree to which a test captures the theoretical construct or trait under investigation.

A number of measures used to guarantee the legitimacy of this research. The study identified three key independent variables representing the core pillars of strategic sourcing: supplier selection practices, buyer supplier relationships and contract management. The dependent variable was operational performance. Based on an extensive review of relevant literature, seven items of each were selected to measure both supplier selection practices and buyer supplier relationships, while six items were used to assess contract management. Operational performance was evaluated using twelve distinct measurement items.

Table 3. 3: Variables and measurement items

No	**Variables with items**		**Adapted from:**
1	Supplier selection (7)		Dickson (1966); Ho et al. (2010); Chai et al. (2013)
2	Buyer supplier relationship (7)		Chen et al. (2004); Nyaga et al. (2010); Kannan & Tan (2006)
3	Contract management (6)		Cousins et al. (2008); Zhang et al. (2016); McCue & Pitzer (2000)
4	Operational Performance	Quality (3)	Ho et al., 2010; Chen et al., 2004; Zheng et al., 2007
		Delivery Time (3)	Dulmin & Mininno, 2003; Nyaga et al., 2010; Thai, 2009
		Cost (3)	Ho et al., 2010; Chen et al., 2004; Zheng et al., 2007
		Flexibility (3)	Chen et al., 2004; Nyaga et al., 2010; Thai, 2009

3.8. Ethical consideration

Ethics pertains to the appropriateness of the researcher's conduct in relation to the rights of individuals who participate in or are impacted by the study (Saunders, Lewis, and Thornhill 2001, p.130). In this research, data were collected through questionnaires administered to selected respondents. To protect participant privacy, respondents were not asked to provide their names. Before data will be collected, all respondents has informed consent to take part in the study in which explanation for the study's purpose will be provided, including the voluntary nature of their participation and right to pull back from the study at any time. The information gathered was treated with strict confidentiality and used solely for academic purposes. Responses were analyzed in their original form, without any alterations by the researcher. Additionally, all sources used as references throughout the study were properly cited, demonstrating respect for the intellectual contributions of previous researchers.

CHAPTER FOUR
RESULTS AND DISCUSSIONS

Introduction

This chapter presents, analyzes, and interprets the collected data. It covers the key characteristics of the sample population and the results of the t-test examining the relationship between strategic sourcing and the organization's operational performance. To ensure a clear and logical flow, the discussion begins with an instrument reliability test, followed by an overview of the respondents' demographic profiles. After that, the findings from the descriptive statistics, correlation analysis, and regression analysis are presented in sequence. All data were processed and evaluated using SPSS 2022 (Statistical Package for the Social Sciences).

4.1. Response Rate

A total of 83 questionnaires were distributed to the sample population, and 76 questionnaires were returned and effectively used for analysis, resulting in a response rate of 91.57%. The remaining seven respondents who did not participate in the survey were absent due to maternity leave, turnover, and annual leave.

Table 4.1 Respondents' response rate

Target Department	Distributed questionaries in number	Collected/returned questionaries in number	Unreturned questionaries in number
Procurement	11	11	-
Supply Chain	27	25	2
Production	34	30	4
Finance	11	10	1
Total	**83**	**76**	**7**

Source: Own survey result, 2025.

4.2. Analysis of the Demographic Characteristics of Respondents

Table 4.2 Respondents' demographic profile

The general information inquiries included questions about gender, age, department, educational background, current duties, and years of service at the company. This information was collected to help generalize the attributes of the respondents.

Variables		**Frequency**	**Percentage**	**Valid Percentage**
Genders of the respondent	Male	49	59.04	64.47
	Female	27	32.53	35.53
	Total	**76**	**91.57**	**100**
Missing		7	8.43	
Total		**83**	**100**	
Age of the Respondent	18-25	13	15.67	17.11
	26-35	41	49.39	53.94
	36-45	20	24.10	26.32
	>46	2	2.41	2.63
	Total	**76**	**91.57**	**100**
Missing		7	8.43	
Total		**83**	**100**	
Departments of the respondent	Procurement	11	13.25	14.48
	Supply chain	25	30.13	32.89
	Production	30	36.14	39.47
	Finance	10	12.05	13.16
	Total	**76**	**91.57**	**100**
Missing system		7	8.43	
Total		**83**	**100**	
Education level of	Certificate	7	8.43	9.21
	Diploma	13	15.67	17.11
	BA/Bsc	33	39.76	43.42

the Respondent	MA	23	27.71	30.26
	Total	**76**	**91.57**	**100**
Missing system		7	8.43	
Total		**83**	**100**	
Roles of the respondent	Officer	31	37.36	40.79
	Sr. Officer	19	22.89	25
	Manager	13	15.66	17.11
	SME	6	7.23	7.89
	Other	7	8.43	9.21
	Total	**76**	**91.57**	**100**
Missing system		7	8.43	
Total		**83**	**100**	
Durations of the respondent at the company (Year)	<2	34	40.96	44.74
	2-4	23	27.71	30.26
	5-7	13	15.67	17.11
	>7	6	7.23	7.89
	Missing error	7	8.43	
	Total	**76**	**91.57**	**100**
Missing system		7	8.43	
Total		**83**	**100**	

***Source: Own survey result, 2025*.**

The majority of the respondents are 49 (59.04%) were male, with 27 (39.96%) are females.

In terms of age distribution, 13 respondents (17.11%) were between the ages of 18 and 25, 44 respondents (53.94%) were between 26 and 35, 20 respondents (26.32%) fell within the 36 to 45 age range, and 2 respondents (2.63%) were older than 46. This data indicates that the largest group of respondents, comprising 53.94%, is within the 26 to 35 age range, while the smallest group, at 2.63%, consists of those aged 46 and above.

