



RESEARCH PAPER

Strategic Procurement Practices and Procurement Performance: A Practical Investigation of the Commercial Banks in Quetta

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ABSTRACT

The study examines the key procurement strategies employed by banks, such as supplier evaluations, contract negotiations, and supplier performance metrics. The research also analyzes the impact of technology on procurement processes and how banks can collaborate with suppliers to improve performance and reduce costs. The study aims to provide insights into best practices for strategic procurement in commercial banks, including cost savings, increased supplier performance, and improved quality of goods and services. The findings of this research can help banks enhance their procurement processes, which can ultimately lead to increased profitability and customer satisfaction. Therefore, this study has been conducted to describe the vital role of procurement in the commercial banks of Quetta, Balochistan. This study involves procurement practices to know their best role in performing the various functions of the banks which includes the procurement process, establishment of the procurement plan, strategic procurement practices, supplier chain management, and procurement performance. The study was quantitative in nature. Non probability method in which convenience sampling technique was used to collect data via questionnaire from the commercial banks operating in Quetta. Furthermore, SMART PLS 4. Was used to analyses the data. The result of the study has proved that significant positive effect of relationships between strategic procurement and procurement performance. Furthermore, challenges related to procurement mediate the relationship between both constructs.

Keywords: Strategic Procurement Practices, Strategic Procurement, Procurement performance

Introduction

The world is moving ahead and many technologies and innovations surround us. Among these innovations, procurement is increasing and creating its importance and presence in many businesses where it helps to fulfill part and every business entity easily to attain their desired goals. Procurement is very imperative due to severe changes in modern business strategies (Van Weele & Arbin, 2019). According to Van Weele & Arbin, (2019) Strategic procurement sets a narrow vision towards the implementation of procurement within the firm's other functions and be sure that every objective of procurement is linked with the objectives of the company.

According to Mena et al, (2020) some trends where trade and increasing technology have made the world more complex where people can connect and communicate everywhere and at any time. The relations with (CSR) help the companies to be socially involved with their owners and with the public. They mentioned that company is facing

difficulties and challenges within the environment in which the company operates its functions. Where the purchased pattern is becoming so featured due to the trends like globalization which has increased the competition on the other side it also provides a large number of potential suppliers but many companies argue that purchasing is not a part of management. They looked at purchasing as a separate corporate service.

In the case of keeping tough competition among various companies, the role of procurement has influenced the company's functions which tends to make the company believe that a certain role of procurement helps the company to attain suitable desired goals. Thus, this procurement then shapes the strategic procurement (Van Weele & Arbin, 2019)

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Furthermore, Strategic procurement empowers the procurement functions in a competitive environment in any organization. The procurement performance of any organization depends upon how each procurement function is positioned to serve the organization. If these functions are not managed well, it will show a negative impact on the organization's performance by lower procurement that leads to insufficiencies which will expose the firm to several risks. The procurement function helps the organization in the decision-making process and adding (Van Weeley & A.J, 2006). How commercial banks of Pakistan involve strategic management practices in banks.

Nantage (2011) suggested that strategic procurement has a direct impact on the commercial banks of Uganda if we study this in different settings and find out the same recommendations hold among commercial banks of Pakistan. How much the banks are willing to pay in procurement? How they manage procurement functions in the banking sector. All organizations involve strategic management practices. How commercial banks of Pakistan use strategic procurement management as a part of their business principle. What kind of help will procurement provide and how it empowers the commercial banks of Pakistan to perform their functions? Almost all organizations practice procurement as a function, the banking section also comprises an organization so let's see if there appears any function of procurement if yes then how much it could be

Literature Review

It has been Comprehended that strategic procurement is obtained in almost every country. Concerning public procurement strategic procurement Enhances the public policies and goals of the government. The advanced economy of the US and the United Kingdom has specific are using information systems to monitor the existing performance of public procurement and tends to report on strategic procurement issues, healthcare issues, crime rates, and household income (Phillips, 2018). The public sector scorecard model recognizes an effective measurement system for public performance, it suggests that effective PMS must include various important performance metric system which focuses on all activities including the transactional activities and service user outcomes strategic key of performance outcomes and financial outcomes (Moulin et al, 2017).

This type of typical capacity involves boosting up the workforce within the organization, the functional units like ICT infrastructure, and many top-level management leaderships. It has been noted that those countries which have adopted the well ICT infrastructure will have better strategic procurement performance metrics. It enables the company to monitor and report each transaction and it will increase the efficiency of the collection, sharing, and storage of procurement data (Anane & Kwarteng, 2019).

