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The Influence of supplier relationship management practices on operational performance of large manufacturing organizations in Kenya

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Kiarie Joyce Wairimu

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13 June, 2017

Approval

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ABSTRACT

With the advent of the world as a global village, the supply chain has not remained immune to the sweeping changes that are taking place; the key paradigm that has been affected in the management of the supply chain is the aspect of supplier relationship management. The main objective of this study was the identification of the influence of supplier relationship management practices on organizational performance the case being large manufacturing firms in Kenya with the specific objectives being three: firstly, the identification of the supplier relationship management practices used, secondly, an exploration of the effects of the supply chain attributes and finally the determination of the challenges of supplier relationship management. The large manufacturing firms are here defined as those that have turnover revenue of 100 million, or over 500 employees or more or having more than one branch. The study adopted the use of correlational and descriptive research design while the population consisted of 594 listed manufacturing firms in Kenya according to the Kenya Association of Manufacturers. Out of the population, a sample size was selected (60) through simple probability sampling more specifically simple random sampling which was a representative figure of the whole population. The data collection instrument was a structured questionnaire that had both open ended and close ended questions. Data was analyzed through the use of qualitative and quantitative methods and presented in form of tables, graphs and charts as well as summary based on thematic areas. The regression analysis findings show that 64.6% of variations in firm operational performance are explained by variations in Supply relations management practices and 85.5% of variations in firm operational performance are explained by variations in the supply relationship management practices and supply chain attributes, Through this finding the study concludes that there is a relationship between the dependent and independent variables as well as the moderating variables that are supply chain attributes. The study further recommends the benefits that can be accrued from SRM practices deserve a strategy so as to impact positively on operational performance. Among the conclusions of the study are: SRM was highlighted to have significant effect on operational performance of manufacturing organizations.

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ABBREVIATIONS AND ACRONYMS

SCA	Sustainable Competitive Advantage
SCM	Supply Chain Management
SRM	Supplier Relationship Management
SSP	Strategic Supplier Partnership

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DEDICATION

To my dear husband Kenneth Mwenda Gitonga and our lovely daughter Neema Kagendi Gitonga, my beloved parents Mr. & Mrs. Hiram Kiarie and siblings Ruth, Kamau and Njoroge. Thank you for your prayers and continuous support during this journey.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

From an operations management perspective, the recognition of supply chain management has received quite a lot of attention in the recent past and specifically, supply chain management being identified as a key driver of both operational as well as financial performance (O'Brien , 2014). Researchers have explored and examined different dimensions of operations management with the core one being the management of relationships between the buyers and sellers of products and services within the supply chain. The success of the supply chain has been attributed by several studies (Emmett & Crocker, 2009; Lambert, 2008; Cheng, 2009) to the proper and effective management of the buyer supplier relationships. A study by Tan in 1999 also confirmed this assertion. O'Brien, 2014 also confirmed that indeed, the understanding of strategic relationships with key suppliers is a fundamental as it leads to value creations and also builds trust and commitment.

Supply chain inefficiencies acknowledges Muller (2010) have been proven to bring about disruption and the common problems that affect the growth and development of industries especially the manufacturing sector. On the contrary, research has shown that supply chains can be strengthened through the manifestation of long term mutually beneficial relationships between all the parties that are involved (O'Brien , 2014). There has been a realization by managers that products and service costs maybe inflated while quality diminishes as members retain their traditional myopic views on what their role is in the whole chain. The performance goal that is achieved through relationship management has the potential to render efficiencies, profits and services that turns out to be a pipe dreams for companies that are operating as individuals (Buchholz & Appelfeller, 2011).

1.1.1 Supplier Relationship Management Practices

The advancement of technology, aggressive globalization, innovation and technology, and the implementation of deregulation policies are among the drivers that have resulted in the development of the relationship paradigm which seeks and establishes ways of creating long term relationship between suppliers and customers (Muller, 2010). Subsequently, the relationship

paradigm is a composition of all the activities that are channeled towards the establishment, development and maintaining of successful relational exchanges claims Stevens (2011). Additionally, the evolution of the customer-supplier dyad has brought about a significant change in the nature of relationship between suppliers and customers. Indigenous supplier customer relationship focused on the getting of quality at a reduced cost which is in contrast to the getting value from the exchanges based upon a full exploration of what each party has to offer in the exchange and value creation process (Gudrun, 2009).