Regarding the departments of the respondents, 11 individuals (14.48%) were from the procurement department, 25 individuals (32.89%) were in the supply chain department, 30 individuals (39.47%) belonged to the production department, and 10 individuals (13.16%) were from the finance department. This data reveals that the production department had the highest representation at 39.47%, while the finance department had the lowest at 13.16%.

According to the educational levels of the respondents, 7 individuals (9.21%) held a certificate, 13 individuals (17.11%) completed a diploma, 33 individuals (43.42%) obtained their first degree, and 23 individuals (30.26%) achieved a second degree. This indicates that the highest percentage of respondents, at 43.42%, completed their first degree, while the lowest percentage, at 9.21%, held a certificate.

In terms of the roles of respondents within the company, 31 individuals (40.79%) were at the officer level, 23 individuals (25%) served as senior officers, 13 individuals (17.11%) were managers, 6 individuals (7.89%) were part of the senior management team (SMT), and 7 individuals (9.21%) selected other roles. This data shows that the highest representation, at 40.79%, was in the officer role, while the lowest, at 7.89%, was in the SMT.

The employee experience is categorized as follows: 34 individuals (44.74%) had less than two years of experience, 23 individuals (30.26%) had two to four years of experience, 13 individuals (17.11%) had five to seven years of experience, and 6 individuals (7.89%) had more than seven years of experience. This data indicates that the highest percentage of respondents, at 44.74%, reported having less than two years of experience, while the lowest percentage, at 7.89%, had more than seven years of experience.

4.3. Descriptive Analysis for Strategic Sourcing Practices and Operational Performance

The mean represents the average response from participants regarding a specific aspect, while the standard deviation measures how much their opinions differ. When the standard deviation is high, it indicates that responses varied widely, meaning participants held diverse views. Conversely, a low standard deviation suggests that most respondents had similar perspectives.

To interpret the findings, the study used a five-point Likert scale ranging from strongly-disagree to strongly-agree. The composite mean values were interpreted based on the Likert scale

benchmark proposed by Zaid and Moon (2020), where 1.00–1.80 indicates strong disagreement, 1.81–2.60 reflects disagreement, 2.61–3.40 suggests neutrality, 3.41–4.20 implies agreement, and 4.21–5.00 denotes strong agreement.

Descriptive statistics were applied to assess the mean and standard deviation for both the independent variable; strategic sourcing practices, (i.e., supplier selection, buyer-supplier relationship & contract management) and the dependent variable (operational performance). The summarized results of these calculations are presented in the following table.

Table 4.3. Composite scores of mean and standard deviations for variables

Variables	**Mean**	**Standard deviation**
Supplier selection	3.415	1.006
Buyer supplier relationship	3.68	0.932
Contract management	3.675	0.955
Operational Performance	3.677	0.939

Source: Own Survey Result, 2025

4.3.1. Response of perception on Strategic Sourcing Practice

The mean values of each of the scales of strategic sourcing practice result were between 3.415 and 3.68 with almost comparable standard deviations that range between 0.932 and 1.006. The lowest mean value is registered in the case of supplier selection it may indicate room for improvement to compare with the other and the highest mean scores registered in case of buyer-supplier relationships with 3.68, and contract management is almost close to to the highest and highlights their interconnected roles in driving organizational efficiency.

4.3.2. Response of perception on Operational performance

The Operational performance has high mean score (3.677) and moderate variability (0.939), shows the participants broadly agree their operational outcomes are satisfactory, likely influenced by robust supplier partnerships and contractual frameworks. And the result in standard deviations shows a consistency (all close to 0.939–1.006) reflects moderate variability in responses.

4.4. Correlation Analysis

To examine potential relationships between independent and dependent variables, this study conducted Pearson-correlation analysis. This statistical method helps identify whether meaningful connections exist between variables while also revealing the strength and direction of these relationships. Specifically, the study analyzed three key dimensions of strategic sourcing (Supplier selection practice, Buyer-supplier relationships, and Contract management).

The analysis employed Pearson's correlation coefficient, with results presented in a correlation matrix. The study evaluated variable associations using bivariate Pearson coefficients with two-tailed significance testing. Correlation values can range from -1 to +1, where zero indicates no relationship. Following established statistical guidelines (Field, 2005; Dancy & Reidy, 2004), we interpreted the strength of relationships as follows: 0.1-0.29 suggests a weak association, 0.3-0.49 indicates moderate correlation, and values above 0.5 demonstrate strong relationships. A perfect correlation would be represented by a coefficient of 1.

The findings from this correlation analysis, detailing the relationships between independent variable and dependent variable, are presented and summarized in the following table.

Table 4.4: Correlation between strategic sourcing and operational performance

Correlations					
		Supplier Selection	Buyer supplier relationship	Contract management	Operational performance
Supplier Selection	Pearson Correlation	1	.574**	.375**	.581**
	Sig. (2-tailed)		.000	.001	.000
	N	76	76	76	76
Buyer supplier relationship	Pearson Correlation	.574**	1	.548**	.883**
	Sig. (2-tailed)	.000		.000	.000
	N	76	76	76	76
Contract management	Pearson Correlation	.375**	.548**	1	.586**

	Sig. (2-tailed)	.001	.000		.000
	N	76	76	76	76
Operational performance	Pearson Correlation	.581**	.883**	.586**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	76	76	76	76
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Own Survey Result, 2025

As per Dancy and Reidy, 2004 guideline, the correlation result included with the range of 0.4 and 0.6 is considered moderate, while values between 0.7 and 0.9 indicate a strong correlation. The analyzed results above show that supplier selection has a moderate positive correlation with operational performance ($r = 0.581$, $p < 0.01$). This implication indicate that effective supplier selection practices are moderately associated with improvements in operational performance. Likewise, the contract management also demonstrate a moderate positive correlation with operational performance ($r = 0.586$, $p < 0.01$), indicating that better contract management tends to lead to improved operational performance outcomes. Where we come to the buyer-supplier relationship' it shows a strong positive correlation with operational performance ($r = 0.883$, $p < 0.01$). This implies that stronger and more collaborative relationships with suppliers are closely linked to higher levels of operational performance.