Procurement Process

Many procurement activities act as major components in any organization, such procurement activities are fascinating due to the use of the procurement process. Every firm has specific goals and product innovation strategies, to achieve such goals, the procurement process helps the firm to identify and defining of each step involved in the proper accretion of goods and services (Bag et al, 2020). Many studies found that the procurement process begins with procurement Planning and arrangement, product and service recognition, requisition review, and choosing the suitable supplier and contract manager (Adeniyi et al, 2020).

It has been shown in many types of research that risk appears as imminent in every business setting and its presence largely affects the business activities, and performance including the procurement process within supply chain activities (Dellana et al., 2021).

H1a: The Procurement Process Has a Positive Impact On a Firm's Performance.

According to Mabin & Balderstone (2020) within the process of procurement, many manufacturing companies disclose any such risks which may affect the overall procurement process and procurement performance. According to Mishra et al. (2020) As such related theories suggest that firms can only reduce these constraints by making continuous systems improvements through adopting various policies, practices, and total quality management.

According to Tarei et al. (2020) management support is an essential key to supporting the procurement process to minimize such risks and unusual activities concerned with the procurement process. Lack of such support may result in an unbalance and causes risk possibilities. According to Maulina et al. (2020) the possibility of risks increases when unethical practices occurred by procurement officers which also causes the weak value of the money system and the use of poor management risk systems.

Establishment of Procurement Plan

Procurement planning and preparation enables the firms to identify the specific needs, correct time, and funding and enables the firms to use these factors at the right place to successfully functions their operations to meet efficiency goals (Ezeanyin et al, 2020). Procurement planning play's important role in the relocation of resources according to the requirements and helps the firm in identifying procurement process initiatives and proper scheduling of procurement activities (Changlima et al, 2020). In every firm strategic

procurement, planning is considered the standard practice in a variety of contexts (George et al, 2019).

Constructing proper procurement plans enables the firm to reduce time-consuming and costs in any project and enhances the flexibility of operations, dependability, and speed (Chepkesis et al, 2018).

H1b: Procurement Plan Has a Positive Impact on the Firm's Performance.

According to Changalima et al. (2020) for attempting each procurement project successfully, the plan and preparation process is very necessary because there are many steps with the help of which the project is completed successfully if any breakage occurs in any of these steps may cause negative effect on procurement contracts and operational performance. One reason for the failure of firms is poor attention to procurement planning which results in poor product designs, low product quality, time-consuming projects, poor sourcing, and an increased number of inventories.

According to Mutia (2020) procurement planning refers to the process which tends to open enterprises and arrange the buying activities for a certain period.

Strategic Procurement Practices

Strategic procurement practices include the development and management of necessary suppliers, helping in the formation of the internal procurement function, it tends to help in matching customers' needs and expectations, saving costs accelerating functions to operate efficiently, it increases the possibility to match trusted supplier and product and services delivery (Wambui, 2018). Strategic management practices are those which empower the activities related to management and increase the performance of an integrated supply chain (Buffington & Howell, 2018).

Some of the studies involve methodological gaps concerning the strategic procurement practices to the performance of organizations whereas some studies use content analysis without further tests (Fernie & Sparks, 2018). The strategic procurement methods should be measured in terms of the advantages they have provided by the implementation of the original procurement strategy and implementation of their plans (Wambui, 2018).

H1c: Strategic procurement practices have a positive impact on a firm's performance.

According to Compton (2018) who noted that there are three key principles from which the strategic procurement practices should be driven; Equitable opportunity for all interested parties to present proposals; to prevent unusual activities based on the contractor's nationality or origins of goods and services; all these queries must be treated equitably. According to Johnson (2019) strategic procurement practices should include measurable targets more accurately and details for observers and implementation of the plan to agree on whether certain goals have been met or not.

According to Johnson (2019) the term SMART is often used to successfully guide certain goals. SMART stands for Specific, Measurable, Workable, Practical, and Time-limited. These goals provide the basis for the assessment of progress. According to Sutinen & Seurey (2018) Strategic procurement should be adopted within the general objectives of any organization. A good organization's strategic procurement plays a vital role in the formulation of the procurement process which guides and initiates to achieve of such corporate goals.