According to Cheng (2009), the most common supply chain management practices are supplier selection, evaluation, segmentation and development. These practices are fueled by some attributes such as trust, commitment, corporate culture, information sharing and the drive to meet obligations among the parties in the chain (Field & Meile, 2008). The chain is however faced with challenges which affect a smooth practice supply chain management. Moore (2012) emphasizes that the relationship that is created in the new paradigm of supplier relationship management creates value in two ways which are; firstly, instances of collaboration have the ability to create value in working relationships which in the long run enhances the value that is derived from each partner. Secondly, the costs and risks are lowered and also the synergies that are created have the ability to deliver more value in the value chain as compared to others in the industry. Proper management of the supply chain has been known to diminish the potential risks and uncertainty that may be incurred by a firm, lead to the optimization of the inventory levels and process cycle time this performance is increased through satisfied customers and increased profit margins (Moore, 2012). In the case of manufacturing firms, the purchasing function must receive enough consideration with the consideration increasing as the cost of outsourcing and purchasing assume a greater portion of the total cost of the manufacturing process.

Taking into account as aforementioned the significance of supplier relationship management, the management of the SRM system is receiving attention (Stevens, 2011) and until in the recent past, most of the attention has been on specific subjects such as purchasing strategy, supplier selection, collaboration and development but studies have been meager on the relationship and networking aspect (Field & Meile, 2008). Research that has been done in the recent past has brought to view the fact that manufacturing organizations is a unit or actor in its own supplier network. More specifically, the business of the company should be viewed from the perspective

of a network considering the product value they bring about has its origins in the upstream network of suppliers (Stevens, 2011).

1.1.2 Supply Chain Attributes

Meade and Sarkis (1998) explain that the three main areas of logistics (in bound logistics, materials management and outbound logistics) are influenced by ideologies and attributes of logistics. Logistics strategies are based on the level of service desired for a specific customer. The attributes of processes and systems for aiding in management of selective risk include; knowledge about customers, knowledge about competition, service range capabilities and inventory management system flexibility.

To attain a competitive edge in the global market, companies need to streamline their operations and work together with the other parties in the supply chain in order for them to reach a level of efficiency that's beyond that of an individual company. These kind or relations however is geared by the supply chain attributes. These attributes as highlighted as trust, commitment, information sharing, corporate culture and drive to meet obligations (Sharp et al., 1999; Youssuf, 1993).

1.1.3 Performance of Large Manufacturing Organizations

Performance is defined differently and uniquely depending on the purpose it is meant to achieve (O'Brien, 2014). Performance measures can be grouped into two basic types: those that relate to results (outputs or outcomes such as competitiveness or financial performance) and those that focus on the determinants of the results (inputs such as quality, flexibility, resource utilization, innovation or operational performance) (Gordon, 2008). This suggests that performance measurement frameworks can be built around the concepts of results and determinants. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Gunasekaran, Williams, and McGaughey, 2005). According to Kaplan (2012), the traditional measures of financial performance are profitability, liquidity/working capital, gearing rations and investor ratios.

Organizational operational performance on the other hand is defined as measure against standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility and regulatory compliance of the organization (Gordon, 2008). Some of the key indicators of operational performance are production efficiency, waste reduction, improved quality of goods,

decreased production defects, reduced customer complaints, reduced worker injury, improved production accuracy, decreased production cost, improved level of product completeness, reduced cycle time, improved workflow and compliance with environmental and industry regulations and requirements. Stevens (2011) claims that performance in all the areas of an organization is one way or the other can be affected by the kind of supplier relationship management strategies adopted by a firm. In the manufacturing sector, where production is dependent upon supply of raw materials and crucial services that are needed to ensure the product output, both operational and financial performance of the firm are dependent upon the supply of theses commodities (Muller, 2010).

Bearing in mind that the competitive advantage in most manufacturing industries is based upon its network of suppliers, it behooves the companies to have an influence over its suppliers in ways that touch on degree and intensity; to explain this further, almost all the time, the competitive ability and performance of manufacturing firms is grounded upon the supply base thus the only way out is the designing, set up and management of the entire network of suppliers (Dries, Gorton, Urutyan & White, 2014). There are success stories on networks management in the manufacturing sector, with a critical example being the network management through the lean enterprise which provided Japanese companies with a competitive edge ahead of the western industries through the 1980s and the 1990s. The large final assembly companies managed their network of suppliers according to the lean production visions thus therein creating competitive advantage and consequently higher performance (Stevens, 2011).

1.2 Manufacturing Firms in Kenya

The manufacturing scene in Kenya is characterized by the development of the sector with hopes that growth and wealth creation will be the resulting effect. The other achievements that seem to drive development in the sector are that when the sector is thriving, the precipitating effect will be industrialization. African development and that of Kenya included had been categorized by scholars as having the ability to drive development in the continent especially from the angle of labor intensive and export focused nature of the industry. The development of the private sector and their strong preeminence in the country can be attributed to the development of the manufacturing sector with companies such as Bidco and Bamburi Cement among others.