Among the three sourcing practices, the buyer-supplier relationship appears to have the strongest impact. Additionally, there are moderate correlations among the strategic sourcing factors themselves, such as between supplier selection and buyer-supplier relationship ($r = 0.574$), and between buyer-supplier relationship and contract management ($r = 0.548$). However, the correlation between supplier selection and contract management is relatively weaker ($r = 0.375$), though still significant.

4.5. Regression Analysis Assumption

Analysis of regression is a powerful statistical method for examining relationships between variables and building predictive models (Montgomery, Peck, & Vining, 2012). In this study, we employed linear regression to assess how well the dimensions of strategic sourcing (supplier selection, buyer-supplier relationships, and contract management) predict operational

performance outcomes. Before conducting the regression analysis, we first verified key statistical assumptions including normality and multicollinearity to ensure the validity of our results. These preliminary checks help guarantee that our findings accurately represent the sample data and provide reliable insights. The multiple linear regression approach allowed us to quantify both the strength of these predictive relationships and their collective ability to forecast operational performance levels. This method provides valuable information about which strategic sourcing components have the most significant influence on organizational outcomes.

4.5.1. Normality Distribution Test

Normality testing assesses whether data distributions meet the fundamental assumption of symmetric, bell-shaped curves required for parametric analyses (Pallant, 2020). Normality tests help us check if a sample comes from a normally distributed population (Micceri, 1989). For multiple regression analysis, it's important that the independent variables follow a normal distribution (Smith & Wells, 2006). To assess this, researchers often look at skewness and kurtosis—two key statistical measures. Skewness tells us how symmetrical the data is. If a distribution is perfectly symmetrical, it looks the same on both sides of the center. Kurtosis, on the other hand, describes how "heavy" or "light" the tails of the distribution are compared to a normal curve—basically, whether there are too many or too few extreme values.

Table 4.5 Normality Test: Skewness and Kurtosi

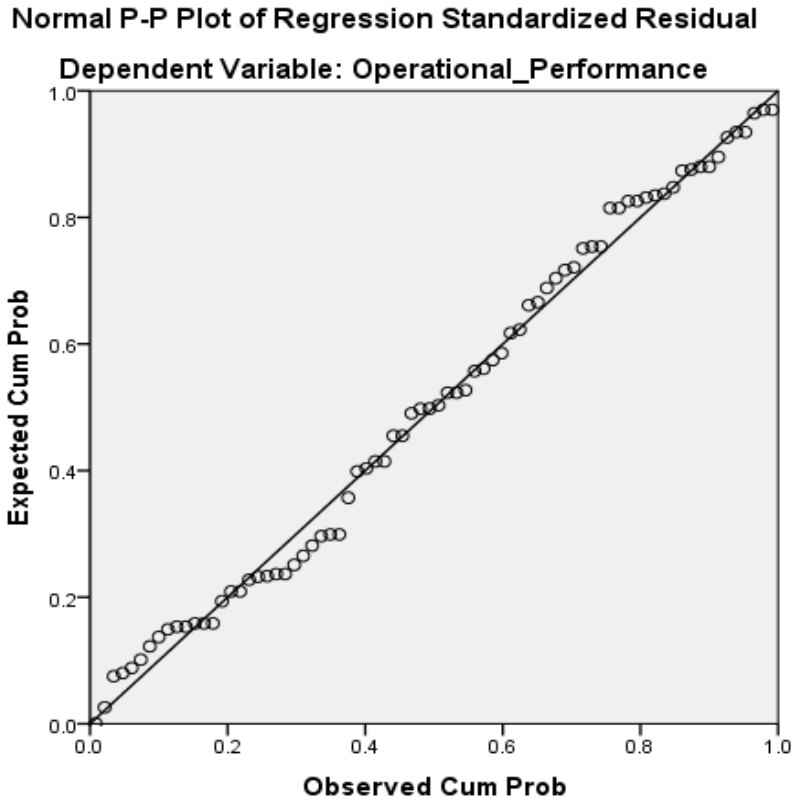
Descriptive Statistics						
	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Supplier Selection	76	20.5526	-.246	.276	.914	.545
Buyer Supplier Relationship	76	26.0132	-.606	.276	-.141	.545
Contract Management	76	22.0395	-.191	.276	-.635	.545
Operational Performance	76	44.1316	-.897	.276	.227	.545
Valid N (listwise)	76					

Generally, if skewness and kurtosis values fall between -1.0 and +1.0, the data is considered reasonably normal (Park, 2008). In this study, as shown in Table 4.4, all variables fell within this acceptable range, suggesting that they follow a normal distribution.