Supplier Relationship Management (SRM)

The SRM provides the correctional strategies for better planning and managing all interactions with third parties to choose and supply the best products and services to an organization and maximize the value of such interactions (Odongo & Motari, 2020). The main goal of SRM is to empower the relationship between an organization and supplier same as the customer relationship management (Beatrice & Mulyungi, 2019). The SRM provides the chain store strategies with the various stores, warehouses and manufacturers. With the help of SRM, the organization can choose the right quantities, the right location, and the right quality of product distribution. It also minimizes the high costs and keeps satisfying service level requirements (Gebrehiwott, 2021).

H1d: Supplier relationship management has a positive impact on the firm's performance

According to Lintong et al, (2019) SMEs are playing a good role in the marketplace, with the increasing number of SMEs the competition between businesses has become so competitive. So, the Business and supplier relationship should be well organized to increase the growth of the company. It has been identified that supplier relationship has a large impact on an organization's performance so a close and strong relationship is needed to expand the business which creates a standard for seeing how it has grown.

According to Mawati et al, (2018) SRM has an impact on overall business strategy as it is a systematic, enterprise-wide assessment of suppliers' assets and capabilities. It helps to identify what kind of activities should be engaged with the supplier including planning and interactions with the suppliers into an appropriate relationship life cycle to maximize the value realized through those interactions.

Procurement Performance

The performance should be designed to fulfill the obligation in such a way as to alleviate the performer from all contractual obligations (Seurey, 2018). The procurement process also involves public procurement which can be measured based on measurement of cost, activity measurement, customer responsiveness, and flexibility (Wambui et al, 2018). A study has been conducted on strategic sourcing and procurement performance in commercial banks of Kenya where they examined the major sourcing decisions which are supplier and buyer selection (Mutua & Juma, 2018).

Factors like accuracy, cost, completeness, speed, flexibility, quality of supplier and provider's profile, and many others are a measure of the effectiveness or efficiency of the outcome of procurement operations among this procurement performance is essential to establish the recognized standards. Those firms which use efficient way of procurement performance will get the best outcome with guarantee and success and efficiently achieve their goal objectives (Odero & Ayub, 2017)

H1e: Procurement performance has a positive impact on a firm's performance

According Thai (2018) researched the impact of performance management of procurement methods in the Ghana area of Ashanti. The research discovered the importance of procurement performance. In his research, he suggested that the procurement act is developed to decrease the wastage and cost of expenditure, and avoid expenditure leakage by proper budgeting techniques, auditing, and monitoring of expenditure.

According to Amolo (2017) procurement is increasing among firms and is considered to be more essential to business performance. The procurement helps to measure both financial and non-financial activities by a valid performance system. Many organizations fail to function better due to unplanned activities and adaptation of suitable performance systems which may cause higher turnover of employees, poorer performance, dissatisfaction of customers, and failure to achieve efficient goals.

H2: Challenges Faced by Strategic Procurement mediates the relationship between Strategic Procurement Practices and Procurement Performance Measures.

A study by Ambe and Baden-Fuller (2020) examined the impact of strategic procurement practices on firm performance in the Nigerian manufacturing industry. The results showed that effective strategic procurement practices positively impacted firm performance. However, the study also found that supply chain disruptions were a significant challenge faced by companies in the industry, which could negatively impact firm performance. In a study by Yuliansyah et al. (2019), the authors examined the relationship between strategic procurement practices, strategic procurement challenges, and firm performance in Indonesian manufacturing companies. The results showed that effective strategic procurement practices positively impacted firm performance, but that strategic procurement challenges (such as supplier selection, delivery reliability, and cost fluctuations) had a negative impact on firm performance. Furthermore, a study by Zsidisin et al. (2019) examined the impact of strategic procurement challenges on the relationship between strategic procurement practices and firm performance in the U.S. automotive industry. The results showed that while effective strategic procurement practices positively impacted firm performance, the presence of strategic procurement challenges (such as supplier relationship management and supply chain disruptions) weakened the relationship between strategic procurement practices and firm performance.

Moreover, Bode et al. (2016), the authors examined the impact of supply chain disruptions on firm performance in the German manufacturing industry. The results showed that supply chain disruptions negatively impacted firm performance, particularly in terms of customer satisfaction, sales, and profitability. These studies provide evidence to support the idea that strategic procurement challenges can mediate the relationship between strategic procurement practices and firm performance. Therefore, it is important for companies to not only focus on developing effective strategic procurement practices, but also to proactively address the challenges that arise in the procurement process to improve their overall firm performance.