Among the manufacturing industries in Kenya, a reliable supply of local inputs products that may range from iron ore for heavy industries or cotton for the textile industry all rely on the effectiveness of their suppliers. The demand supply curve to some extent is dependent upon the ability of companies to deliver their goods on time. The competitive advantage that may be enjoyed by manufacturing firms according to KPMG (2013) is pegged upon the ability to easily access raw materials that enable the production of the finished product. Supplier relationship management is thus a condition and a strategy that large manufacturing here denoted as those that have a revenue turnover of 100 million or more than 500 employees or more than one branch have no choice but to look keenly on it and see how best it can be optimized to bring about good performance.

1.3 Problem Statement

With the increasing global competitiveness, the focus in many companies is turning towards perfecting the core business while sub-processes are outsourced to suppliers (Muller, 2010). Consequently, this has led to the realization of the need for establishing and maintaining long term partner relationships through supplier relationship management practices which is in contradiction to the conventional arm's length relationship which has been common occurrence in the Kenyan manufacturing industry scene (Ochieng 2014). The arm's length relationships are based upon confrontational negotiations kind of relationships that sought for competitive terms and conditions as a means of building economic efficiencies through cost cutting and quality considerations among others (Gordon, 2008).

In the past, the leverage for organizations was their ability to change suppliers at any time and maintain no or minimal relationship with their suppliers (O'Brien, 2014). This resulted in the customer keeping the multiples suppliers competing and a confrontation of the efficiency of others. Cheng (2009) suggests that the mind set in this relationship is that of confrontation and not a collaborative mind set. Most of the time, the mutuality that would increase the value of the exchanges is therefore lacking in such a relationship thus the need for efficient and strategic supplier management relationship practices which this study explored among large manufacturing firms in Kenya.

The realization has come to organizations that in order to guarantee their survival, customers, manufacturers, retailers and other host of service organizations must come together for mutual

benefit which has a focus on the value exchanges with less power plays. This study looked at how this situation has affected the manufacturing land scape in Kenya especially among the large firms on how they deal with their suppliers. Among the supply chain attributes that are required to enhance the supplier relationship management are trust, commitment to long term co-operation and the willingness to share the risks as well as reward that will come with the venture (O'Brien , 2014).

Studies by Reinartz, Krafft and Hoyer (2004) show that implementation of SRM processes is associated with better company performance in two of three stages. These stages have not been explored in the Kenyan manufacturing industry and no study has tested the strong and low effects. The conclusion by Shin, Collier and Wilson (2000) that an improvement increase in the SRM improves both the suppliers' and buyers' performance with a win–win situation for the supply chain is yet to be studied in the Kenyan manufacturing sector.

Kuei, Madu and Lin (2001) show that perceived improvements in organizational performance are associated with improvements in supply chain quality management practices and there is a statistically significant association between improvements in supplier quality management, customers' relations, and supplier selection and the quality-tendency groups. The perceptions in performance in themselves are not factual and may require further studies. The management of the supply chain requires the simultaneous controlling of multiple relationships and as a ways of keeping up with this trend, researchers have come up with means of building these business networks relationships that will result in value creation. Bearing this in mind, the relationships are interconnected since most of the time, one affects the other in a contingent way. The management of such relationships comes with challenges which this study identified in the context of large manufacturing firms in Kenya.

1.4 Research Objectives

The main objective of the research was to determine the influence of supplier relationship management practices on operational performance the case being large manufacturing firms in Kenya

Specifically, the study sought:

i. To identify the supplier relationship management practices used by large manufacturing firms in Kenya.
ii. To analyze the effect that supplier relationship management practices have on operational performance of large manufacturing organizations in Kenya.
iii. To analyze the moderating influence supply chain attributes on the relationship of supplier relationship management practices and operational performance of large manufacturing organizations in Kenya.
iv. To examine the challenges of supplier relationship management among large manufacturing firms in Kenya.

1.5 Research Questions

The study sought to answer questions as:

i. What are the supplier relationship management practices used by large manufacturing firms in Kenya?
ii. What effects does supplier relationship management practices have on operational performance of large manufacturing organizations in Kenya?
iii. What effect does the supply chain attributes have on the relationship between supplier relationship management practices and operational performance of large manufacturing organizations in Kenya?
iv. What are the challenges experienced in the practice of supplier relationship management among large manufacturing firms in Kenya?