4.5.2. Normality of Residuals (Multivariate)

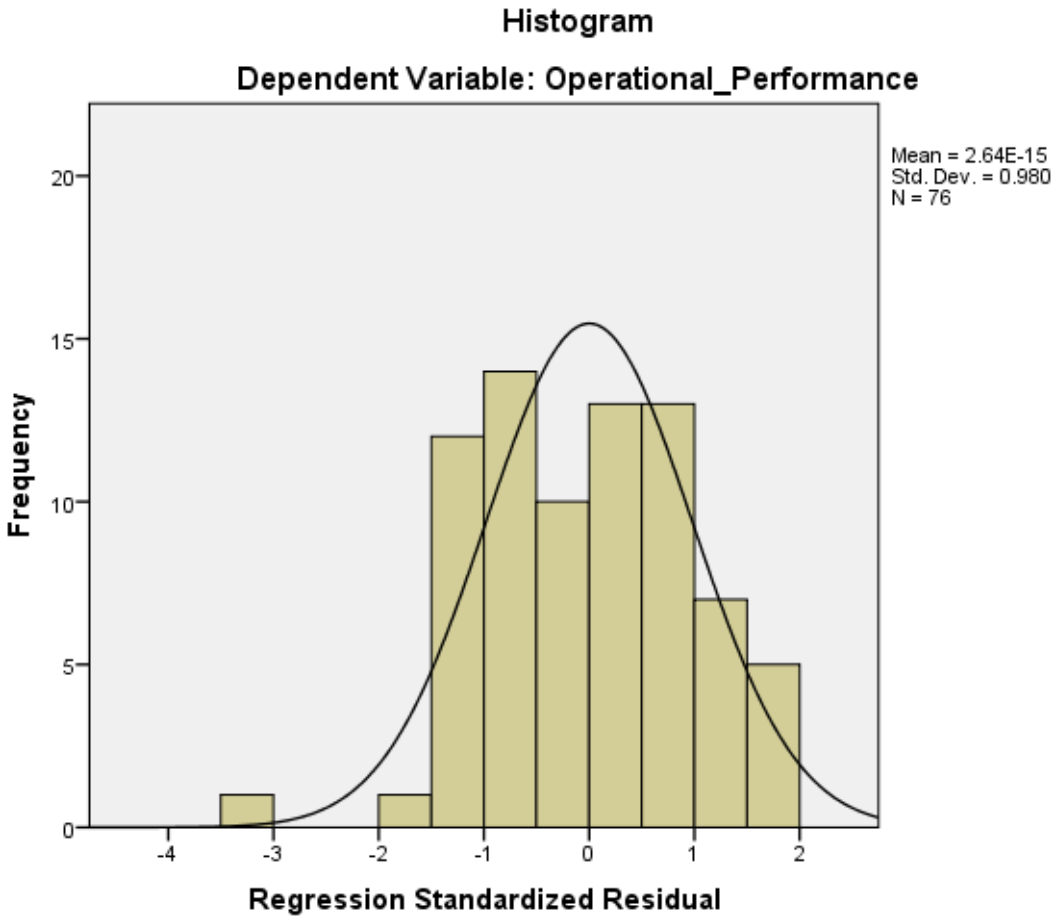
This control that estimators remain unbiased and efficient, particularly when sample sizes are small (Field, 2018). To analyze the predictor on operational performance of the Komari Beverage PLC. The P-P plot and Histogram of Residuals was utilized to test the normality of residuals.

Figure 4.1 P-P Plot of regression standardized residual



According to the above graph shows the most of the points are closely along the diagonal line end to end, which implicates the expected normal distribution. This kind of alignment propose that the standardized residuals are approximately normally distributed and signal that the normality assumption for the regression analysis is likely satisfied. Minor deviations at the tails are generally acceptable unless they are severe, implying that the regression results can be considered statistically reliable in terms of residual behavior.