Conceptual Framework

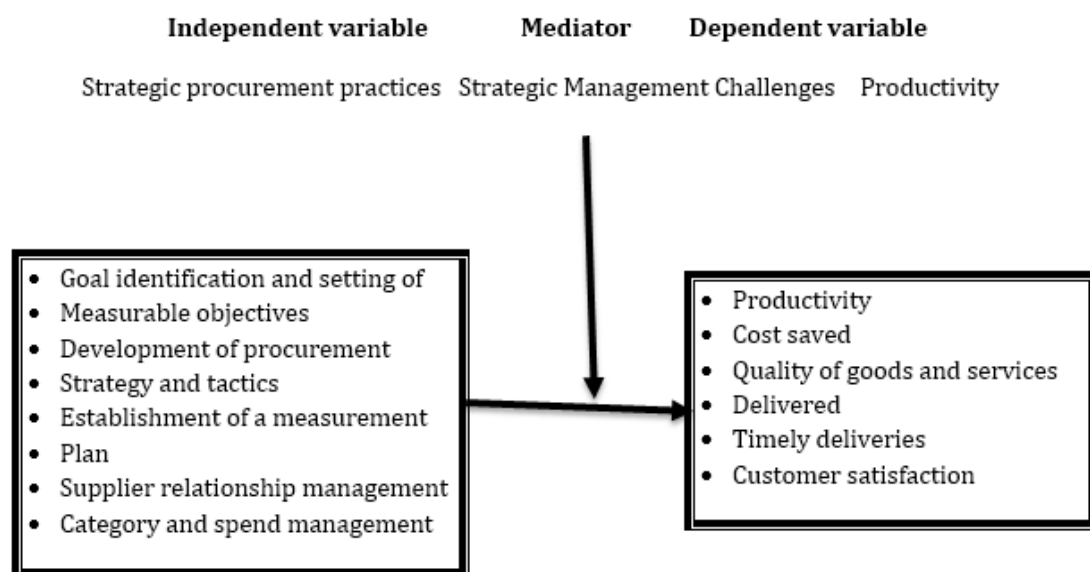


Figure1: Conceptual Framework

Material and Methods

The study included descriptive and Analytical research design which involves quantitative research in form of a survey. As to describe observations and examine the findings to come up with conclusions by the correlation between strategic procurement as an independent variable and procurement performance as a dependent variable and recommendations for implementation.

Population

The target population involved employees working in commercial banks in Quetta.

Sampling Units

Employees who worked in commercial banks. Especially to procurement officers, operations managers, and accountants in each bank.

Sampling technique

The sampling techniques for this study have been used to select respondents by using non-probability convenient sampling resort to the situation of unlisted population.

Sampling Size

The exact amount of population could not be shared by the commercial banks, based on the past study where the average of sampling size is taken 250 to 300 so I have chosen 250 as my sampling size.

Date Analysis Technique

As mentioned above data has been collected via survey. Structural and observational modal both were tested by using Smart PLS v.4. Which have been used to analyze the data.

Results and Discussion

For data analysis and results, we have selected and distributed questionnaires to 31 commercial banks distributed 3 questionnaires at each bank the overall time scales were 93 that were distributed in Quetta regarding strategic procurement and procurement performance, the awareness of Bank managers and staff towards the new generation economy and the initiatives of related organizations. Strategic procurement is established by using three consolidated constructs which are as follows; Strategic procurement practices, Challenges facing strategic procurement, and Procurement performance. The descriptive statistics we used regarding the variables are mentioned in table 1.

Table1
Descriptive statistics for SPP

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
SPP2	93	3	1	4	2.09	0.928	0.862	0.492	0.250	-0.598	0.495
SPP4	93	4	1	5	2.31	0.967	0.934	0.440	0.250	-0.079	0.495
SPP8	93	4	1	5	2.28	0.971	0.943	0.209	0.250	-0.627	0.495
SPP9	93	4	1	5	2.22	1.112	1.236	0.677	0.250	-0.349	0.495
SPP10	93	4	1	5	2.20	1.175	1.382	0.864	0.250	0.010	0.495
SPP11	93	4	1	5	2.33	1.173	1.377	0.515	0.250	-0.532	0.495
SPP13	93	4	1	5	2.46	1.038	1.077	0.460	0.250	-0.122	0.495
SPP14	93	4	1	5	2.27	1.065	1.133	0.986	0.250	0.784	0.495
SPP15	93	4	1	5	2.41	1.076	1.157	0.456	0.250	-0.284	0.495