1.6 Scope of the Study

The scope of the study was based on large manufacturing companies here in described as companies with turnover revenues of 100 million, or 500 employees or more or having more than one branch. According to the Kenya Association of Manufactures (KAM) 2016, there are a total of 594 manufacturing firms in Kenya which are further divided into 12 different sectors with their subsectors. Out of the 594 firms, 70 are large manufacturing firms according to the criteria highlighted above. The firms were randomly selected so as the probability of any of the firms being picked stood an equal chance in all the 12 sectors aforementioned. The focus of the study was on the supplier relationship management practices that have been adopted by the firms

as well as the supplier attributes that are looked upon and the challenges faced on the quest for SRM practices that enhance performance in the organization.

1.7 Significance of the Study

This study is significant for parties in the manufacturing industry, for policy makers, the government and to other researchers. Below is the summery of the significance of the study to these parties.

Stakeholders on the Manufacturing Industry: these include the owners, employees, suppliers, consumers and shareholders. These groups of individuals will be able to understand the relevance of maintaining effective SRM practices to the production of various commodities for the satisfaction of the final consumer. The paper will also enable these stakeholders to understand the different effects of SRM on organizational quality management, production planning and product development in the different manufacturing firms across Kenya. This will enable better planning and innovative practices in these firms.

Policy Makers and the Government: to enable development and promotion of effective SRM practices. This will encourage the development of SRM regulations that promote effective economic growth in the manufacturing industry through better production planning, quality regulation and innovation.

Provision of relevant information to other researchers: to other researchers and scholars interested in developing studies based on SRM practices. In addition, this will be beneficial to the school archives of research studies based on SRM for reference to other students. The researcher will also be able to develop better understanding of SRM practices by developing the study.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section covered a systematic literature review that is concise and provided the empirical basis upon which this study is based. Various studies, articles and other sources of information knowledge on supplier relationship management were reviewed and summarized. Among the key themes reviewed included SRM practices, supply chain attributes as well as challenges in SRM. The SRM practices that have been explored by different scholars both in developed and developing economies were also reviewed with the purpose of comparison with the Kenyan scenario. Each research objective is intimated as a variable and covered in the review of literature as well as conceptualization and also the knowledge gap identified.

2.2 Theoretical Review

Transaction cost and social exchange are two paramount theories that have a foundational basis for the prediction of how a relationship will turn out in terms of the dynamics and success rates; the case in this research being supplier relationship management (SRM). The approach taken by the transactional cost theory is that of the structure and the dynamics of a relationship (O'Brien , 2014) besides, the management of transaction is better done internally or with a close long term relationship that an organization has with other firms especially in cases where the transaction proves difficult. On the contrary, the transaction cost theory provides limited explanation on the relationship diversity between the buyer and suppliers and how the different factors which influence their success or failure. All in all, to both theories, communication is an important mechanism in improving the interaction of both parties in the relationship.

2.2.1 Transaction Cost Theory

This theory is of the notion that the governance of a relationship is predicted by the asset specificity or the extent of investment involved in a transaction. To put in another way, the bigger the transaction, the stronger or sensitive the relationship (Emmett & Crocker, 2009). Additionally, other predicting factors are the environmental and behavioral uncertainty surrounding the transaction consequently the scope of opportunism. The theory further puts relationship specific investment and the reduction in uncertainty as the key to any relationship

success that can be enjoyed by both parties. To illustrate this, if one party makes relationship specific investment, it will only be done when the other party also makes the same investment that is relationship specific or contractual guarantees be given. The factors in the transaction cost theory that are relevant to this study are adaptation and uncertainty (Tarafdar & Qrunfleh, 2013). This theory guides the study as it contends that transaction sizes between the influence the supplier relationship management practices. This is however affected by the uncertainty and adaptation around the relationships.

2.2.2 Social Exchange Theory

This theory is based upon the underlying concept that individual groups interact with the expectation of rewards and the avoidance of penalties or punishment. The construct of reciprocity is quite popular in the social exchange theory since the action and behavior of one party will lead to reciprocal action and behavior by the other party that is involved in the transaction. Among the key themes of the theory is the importance of having trust and commitment in an effort to ensure that the relationship is a success (Field & Meile, 2008). Commitment is here in described as the ability of the partners in the relationship to believe that the tie between supplier and the buyer is so significant that it calls for maximum effort in keeping and maintaining the relationship. While on the other hand, trust is defined as the willingness to rely on whichever partner (buyer or supplier) in whom one has confidence in. Correspondingly, power and dependence have an effect on trust and commitment with many studies (Stevens, 2011; Gudrun, 2009; Gordon, 2008) showing positive correlation. With this regard, power is defined as the ability of one firm to influence the intentions and actions of another firm. The theory is relevant to the foregoing study because of its emphasis on trust and commitments for buyer supplier relationships success.