Figure 4.2 Histogram of regression standardized residual

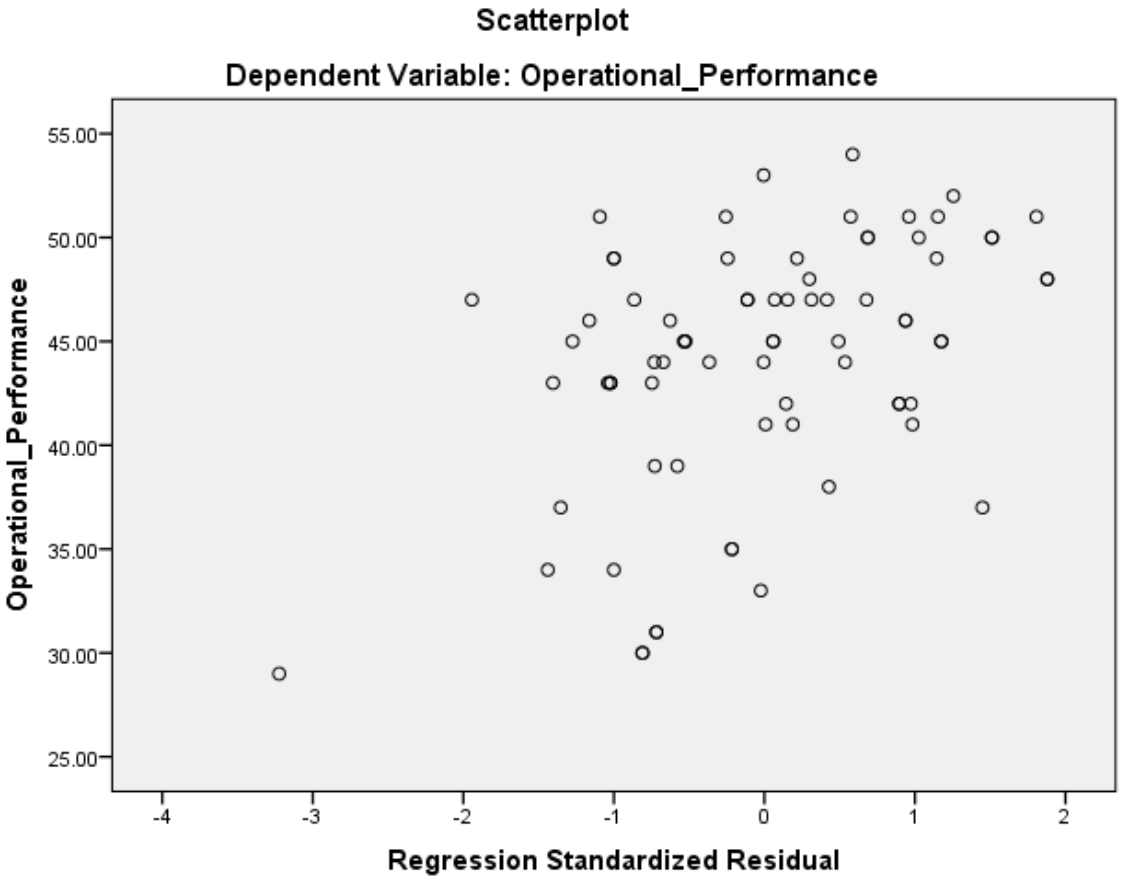


According to the above graph shows. the mean of the standardized residuals is effectively zero (2.64E-15 ≈ 0), and the standard deviation is very close to 1 (0.980). This strongly indicates that the regression model's residuals meet the key ordinary least squares (OLS) assumptions of having a mean of zero and constant variance (homoscedasticity) after standardization. The near-perfect alignment of the mean and standard deviation with their theoretical values suggests the model is appropriately specified with respect to these assumptions, and the standardization process was correctly applied, showing no significant bias or unexpected dispersion in the model's prediction errors.

4.5.3. Homoscedasticity Test

Homoscedasticity denotes the uniform distribution of residuals across predicted values, a critical regression assumption ensuring the reliability of parameter estimates (Field, 2018). It refers to the assumption that the variance of the errors (residuals) in a regression model is constant across all levels of the independent variables. When this assumption is violated (i.e., the errors have non-constant variance), it's called heteroscedasticity, which can lead to inefficient estimates and misleading statistical tests.

Figure 4.3. Scatter Plot



Based on the above figure, the residual results exhibit a relatively symmetrical distribution around zero, with values ranging from approximately -2 to +4, suggesting no severe outliers or systematic bias. The absence of visible funnel-shaped patterns (widening/narrowing spread) indicates homoscedasticity is reasonably met, implying consistent error variance across predicted values.

4.5.4. Multicollinearity Analysis

Multicollinearity issue occurs when an independent variable in the regression model is highly correlated with each other and this led to problems in interpreting the results because it becomes difficult to determine the individual effect of each variable. According to Robert (2006), when multicollinearity issue has detected, one solution is to remove one of the correlated variables or combine them into a single new variable. This is because highly correlated predictors tend to carry overlapping information. While they might collectively explain a significant portion of the dependent variable, each one may not appear to contribute much on its own. As Beyan (2014) explanation, the main effect of multicollinearity is that it weakens the predictive power of individual variables, depending on how strongly they are related to each other. This is the reason why we need to check multicollinearity and calculated the Tolerance and VIF values.

The tolerance value is an indication of the percentage of variance in the predictor that cannot be explained by the other predictors implying, the fact that very small values indicate overlap or sharing of predictive power, whereas VIF is the reciprocal of tolerance. Multicollinearity is not a problem if the tolerance value is above 0.1 & the VIF value is below 10.

4.5.4.1. Variance Inflation Factor (VIF) & Tolerance

Table 4.6: Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Supplier Selection	.665	1.504
	Buyer Supplier relationship	.541	1.847
	Contract management	.694	1.440

Source: Own Survey Result, 2025

The table shows; the multicollinearity test using both Tolerance and Variance Inflation Factor (VIF) values. In this study, all the independent variables fall within these acceptable ranges and since all Tolerance values are above 0.1 and VIF values are far below the cutoff point of 10, it can be concluded that there is no serious multicollinearity issue among the variables. This indicates that the independent variables can be used in the regression model without the risk of multicollinearity affecting the results.

Generally, the key assumptions of multiple regression were satisfied, allowing us to proceed with the analysis. We examined the model summary (including R and R^2 values), assessed the overall model fit using ANOVA, and interpreted the beta coefficients to understand the relationships between variables. Through multiple linear regression, we developed a predictive model and evaluated the strength and significance of each predictor. The results highlighted the effect of strategic sourcing on operational performance, providing valuable insights for decision-making.

4.6. Multiple Regression Analysis

4.6.1. The regression Model Summary

The regression model summary test is necessary in determining how well the indicator variables collectively explain the variation of the dependent variable. Specifically, According to Field (2018), the coefficient (R) measures how strongly all predictor variables collectively relate to the outcome. R values range from 0 to 1, where values closer to 1 indicate stronger predictive relationships, with 1 representing a perfect prediction of the observed data. R-squared (R^2) measures the proportion of variance in the outcome variable that can be explained by the linear combination of predictor variables. It indicates how well the model accounts for the observed variation in the data, with higher values representing better explanatory power.

Table 4.7: Model Summary result

Model Summary[b]									
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Change Statistics**				
					R Square Change	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.895[a]	.801	.792	2.71679	.801	96.431	3	72	.000
a. Predictors: (Constant), CM, SS, BSR									
b. Dependent Variable: OP									

Source: Own Survey Result, 2025

The above table shows there is a high correlation coefficient (R = .895) and it suggesting a strong relationship between the predictor's independent variables (strategic sourcing) and dependent variable (operational performance). The R Square value of .801 indicates that 80.1% of the variability in operational performance is explained by independent variables. The adjusted R

Square (.792) accounts for the number of predictors, confirming the robustness of the model. The F-change statistic (96.431) with a significance level of .000 confirms that the model is statistically significant, meaning the predictors significantly contribute to explaining changes in operational performance. Therefore, strategic sourcing elements significantly influence Komari Beverage PLC's operational efficiency.