Valid N
(listwise) 93

Table2
Descriptive analysis for CFSP

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic		
CFSP2	93	4	1	5	2.38	0.988	0.976	0.214	0.250	-0.657	0.495
CFSP3	93	4	1	5	2.37	1.030	1.061	0.249	0.250	-0.807	0.495
CFSP4	93	4	1	5	2.32	1.115	1.243	0.531	0.250	-0.560	0.495
CFSP5	93	4	1	5	2.41	0.992	0.983	0.259	0.250	-0.370	0.495
CFSP6	93	4	1	5	2.44	1.127	1.271	0.453	0.250	-0.427	0.495

Table3
Descriptive analysis for PPM

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic		
PPM1	93	4	1	5	2.08	0.992	0.983	0.940	0.250	0.536	0.495
PPM2	93	4	1	5	2.24	0.902	0.813	0.147	0.250	-0.407	0.495
PPM3	93	3	1	4	2.13	0.900	0.809	0.290	0.250	-0.784	0.495
PPM4	93	4	1	5	2.17	1.007	1.014	0.494	0.250	-0.253	0.495
PPM5	93	4	1	5	2.25	0.928	0.862	0.316	0.250	-0.337	0.495
PPM6	93	4	1	5	2.35	1.080	1.166	0.464	0.250	-0.048	0.495
Valid N (listwise)	93										

All the related research data was arithmetically diagnosed, throughout the research we evaluated the discriminant and convergent ratio, and Cronbach's Alpha coefficient was evaluated concerned with the internal consistency of the scale which we used for the purpose. It is important because we have received our data through several commodities. The Cronbach's Alpha which is accepted is 0.7. the output we received from our scale shows that the scale which was used is reliable. A coefficient of 0.887 was obtained for the Strategic procurement practices, a coefficient of 0.701 was obtained for the Challenges facing strategic procurement, and a coefficient of 0.810 was obtained for the procurement performance. As each of the coefficients is above 0.7 so our scale is proven reliable.

Reliability and validity of constructs

To examine the mediating effects of chosen constructs on challenges facing procurement performance as described by our study, we pass down a measurement model that is explained in our framework study. Therefore, the measurement model scrutinizes for both convergent validity and discriminant validity, by keeping composite reliability in touch and Cronbach's alpha coefficient which was shown in previous stages and was used in sense of indicators to find out that our study's required quality criteria are met. Moving ahead, the encouragement of our study's statement is enhanced by describing the factors loadings, composite reliability, and AVE. All these factors described that our study resulted by keeping the values above the needed upholds that is 0.7 for Cronbach's alpha, Factor loadings, and Composite reliability and the results also suggested above the required level of 0.5 of AVE. Before proceeding towards the reporting of results on how the quality criterion was met for our model which we have engaged, we have removed some of the initial items which resulted below the needed required level, so that by improving the composite reliability and Average variance extract. All those factors which we have considered as the part of the study are only kept in our model.

Table 4
A Convergent validity, reliability and item loadings.

CONSTRUCTS	ITEMS	LOADINGS	VIF
SPP	SPP2	0.650	1.554

	SPP4	0.663	1.662
	SPP8	0.745	2.009
	SPP9	0.786	2.231
	SPP10	0.743	2.173
	SPP11	0.744	2.144
	SPP13	0.719	1.897
	SPP14	0.784	2.395
	SPP15	0.691	1.959
CFSM	CFSP1	0.700	1.444
	CFSP2	0.769	1.445
	CFSP3	0.805	1.495
	CFSP5	0.625	1.165
PPM	PPM1	0.715	1.682
	PPM2	0.726	1.632
	PPM3	0.755	1.736
	PPM4	0.687	1.554
	PPM5	0.722	1.526
	PPM6	0.687	1.469

Table 4. B

Constructs	Cronbach's Alpha	CR rho	CR	AVE
SPP	0.887	0.888	0.909	0.528
CFSM	0.701	0.714	0.817	0.530
PPM	0.810	0.811	0.863	0.512

As the above data suggests that the quantitative criteria have been successfully met. The direct and indirect relationships have been evaluated by the coefficient of determination. The analogous results are mentioned in further investigation.