2.3 Empirical Review

Reinartz, et al (2004) sought to determine whether the implementation of SRM processes is positively linked to organizational performance. The findings indicate that implementation of SRM processes is associated with better company performance in two stages. The strongest effect is for relationship maintenance followed by relationship initiation. The effect of relationship termination was either low or not significant. Thus, SRM appears to produce some of the payoff that companies expect when they invest in it.

Shin, et al (2000) sought to test the impact of a supply management on the suppliers' operational performance and buyers' competitive priorities (cost, quality, delivery, flexibility). The results of the study support the conclusion that an improvement increase in the SRM improves both the suppliers' and buyers' performance i.e., a win–win situation for the supply chain. In addition, the influence of SRM on delivery - and quality - related performance is more statistically significant than on cost or flexibility performance. In fact, when volume and process flexibility are top competitive priorities, a supply chain management orientation may not be an effective way to achieve the desired flexibility.

Kuei, Madu and and Lin (2001) sought to test middle level manager's perceptions on the relationship between supply chain quality management practices and organizational performance. The study applies statistical tests to show that perceived improvements in organizational performance are associated with improvements in supply chain quality management practices. Also, there is a statistically significant association between improvements in supplier quality management, customers' relations, and supplier selection and the quality-tendency groups.

Li, Ragu-Nathan, Ragu-Nathan, and Rao (2006) conceptualizes and develops five dimensions of SCM practice (strategic supplier partnership, customer relationship, level of information sharing, quality of information sharing, and postponement) and tests the relationships between SCM practices, competitive advantage, and organizational performance. The results indicate that higher levels of SCM practice can lead to enhanced competitive advantage and improved organizational performance. Also, competitive advantage can have a direct, positive impact on organizational performance.

Park, et al (2010) reviewed and analyzed studies related to SRM from an integrative viewpoint and proposed a framework for an integrative SRM system, and performed a case study based on the analytical hierarchy process with a field survey. The study findings expect that the proposed framework can play a major role in enhancing the efficiency and effectiveness of SRM by adopting an integrative concept because the functions of SRM are highly interrelated. Furthermore, it verifies the applicability of the framework via a case study.

Many studies (Dries, et al 2014; Gordon, 2008) have come to the conclusion that partner relationships rely on relational forms of exchange with characteristics of high levels of trust, commitment, information sharing and meeting obligations. To be more specific, a study on the

factors leading to inefficient partnerships done by Ellram (2001) indicated that trust was ranked third highest followed by commitment out of 19 factors.. When there are high levels of trust and commitment, the partners in the relationship are able to focus on the long term benefits of the relationship and in fact, literature that speaks of relationship management explores the sequential development of the business relationship between organizations based on the distinct stages that the relationship goes through. All in all, the stage wise development is dependent upon the development of certain characteristics in the relationship among them being trust.

Reaching the level of partnership which is the ultimate reason for managing relationships in the supply chain require the perceived value of the relationship to be higher and also service levels have to be high and, reliable, dependable and trust has to develop. It should be made candid that not all the time someone wants to buy something they go for the highest quality since at times they just need someone that they can trust will provide a given level of service. Considering that partnerships are dynamic realities, whose development lies in the ability of the both parties to build trust and an understanding of what factors led to the development of the strong trust behavior. As a matter of fact, the nature of trust is very broad thus it would be logical to assume that the survival of an organization in relation to customer supplier relationship.

2.4 Supplier Relationship Management Practices

The leading factor towards success in a buyer-supplier relationship is a give and take mode operation that is to say, the different roles that are played by both parties have to be played effectively. From a buyer's perspective, multiple research has shown that the key elements are on the matters of trust and commitment based on the model of Morgan and Hunt (1994). The measure of success is sometimes done by the perception of the supplier performance (Emmett & Crocker, 2009) or at times the intention of the buyer towards future continuity. Others factors that will determine the success rate as pointed out by other scholars is communication quality (Muller , 2010) and uncertainty reduction (Cheng, 2009). On the opposite side, the literature on supplier's perspective has suggestions that state something different. Success on this side of the supplier can mean supplier's continuity (O'Brien , 2014) and additionally, dependence is also another success predictor.

Managers in most organizations are seeking ways of creating an integrated supply chain first approach i.e. the suppliers that have demonstrated a track record of on-time delivery, quality and

mix flexibility. The modern business environment has almost become borderless thus there is evidence of cutting edge supply chain strategies which have proven to be effective in the management of the whole process. Consequently, today, organizations look at the management of relationships in the supply chain as a means of increasing competitive advantage. Cheng (2009) acknowledges that "supply chain strategy" is the set of approaches that are utilized to ensure that the supplier is integrated in the chain with manufacturing, warehouses and stores which in the long run, will ensure that goods are produced and distributed at the right quantities, to the right location, at the right time, with an aim of minimizing cost while at the same time satisfying service level requirements.