4.6.2. Analysis of Variance (ANOVA)

The Analysis of Variance (ANOVA) test is critical for determining whether the means (average) of the independent variables significantly affect the dependent variable. In this model, ANOVA validates the whole significance of the model by comparing the model explained (variance) against the unexplained (residual variance). A significant F-statistic ($p < .05$) indicates that the regression model provides a better fit than a model with no predictors.

Table 4.8: ANOVA Result

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	2135.255	3	711.752	96.431	.000[b]
	Residual	531.429	72	7.381		
	Total	2666.684	75			
a. Dependent Variable: Operational Performance						
b. Predictors: (Constant) Supplier selection, Buyer supplier relationship, Contract management						

Source: Own Survey Result, 2025

From the above ANOVA table, the F-statistic is 96.431 with a significance value of .000, which is suit below of the conventional alpha level of 0.05. This suggests that the regression model significantly explains the variation in Operational Performance. Therefore, the combined effect of the predictors is statistically significant, meaning that these strategic sourcing constructs collectively have a substantial influence on operational outcomes.

4.6.3. The regression Coefficients

Coefficient test determines both the strength and significance of predictors (Independent variables) by offering insights into their relative importance through standardized Beta coefficients and reliability through p-values. The analysis evaluates the individual contribution of each independent variable to the dependent variables.

Table 4.9: Summary of coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	3.318	2.664		1.246	.217			
	Suppler selection	.164	.109	.097	1.505	.137	.581	.175	.079
	Buyer supplier relationship	1.202	.114	.751	10.505	.000	.883	.778	.553
	Contract management	.280	.128	.139	2.194	.031	.586	.250	.115
a. Dependent Variable: Operational performance									

Source: Own Survey Result, 2025

The above table shows that the regression results indicate that among the three predictors, the Buyer-Supplier Relationship has the most significant and substantial effect on Operational Performance ($\beta = .751$, $p < .001$), suggesting that stronger supplier relationships substantially boost performance outcomes. Contract Management also shows a significant positive effect ($\beta = .139$, $p = .031$), though to a lesser extent. Supplier selection, however, does not appear to significantly impact performance ($p = .137$). According to the result, the regression equation for predicting total operational performance based on a linear combination of predictor is as follows:

The regression equation of operational performance

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\epsilon$$

$$Y = 3.318 + .097\ X1 + .751\ X2 + .139\ X3 + \epsilon$$

Where Y= Operational Performance

X1, X2, X3 = Supplier Selection, Buyer-Supplier Relationship and Contract Management

e=sampling error

4.7. Discussion of the Result

4.7.1. The Effect of Supplier Selection on Operational Performance

While the correlation analysis reveals supplier selection demonstrates a moderate positive relationship with operational performance ($r = 0.581$, $p < 0.01$), the regression analysis revealed that supplier selection (SS) did not significantly predict operational performance ($\beta = 0.097$, *p* = 0.137). This result similarly reported non-significant selection effects ($\beta = .11$) by Koufteros et al. (2012), that supplier selection did not directly improve operational performance in terms of cost efficiency or flexibility in low-complexity industries ($\beta = 0.11$).

4.7.2. The Effect of Buyer supplier relationship on Operational Performance

Buyer-supplier relationship it shows a strong positive correlation with operational performance ($r = 0.883$, $p < 0.01$) and exerted the strongest influence on operational performance ($\beta = 0.751$, *p* < 0.001), aligning robustly with existing literature. This result is highly correlate with many prior empirical findings. For example, Carr and Pearson (1999) reported that collaborative relationships reduced lead times and boosted cost efficiency ($\beta = 0.68$, *p* < 0.001) across 139 manufacturing firms. Likewise, Fynes et al. (2005) found relational governance (e.g., trust, joint problem-solving) improved quality performance in supply chains (*r* = 0.71, *p* < 0.01). The magnitude of buyer supplier relationship effect in this study ($\beta = 0.751$) exceeds some prior estimates but corroborates meta-analytic findings by Terpend et al. (2008), which identified BSR as the strongest predictor of operational success (mean $\rho = 0.63$ across 148 studies). This result likely reflects how long-term supplier partnerships mitigate disruptions and enable resource

sharing consistent with Paulraj et al. (2008), who observed that relational capital accelerated innovation cycles in beverage industries. Similarly, the study finding has correlate with the result of Loury-Okoumba and Mafini (2018) which revealed a significant positive structural effect on performance. Together, these studies confirm that strong buyer–supplier ties are a cornerstone of superior operational performance in strategic sourcing.

4.7.3. The Effect of Contract management on Operational Performance

Contract management also demonstrate a moderate positive correlation with operational performance ($r = 0.586$, $p < 0.01$) and showed a significant but modest effect ($\beta = 0.139$, *p* = 0.031), partially supported by prior research. This result is in line with Wang and Rafiq's (2009) investigation of manufacturing firms, which found that contract management with formalized contract clauses covering performance metrics, penalties, and incentives were associated with reductions in process variability and costs. Likewise, Raiden et al. (2006) reported that proactive contract administration, including regular review meetings and performance audits, leads to measurable improvements in on-time delivery and compliance rates. Similarly, the study results have a positive effect in terms of quality and delivery reliability with Wang et al. (2021) and Eckerd et al. (2021). These empirical results demonstrate that systematic contract management complements selection and relational strategies to bolster overall operational outcomes.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter includes a summary of the major findings, conclusions, and recommendations. The main goal of the study was to analyze the effect of strategic sourcing, specifically supplier selection, buyer–supplier relationships, and contract management, on the operational performance of Komari Beverage PLC (KBP). Consequently, the study was conducted to answer the following basic questions.