Mediating Effect

To look for the research hypothesis. We guesstimate the structural model using the direct and indirect relationships that show enthusiasm for our research accession. It consists of path coefficients and their complementary values. And each of them is statistically significant. It is as mentioned in the table below. The relationships that were direct and indirect relationship state that SPP -> PPM has a significant total effect with the values ($\beta = 0.316$, $t = 14.881$, $p = 0.000$), and the total effect is significantly positive. The results showed that the h1, h2, and h3 which are sub-sections of SPP and h4 are supported. The h5 is partially supported due to the total indirect effect SPP->CFSP->PPM has a partially significant effect with the given values ($\beta = 0.878$, $t = 2.728$, $p = 0.011$). The VAF where Indirect effect/Total effect shows 30.31% which shows that moderate partial mediation between the SPP & PPM exists.

Table5
Total, direct and indirect relationships.

Type of effect	Effect	Path Coefficient	T stats	Remark
Total Effect	SPP -> PPM	0.729	14.881**	Sig Total Effect
Indirect Effect	SPP -> CFSP-> PPM	0.221	2.728**	Sig Indirect Effect

Direct Effect	SPP -> PPM	0.508	5.370**	sig Direct Effect
VAF	IE/TE	30.31%		
Conclusion	Moderate weak Partial Mediation b/w SPP & PPM Exists			

To evaluate the hypothesis that a firm's performance is acquired due to the tactical factor towards the procurement function. Furthermore, we conducted the mediation effect to look at the relationship of variables and to test the hypothesis that we have conducted. The results we have acquired from the H1, H2, H3, and H4. The H1 was Strategic Procurement Process positively effects on firm's performance, the h2 was the establishment of a procurement plan positively effects on firm's performance, and h3 was the supplier Chain Management positively effects on firm's performance. All the above hypotheses H1, H2, and H3 are the subsections that collectively construct the h4 that Strategic procurement practices positively effect on firm's performance. Using the PLS-SEM where resulted showed that the Strategic Procurement Practice has a positive effect on Procurement Performance Measures as a result of total effect which is positively significant. Thus supports the H1, H2, H3 and H4. The total indirect effect where the Challenges faced by strategic procurement served as a mediator between the Strategic procurement practices and procurement performance represents the partial mediating role in the relationships of SPP and PPM. Thus, the total indirect effect is positively significant So, H5 is also supported.

From all the above results and discussions, it has been found that there is a significant positive relationship between strategic procurement and related commercial banks. It assumes to be a factor with the help of which the organization's visionary goals are identified and related procurement activities help the organization evaluate its performance. Competitive procurement helps organizations in purchasing to get value for money and also helps them with a wide range of suppliers. For any purchase, strategic procurement helps organizations to avoid the possibility of waste in the procurement process. The internal and external factors are influenced by the organization's ability by realizing the procurement goals. The reciprocal actions between the several departments like staffing budgeting, the structure of the organization, rules, regulations, and control policies. All these require contemplation and force the performance of procurement functions. All the informers revealed that the commercial banks had solutions and adaptation of strategic procurement as a major function of a firm.

Conclusion

All the findings discussed above terminated that strategic procurement is increasing day by day by acquiring sustainable goals and various competitive activities by adopting digitalization. All the digitalizing activities are considered to minimize resource expenditure by supporting the overall economy. Therefore, we substantiated that all those organizations including the banks too who have adopted the procurement strategy that will receive a higher competitive advantage over competitors in the economy. The reason is that strategic procurement has a positive effect on procurement performance which should be accepted and all the commercial banks use strategic procurement as a part of their organization to get maximized benefit from it to survive in between the competitors.

Recommendations

Above findings suggest that all commercial banks require the adaptation and use of procurement management to ameliorate their performance. In the existing above conclusions few recommendations are mentioned below; the banks that adopted the procurement strategy and should work to manage a skilled knowledge and experienced person that can easily perform all the procurement functions and sort out the weakness and problems of certain procurement operations. The market-related capabilities should be adopted as a part of procurement management for commercial banks. This will help the

organization to purchase and order the rights products and services from the markets at the right prices and of the right quality. The banks should look for a suitable supplier for their organization which will help to reduce extra costs. The banks should hire such suppliers that have experienced working skills and should maintain good and long-lasting relationships with the suppliers by increasing the negotiation.

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