One of the practices that has been identified to ease supply chain inefficiencies as was the case witnessed among many PC manufactures, such as Compaq and Gateway; failure was on delivering on time of products to customer due to delayed shipment of computer components from Taiwan as well as their slowness to respond to this problem is the use of supply chain practices such as strategic collaboration with suppliers (Lambert, 2008). This can be achieved through the selection and development of suppliers with similar goals and the willingness to adopt to the needs to their buyers. Through the development of strategic relationships cost is reduced for the organization together with improvement on quality.

2.4.1 Selection of suppliers

This is done with the idea in mind that the suppliers that are chosen have similar goals with the organization that is seeking a relationship. Furthermore, the process is managed in an ongoing manner through joint goals and purposes. To be more specific, the nature of the goals are directly related to the objectives of the firms involved and is mostly based on the cultural values (Gordon, 2008). When firms are strategically linked, they share cultural characteristics such as the willingness to share risk as well as rewards and additionally, the willingness to share resources. On the other hand, when firms share the same goals and values they most of the time tend to have positive outcomes coupled with synergy and improved results. Suppliers and firms who have a strategic partnership work towards a common goal and not for selfish interests.

When supplier relationship management is well done, it will result in the development and connecting of the customers, the manufacturers as well as the suppliers and which eventually will lead to enhancement of the supply chain. For there to be success in the selection of the

supplier and progress of a good relationship, there has to be the alignment of the strategic orientation and the socialization of the supply chain partners.

Supplier selection is a method through which firms or enterprises identify, assess and decide on the suppliers of their needed raw materials. Although this whole process requires a large amount of resources, both the firm's financial reserves and time, it is worth undertaking since it provide considerable advantages when suppliers with great quality are selected. Choosing the correct supplier requires much more than screening a chain of price lists (Crown, 2009). A firm's preference will depend on a wide scope of factors such as worth for money, value, reliability and service. How a firm evaluates the importance of these various factors will depend on the firm's business priorities and approach. A planned strategy to selecting suppliers can also be helpful to a firm in understanding how its own prospective clients decide on their purchasing decisions (Gurler, 2005).

As competition and rivalry intensifies among firms, appropriate selection of suppliers has increasingly become a basis of competitive advantage (Chikaji, 2008). Generally, two approaches can apply in the supplier selection process: market-focused selection (which depends on major dealings in the marketplace) and relationship-focused approach of selection depending majorly on existing relations between executives and firms. As a result, two essential questions emerge: (1) what previous circumstances guide the implementation of a market-focused kind of selection approach? (2) How do these strategies impact the supplier performance? Two views have come out supporting supplier selection (En Xie, 2012).

The appropriate choice of suppliers may eventually affect supplier performance. Some researchers support market-focused selection stating its importance in sourcing qualified suppliers and thus will be resourceful in attaining successful supplier performance. Nevertheless, other scholars argue that relationship-based selection can have a constructive impact on supplier performance. Some analysts contend that the connection between supplier selection approach and supplier performance can be complex (Tan, 2002).

According to En Xei (2012), buyer companies that are fixed to their existing suppliers as a result of great social relations may miss out on the benefits that can be brought by other capable suppliers that may be sourced through market-focused processes. Thus, the argument still

remains unsettled as to whether market-based or relationship-focused method of supplier selection may cause better supplier performance. Additionally, known that buyer companies are liable to adopting both selection strategies concurrently, it is also important to inspect the interactive impact of these two approaches on supplier performance (Poulsan, 2013).

Selecting the appropriate suppliers for the firm's business requirements is crucial to make sure that the firm is capable to deliver its products and services at the right time as well as right prices, and in conformity with the firm's quality standards. By undertaking a particular supplier's selection criterion, the firm is likely to spot the companies that will partner with it to achieve the requirements of its customers. The appropriate supplier gives the true quality of materials, just on time, at the appropriate price, and the suitable level of service. Any procurement is only as efficient as the links (suppliers) that supplies its requirements (Završnik, 1998.). Even after a firm has succeeded in establishing the appropriate product that satisfies its needs, the accomplishment of the buyer's goals will eventually depend on how fine their choice of the supplier has been done. Selection and administration of the appropriate supplier is the basis of achieving the needed level of quality, delivery on time, and at the accurate price; the required level of technical capacity; and the required level of service (Tan, 2002).