- What is the effect of supplier selection practices on the operational performance of KBP?
- What is the effect of buyer supplier relationship on the operational performance KBP?
- What is the effect of contract management on the operational performance of KBP?

5.1. Summary of the findings

The study utilized survey data from 76 employees from a total distributed of 83 (91.57% response rate) and analyzed the effect of strategic sourcing practices on the operational performance of Komari Beverage PLC (KBP). Analysis of the three focal dimensions revealed distinct impacts. Supplier selection showed a moderate positive correlation with operational performance ($r = .581$, $p < .01$) and a moderate mean score ($M = 3.42$, $SD = 1.01$), indicating room for improvement. However, regression analysis found its direct predictive effect was not statistically significant ($\beta = .097$, $p = .137$), suggesting its influence may be indirect or contingent. Buyer-supplier relationship management emerged as the strongest driver: it had the highest perceptual mean ($M = 3.68$, $SD = .93$), a robust correlation ($r = .883$, $p < .01$), and exerted the most substantial significant predictive effect in the regression model ($\beta = .751$, $p < .001$). Contract management was also perceived positively ($M = 3.68$, $SD = .96$), showed a moderate correlation ($r = .586$, $p < .01$), and had a significant but modest direct effect ($\beta = .139$, $p = .031$), highlighting its supportive role. Collectively, these dimensions explained 80.1% of the variance in operational performance ($R^2 = .801$), with the full regression model being highly significant ($F(3, 72) = 96.43$, $p < .001$). Overall, the results indicate that strategic sourcing practices particularly Buyer Supplier Relationship and Contract management has a positively influence operational performance at Komari Beverage PLC, with collaborative buyer-supplier relationships being the most critical driver but the supplier selection resulted insignificant effect.

5.2. Conclusion

The purpose of the study was to reveal how the strategic sourcing affected the operational performance focused on Komari Beverage PLC. Under this study three objective were developed to answer the research questions.

The first research objective of the study was to analyze the effect of supplier selection of strategic sourcing on operational performance, from the finding the researcher can conclude that Supplier Selection does not directly improve operational performance despite a moderate correlation. Its non-significant regression coefficient, that means supplier selection alone is insufficient for driving tangible operational gains. This suggests that its function is as an enabling factor rather than a standalone predictor, requiring integration with relational or contractual mechanisms to yield impact.

The study's second research objective was to analyze the buyer-supplier relationship on operational performance and concluded that Buyer-Supplier Relationships are the cornerstone of operational success at KBP. BSR demonstrated an exceptionally strong direct effect and correlation with operational performance. This underscores that collaborative partnerships characterized by trust, joint problem-solving, and long-term commitment are critical for achieving efficiency, cost reduction, and agility performance at KBP.

The Third and last research objective was to analyze the effect of Contract management on operational performance and from the result of finding, it revealed that Contract Management provides significant but secondary reinforcement. While CM's direct effect was modest, moderate correlation and statistical significance confirm that robust contractual frameworks; performance metrics, compliance mechanisms. complement buyer supplier relationships to stabilize operational outcomes.

Generally, the study findings have suggested that the levels of strategic sourcing practices and operational performance are positive correlation at KBP as the perceived evaluation of the respondents reply. Strategic sourcing collectively explains 80.1% of operational variance (R^2 = 0.801), affirming its holistic value. The dominance of BSR within this model implies that KBP's operational excellence hinges more on relational investments than procedural rigor in supplier selection or contract administration.

5.3. Recommendations

Based on the study finding and result, the researcher offers the following recommendations.

The analysis highlights buyer supplier relationship as a dominant influence predictor on operational outcomes and a strong zero-order correlation. This underscores the critical role of collaborative, trust-based relationships in driving operational outcomes. Organizations should prioritize initiatives that foster long-term partnerships, such as joint problem-solving frameworks, regular communication channels. Recognition and Training programs focused on conflict resolution and collaborative negotiation could further strengthen buyer supplier relationship. Additionally, the long-term relationship mitigates inefficiencies and align mutual goals, leveraging buyer supplier relationship significant effect on the organization's operational excellence by securing best product quality, cost efficiency, reliable lead time for delivery and ability to meet the market demand fluctuation.

Contract management demonstrates a moderate yet statistically significant effect on operational performance, supported by its correlation with operational performance ($r = 0.586$). To optimize this, firms should institutionalize dynamic contract management practices featuring flexible terms, including clauses for flexibility, risk-sharing mechanisms, and performance-based incentives. Regular audits and compliance tracking systems can ensure adherence to contractual terms. Given CM's lower unique contribution (part correlation = 0.115) compared to BSR, integrating contract management with buyer supplier relationship strategies such as co-developing contracts with key suppliers could amplify its impact on operational performance.

While supplier selection exhibits a significant correlation with operational performance, its unique contribution in the regression model is non-significant, likely due to overlapping variance with buyer supplier relationship and contract management. However, SS remains foundational to strategic sourcing, the company should redesign to integrate relational potential, it includes maintaining rigorous selection criteria and reevaluate the selection practices to ensure a qualified supplier pool and the company should focus regularly reviews selection processes for improvements. Organizations could also use supplier selection as a gateway to build buyer supplier relationship and contract management capabilities, such as selecting suppliers open to collaborative innovation. Though SS's direct effect is attenuated in the presence of other

variables, its indirect role in enabling stronger BSR and CM justifies continued investment in data-driven selection processes.

