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ABSTRACT

This study was based on the manufacturing firms in Kenya. The specific objective of the study was to determine if supplier relationship management (SRM) practices affect supply chain performance of the large manufacturing firms in Kenya. Cross sectional–descriptive research designs were used to conduct this study. The target population was 499 firms. Stratified sampling was used to arrive at a representative sample of 200 firms whereby a response rate of 72 percent was acquired. The data collection instrument attained cronbach alpha above 0.7 which was considered acceptable for this study. A multiple regression model was used to analyze the hypothesized relationships between variables while content analysis was be used to analyze qualitative data. The results indicated that supplier relationship management practices had a positive and significant effect on supply chain performance of large manufacturing firms in Kenya. Therefore the study recommends that manufacturing firms in Kenya should employ SRM practices that put in place policies that emphasis best SRM practices. Additionally the study recommends that further research is required to establish whether different sub- sectors within the manufacturing sector would yield different results due to different nature of their operations.

KEY WORDS

Supplier relationship management practices, supply chain performance

INTRODUCTION

In the current globalizing world producer's ability for innovation and the relationship with their suppliers are the two key components for their capability to sustain their existence and preserve their competitive power (Sitki & Hasan, 2010). Practices involved in SRM involve information sharing, supplier development, collaborative initiatives, Supplier performance and supplier selection (Diana, 2011). Strategic supplier partnership is designed to leverage the strategic and operational capabilities of individual participating companies to help them achieve significant emphasized benefits (Li, Ragu & Subba, 2012). It emphasizes direct, long-term association and encourages mutual planning and problem solving efforts and enables companies to work more effectively with a few important suppliers who are willing to share responsibility for the success of the product. Suppliers participating early in the product-design process can offer more cost-effective design choices, help select the best components and technologies and help in design assessment (Diana, 2011). Therefore, it may be concluded that buyer-supplier relationships developed within the context of supply chain management (SCM) can globally provide many advantages to companies (Sitki & Hasan, 2010). Effective supply chain management ('SCM') has become a potentially valuable way of securing a competitive advantage and improving organizational performance (Peter, Kevin, Marcos & Marcelo 2011). Firm's whose supply chains are just supply chains are not achieving their potential to add value for their customers and therefore financially underperform other firms who have made the transformation from supply chain to value chain (Rlaph & Thomas, 2014). Supply Chain Council (2010) presents five attributes of SC performance which are SC reliability, SC responsiveness, SC flexibility, SC costs and SC asset management. These

measures are consistent with studies done by ilkka (2010) and Ugur & Erman (2013) among others. Compared to the other sectors the manufacturing sector in Kenya which is dominated by large manufacturing firms lagged behind in output growth. For instance in 2014, while manufacturing output increased by 4.8 percent, agriculture output grew by 15.8 percent, building and construction grew by 13.1 percent, information and technology 12.7 percent, transport and storage 13.7 percent among others (KNBS, 2015). The competitiveness of Kenya's manufacturing exports has been slowly declining. Kenya's manufacturing exports represented about 0.02 percent of global manufacturing exports in 2013 while South Africa, the regional champion in manufacturing exports, produced 0.3 percent of global manufacturing exports 15 times more than Kenya. The share of manufactured goods imported by the East African Community (EAC) from Kenya declined, from 9 percent of total manufacturing imports in 2009 to just 7 percent in 2013 (WB, 2014)

RESEARCH METHODOLOGY

This study adopted a mixed research design of cross-sectional research design and descriptive survey design. According to (KAM, 2014), there are 499 large manufacturing companies operating in Nairobi where 80% of their members are based. The large scale manufacturing companies were indentified for this study because as Awino (2011) indicated, these firms are likely to exhibit elaborate SCM philosophy and make use of supply chain best practices compared to their small or medium sized counterparts. The 499 large scale manufacturing companies represented the total population for this study. The study used a sample size of 200 large manufacturing firms which comprised of 40% of the population. Descriptive statistics were used to describe the data while multiple regression analysis was used generate a weighted estimation equation

that could be used to predict values (Hair, 2011; Cooper & Schindler, 2011).

Chi-square test of independence was done to establish existence of relationship. Factor analysis was conducted on all constructs to determine the ones to be regressed against the dependent variable. The adjusted coefficient of determination (R^2) was used to indicate the percentage of variability of the variables that was accounted for by the factors under analysis. This was followed by determination of standardization beta (β) coefficient which indicated the direction (+ or -) and the magnitude of the influence as well as compare the relative contribution of each independent variable on performance (Hair, 2011).

RESEARCH FINDINGS AND DISCUSSIONS

Out of the 200 questionnaires distributed, 142 were correctly filled and returned which represents a response rate of 71 percent. According to Kamel and Lloyd (2015) response rate of above 50% in business management research should be considered good. The study results revealed that 74.2 percent of the manufacturing firms in Kenya have been in operation for more than 10 years. This means that most firms understood the dynamics of operations in the Kenyan manufacturing sector.

Effect of supplier relationship management practices on supply chain performance of large manufacturing firms in Kenya.