To establish more successful relationships with suppliers, firms are making use of supplier selection criteria to reinforce the selection course and they are adopting supplier involvement in order to develop decision making in produce design process and constant upgrading efforts. These two strategies enable firms to enhance communication, share the knowledge they have, undertake better decision making, and improve supplier and manufacturing performance.

The supplier selection approach based on technology capacity, product quality, cost and delivery performance are crucial strategies in dealing with the external uncertainties, which include supplier failures on delivery and performance, increased cost of production, and noncompliance to quality as well as internal uncertainties due to demand unpredictability and changes in commodity mix, its price, and competition pressure which needs flexibility in the production processes (Tahriri, 2008). Adopting the appropriate method for supplier selection efficiently leads to a fall in purchase risks and enhances the number of on time delivery suppliers**.** These risks consist of reputational risk, brand image risk, delivery risk, monetary risk and business stability risk. The process of supplier selection makes sure that standpoint supplier sustainability

commitment a platform when adopted ought to be evident and alleviate those risks (Poulsan, 2013).

2.4.2 Supplier Evaluation

The quality of raw materials or spare parts sourced from suppliers or contractors frequently is one of the most important concerns of firms (Ashe-Edmunds, 2014). Having suppliers that deliver great value parts or materials is crucial for several manufacturers. Other than the level of raw materials' value, price also forms an important factor for the manufacturers. This is as a result of its impacts on the cost of final output. Though the purchase cost does not incorporate the entire costs associated with materials and final output, the Procurement department will inflict extra costs to the supplier with low quality of sourced materials or delayed delivery of the purchases (Werner, 2013). So it is necessary that all purchases costs, involving expenses as a result of poor quality, untimely delivery and more, on top of a unit price of purchased inputs, are taken into consideration for assessment of suppliers.

Evaluating a supplier's abilities before undertaking a decision to source products or services is very constructive, but an assessment platform can be applicable to existing suppliers as well. In addition, a buyer needs to be reviewing the capability of and risks associated with existing suppliers on a regular basis to sustain excellent quality standards, establish opportunities for upgrading and proactively handle arising issues that are likely to affect future (Završnik, 1998.).

Several buyers' express admiration for suppliers that take additional measures to meet the requests of their customers. These extra moves can vary from after-hours availability to training or inventory maintenance. Suppliers providing order flexibility generate value to firms by facilitating them with the capacity to grab opportunities or avoid crises as a result of rush hour changes. Last minute change adjustments are at times inevitable and flexibility is the means to going through those changes (Gordon, 2006).

Suppliers providing outstanding technical knowhow provide firms with the capacity to constantly advance their products either in terms of value and performance (Arsan, 2011). Selecting suppliers that are technology privileged other than mere copy and paste followers translates into the capability for the buying company to be influential in technology. In addition, firms that dominate in technical capacities are more likely to constantly upgrade their products

and equipment. As a result, suppliers with key research and progress capacities can be pretty resourceful to buyers, giving them considerable savings in both price and value (Levi, 2011).

On the other hand, firms that apportion huge sums for procuring materials regularly prefer to make long lasting deals with suppliers that are financially established. Such engagements not only express security, but they permits firms to gain knowledge about each other and attain a fuller perceptive of each business's wants, requirements, working practices, and prospect objectives (Arsan, 2011). Selecting firms with monetary and business steadiness increases the possibility that the dealings and partnership will endure even through difficult times. Firms who possess financial stability are likely to generate long lasting relationships, quality commodities and development services. Each of the mentioned criteria generates specific benefits to a buyer. Though it may be hard or impossible to find a supplier who possess excellence in every category, the crucial thing is to identify suppliers that are the most excellent at generating the benefits that are most significant to the buying firm. Therefore, buying companies are likely to attain a blend of the above advantages depending on their set priorities (Darren Ford, 2006).

According to Levi (2011), most buyers who asses their suppliers claim that the practice encourages a smaller number of defects inside the supply chain. This is as a result of the fact that improved communication between the buyer and the supplier enables the later to understand precisely what the buyer requires and that which successfully works and that does not materialize in practice, so that activities can be enhanced to minimize the possible for defects. A good evaluation of your supplier can help minimize uneconomical costs and activities, normally used by dishonest suppliers, such as: extra inspections, added contents charges, overtime, security of stocks, obsolete inventory, purchasing from several sources which cuts down price leveraging. (Levi, 2011).