5.3.1. Suggestions for Future Studies

To address these limitations, future research should:

- Adopt longitudinal or quasi-experimental designs to establish causal precedence between sourcing practices and performance outcomes, tracking variables like lead times.
- Integrate objective performance metrics (e.g., financial records, production logs) with perceptual survey data to mitigate common method bias and validate self-reported claims.
- Test indirect pathways for supplier selection via structural equation modeling (SEM), examining mediators like supplier innovation or risk resilience that may explain its correlation-operational performance gap ($r = 0.581$ vs. $\beta = 0.097$).

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Appendixes

Appendix A: Questionnaire

Addis Ababa University School of Commerce

Dear participants:

I would like to begin by expressing my sincere gratitude for your willingness to assist with my research. My name is Yoftahe Habtuye, and I am currently pursuing a master's degree in the Department of Logistics and Supply Chain Management at Addis Ababa University's School of Commerce. As part of my academic work, I am conducting a study on "The Effects of Strategic Sourcing on Operational Performance of Komari Beverage PLC."

Your participation is highly valued. Please answer all questions by marking "√" or "X" in the boxes that best reflects your opinion. Your responses will remain anonymous and will be used solely for research purposes.

Kindly ensure that all questions are answered.

Thank you for your time and cooperation.

Best regards,

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Part 1: General Information of the respondent

1.1. Gender

Male ☐ Female ☐

1.2. Age Bracket

18 – 25 years ☐ 26 – 35 years ☐

36 – 45 years ☐ above 46 years ☐

1.3. Education Level

Certificate ☐ BA/BSC Degree ☐

Diploma ☐ MSc/MA ☐

Other, please specify_____

1.4. Your Department in Komari Beverage PLC

- Procurement Department ☐
- Supply chain Department ☐
- Production Department ☐
- Finance Department ☐
- Other, please specify_____

1.5. Your present role/responsibility position

Officer ☐ Manager ☐

Senior Officer ☐ SMT ☐

Other, please specify_____

1.6. How long have you been working at Komari Beverage PLC?

Below 2 years ☐ 2 – 4 years ☐

4 – 7 years ☐ Above 7 years ☐

Part 2: Strategic Sourcing Practices

Kindly indicate your extent of agreement with the following statement on the effect of strategic sourcing on operational performance of Komari Beverage PLC. In the questionnaires the **number 5 is strongly agree (SA), number 4 is agreed (AG), number 3 uncertain (NU), 2 is disagree (DA) and 1 is strongly disagree (SD).**

2.1. Supplier Selection

No.	Measurement Item	Score				
2.1	**Supplier Selection**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
2.1.1	The company has a formal supplier selection policy in place.					
2.1.2	Our company uses clear objective criteria when selecting suppliers.					
2.1.3	Supplier evaluation includes cost, quality, delivery, and flexibility aspects.					
2.1.4	Supplier selection decisions are based on strategic fit rather than only price.					
2.1.5	Environmental and ethical factors are considered during supplier selection.					
2.1.6	Supplier selection decisions are based on a formal and structured process.					
2.1.7	The company regularly reviews supplier selection processes for improvements.					

2.2. Buyer-Supplier Relationship

No.	Measurement Item	Score				
2.2	**Buyer Supplier Relationship**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
2.2.1	Our company maintains strong communication with key suppliers.					
2.2.2	We collaborate with suppliers to solve problems and improve performance.					
2.2.3	Mutual trust exists between our company and suppliers.					
2.2.4	We engage in long-term relationships with strategic suppliers.					
2.2.5	Our suppliers are involved early in product or process development.					
2.2.6	Joint planning and forecasting with suppliers are practiced regularly.					
2.2.7	Our company organize the recognition and reward program for its partner.					

2.3. Contract Management

No.	Measurement Item	Score				
2.3	**Contract Management**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
2.3.1	Contract terms are aligned with the company's objectives.					
2.3.2	Contracts with suppliers clearly outline deliverable, terms, and expectations.					
2.3.3	Contract compliance is regularly monitored and evaluated.					
2.3.4	There is a formal process in place to manage contract changes and amendments.					
2.3.5	Contracts are negotiated to support long-term performance and risk mitigation.					
2.3.6	Our company enforces penalties and rewards specified in supplier contracts.					

Part 3: Operational Performance

No.	Measurement Item	Score				
3.1.	**Quality**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
3.1.1	Our supplier selection procedure has positively impacted the quality of procured products.					
3.1.2	The company's buyer supplier relationship practices have improved the procured product quality.					
3.1.3	Komari's contract management practice has improved suppliers′ quality performance.					

No.	Measurement Item	Score				
3.2.	**Delivery Time**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
3.2.1	Our supplier selection procedure improves on-time delivery performance.					
3.2.2	The company's buyer supplier relationship practices improve on-time delivery performance.					
3.2.3	Komari's contract management practice has led to more consistent and reliable supplier delivery outcomes.					

No.	Measurement Item	Score				
3.3.	**Cost**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
3.3.1	Our supplier selection procedure has helped us to reduce our procurement cost.					
3.3.2	The company's buyer supplier relationship practices improve the cost-saving opportunities.					
3.3.3	Komari's contract management practice has contributed to better cost saving and control.					

No.	Measurement Item	Score				
3.4.	**Flexibility**	**5 (SA)**	**4 (AG)**	**3 (NU)**	**2 (DA)**	**1 (SD)**
3.4.1	Our supplier selection procedure has enhanced our ability to respond to demand variability.					
3.4.2	The company's buyer supplier relationship practices have increased its operational flexibility.					
3.4.3	Komari's contract management practice has enabled us to react quickly to changing operational needs.					