The respondents were required to indicate the practices they employ in their organizations in relation to supplier relationship management in a scale of 1 to 5 arranged in order of best practice. The overall aggregate mean score for this section stood at 3.5288 and a standard deviation of 0.8028. This implies that on average the supply chain managers indicated that they employed good supplier relationship management practices. The statement on how are serious conflicts involving supplier resolved in your organization had the

highest mean of 4.14 and a standard deviation of 1.376. This means that most organizations use mediations to resolve serious conflicts with their suppliers. When asked how they dealt with suppliers who did not adhere to quality levels in your organization the mean stands at 3.32 and a standard deviation of 0.905. This means that most organizations warned their suppliers while the best practice would be to train them on quality issues. When asked at what stage the organizations involved their suppliers the mean stood at 3.79 and a standard deviation of 1.433. This implies that most organizations involved them at the middle stage of new product development. The best practice would be involving them at all stages of new product development.

On average the organizations indicated that they had some suppliers on supplier development programme where the mean stood at 2.5 and a standard deviation of 1.175. This means that most organizations has approximately 21-40% suppliers in the supplier development programme which a good position given that supplier development programmes are expensive since they require the organizations to use their resources to develop their suppliers. A high percentage therefore is not realistically achievable. The results also indicate that most organizations measure supplier performance and communicate the results only when quality problems with suppliers arose (mean =3.78, std deviation=1.358) while the best practice would be at all stages of contract implementation. When asked how the organization maintained data and communication flow the results indicated a mean of 3.64 and a standard deviation of 0.897. This implied that most organizations used e-mails to communicate while the best practice in supply chain would be to to have communication systems connectivity, for example an EDI system.

Although Margaret (2013) found out that different firm adopt practices that best suit their sector in order to enhance supply chain performance the

results of this study clearly indicate that large manufacturing firms in Kenya have not yet to embraced best practices in SRM. These results are in agreement with the findings of Awino (2009) who noted that large manufacturing companies have not been able to formulate the right strategies required to achieve their objectives in Supply Chain Management (SCM).

Hypothesis Testing

The hypothesis to test for this specific objective was H_0 : There is no significant relationship between supplier relationships management practices and supply chain performance of the large manufacturing firms in Kenya.

Table 1 shows the linear regression model which indicates that $R^2 = 0.446$ which means that 44.6% change of supply chain performance can be explained by a unit change of Supplier Relationship Management. Further test on ANOVA above shows that the significance of the F-statistic (77.256) is less

than 0.05 since $p=0.00$. The constant $\alpha = -0.121$ meaning that if the independent variable SRM practices is held constant then there will be a negative supply chain performance by 0.121. The regression coefficient for SRM practices was positive and significant ($\beta = 0.449$) with a t -value=8.790 (p -value<0.001) implying that for every 1 unit increase in Supplier Relationship Management, supply chain performance is predicted to increase by 0.449 units and therefore H_{01} was rejected. On the basis of these statistics, the study concludes that there is significant positive relationship between SRM practices and supply chain performance of large manufacturing firms in Kenya. This finding sheds light on the role of SRM practices on supply chain performance. The fact that SRM practices enhance supply chain performance is consistent with prior studies (Wajahat *et al.*, 2014; hung *et al.*, 2011; Marta *et al.*, 2013; raskovic & makovec 2012).

Table 1: Influence of Supplier Relationship management Practices on Supply chain performance
Model Summary

Model	R	R Square	AdjustedRSquare	Std. Error of the Estimate
1	0.668 ^a	0.446	0.440	.51780

a. Predictors: (Constant), Supplier Relationship Management

ANOVA ^a					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	20.713	1	20.713	77.256	0.000 ^b
Residual	25.739	96	0.268		
Total	46.452	97			

a. Dependent Variable: supply chain performance

b. Predictors: (Constant), Supplier Relationship Management practices

	Coefficients ^a				
	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	-.121	.052		-2.306	.023
Supplier Relationship Management	.449	.051	.668	8.790	.000

a. Dependent Variable: supply chain performance

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This study was an attempt to understand the effect of SRM practices on the supply chain performance of large manufacturing firms in Kenya. This was motivated by the concern over the lagging performance of the large manufacturing firms specifically due to low value addition and high costs of production that impede competitiveness of Kenya's manufactured products in the global market (RoK, 2013). Given that competitiveness of products and services largely depend on its supply chain this observation needed to be researched in order to provide reliable empirical evidence on which basis policy actions on supply chain performance in the manufacturing sector could be recommended. The study found out that SRM practices had significant and positive effect on supply chain performance of the large manufacturing firms in Kenya. The findings showed that if an organization put in place the correct SRM practices initiatives supply chain performance would improve whereby 44.6% change of supply chain performance can be explained by a unit change of supplier relationship management.

The researcher concluded that the sector is yet to implement best practices SRM. For instance in most

large manufacturing firms in Kenya, management makes decisions regarding processes throughout the entire operations. While this may not necessarily be the best practice this findings are in agreement with Richard (2012) research that provided empirical evidence that getting strategic objectives aligned with business processes, demonstrate executive commitment and empowers employee. The implication for managers in this case is that when a firm seeks to sustain their competitive advantage, the process alignment which includes executive commitment and employee empowerment, should be considered to improve supply chain performance.

The study therefore recommends is that organizations should put in place policies that emphasis best SRM practices. This includes involving suppliers in deciding the best way to resolve a conflict, training key suppliers on the needs of the organization, involving suppliers at all stages during new product development, supplier development programmes, network meetings with suppliers, measurement of supplier performance and communication of the results to them and enhancing capabilities to enhance data and communication flow among others.

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