Though controlling risks is crucial, there are greater helpful benefits that can be attained through supplier evaluation. Evaluations can help develop improved co-ordination between the supplier and the buyer. Therefore, the buyer is capable of providing the supplier a signal when additional supplies may perhaps be needed, prior to the set date and the supplier can gain knowledge of just how the buyer operates and any challenges that might not be severe, and could be gotten rid of to enhance efficiency (Arsan, 2011). This harmonization also enables the supplier to be well positioned to meet the business targets of the buyer. So other than operating independently, the

assessment process encourages suppliers and buyers to work collectively and in peace. The supplier and the buyer will as well find out how to align and eventually amalgamate practices, activities and dealings to facilitate mutual operation to be even extra consolidated. Thus it is a significant means to help in establishing a shared working relationship (Levi, 2011).

2.4.3 Supplier Segmentation

Supplier segmentation as a marketing tool when adopted is suitable for managing supplier sustainability. Stratification as a process involves categorizing all suppliers on a basis of a distinct set of criteria in order to gain a clear understanding of a buyer's supply base and its essential aspects, and making adjustments in the resource allocations in reaction to the findings (Young, 2012). It involves getting a comprehensible and fuller picture of all the suppliers in order to enable a buyer split them into meaningful groups after which the buyer is able to focus their scarce engagement resources on the appropriate group (Tania., 2011).

With a useful segmentation framework, you can make a distinction between the suppliers who give you the greatest level of risk or opportunity. Supplier segmentation enables a firm to split suppliers into diverse groups with divergent requirements, characteristics or behavior (Thomas, 2012). Supplier stratification forms a part of the important components of supply relationship management strategies which incorporates distinguishing suppliers from each other, developing supplier stratification teams, cross checking supplier segments, establishing opportunities with suppliers, advancing commodity and service covenants, undertaking agreements, quantifying performance outcomes and preparing supplier and outlay profitability information (Vance, 2013).

Stratifying the supplier base of an organization permits the formation of collaborative partnerships through the segmentation of the supplier base into smaller categories which are more manageable. This fits directly into the notion of strategic supplier alliances, in which the buyer will be able to recognize the suppliers who the organization targets to partner with, those suppliers that the organization must do business partnership with, and the suppliers that the firm could do without (Thomas, 2012). It also enables the buyer to determine what kind of relationship to establish for diverse types of suppliers and hence the capacity to conclude the relationship management structure to incorporate. Therefore, putting suppliers in diverse

segments, categories or groups facilitates an easier way for the business to handle each supplier on the basis of their importance or specifications (Tania., 2011).

Supplier Segmentation helps a firm to identify and handle suppliers in an orderly manner. It can be a valuable means to selecting suppliers and to choosing whether or not to advance in cultivating a sustained partnership with them, based on the considerable importance of the commodity supplied (Vance, 2013). Supplier stratification enables firms to develop a structure which is backed up by diverse strategies that can be undertaken to handle diverse suppliers correctly. It is significant in creating a framework for Supplier Relationship Management. One of the top barriers to effective performance consists of the internal managerial silos, internal struggles, and the consequential low performance (SupplyChainBrain, 2013).

2.4.4 Supplier Development

With the increasing intense business competition and rivalry, manufactures and companies are relying heavily on the organization and relations in their supply chain as a basis for Competitive advantage. Purchasing and supply management is gaining a great level of significance. Manufactures exercise greater dependence on suppliers (Pornchaiwisesk, 2012). These suppliers have taken up strategic and considerable roles in manufacturing firms, and have extensively participated in helping these firms to achieve a competitive advantage and their undertakings have resulted to a constructive impact on the organization's performance. However, several manufacturers are faced with the challenge of suppliers who lack the capacity or ability to improve themselves. A number of strategies have been suggested in order to improve supplier performance. These include setting up high supplier performance expectations, sourcing through a worldwide strategy, involving suppliers early during product design; continuous supplier performance enhancement rewards and direct supplier development (Margolis, Sustaining High Performance through Effective Supplier Development, 2011).

Supplier development began to gain ground as a business initiative after the end of Second World War, mainly in Japan. It was only in the 1970's when the thought became famous and started to take root in the United States of America where it was used more extensively as a business approach. In the United Kingdom, competitive pressure became a key factor in pushing companies to cut down inventory costs and this ensured that quality and delivery times were given significant considerations alongside price (Krause D. , Supplier Development: Current

Practices and Outcomes, 1992). Purchasing departments therefore became very instrumental in pushing for improvements in the quality of goods and services by making clear specifications and a prerequisite for suppliers to attain ISO 9000 quality standards. As interest in quality took the form of the notion of continuous quality improvement, buyers expected their suppliers to take suit of these developments and also adopt this improved approach (Taylor, 2000).

Supplier development is any effort or attempt by a buying firm, that is the manufacturer with its supplier to enhance the performance and/or capabilities of the supplier and in that way meet the manufacturers supply needs and specifications (Ochieng, 2014). Supplier development strategies involve ensuring that there is competitiveness among suppliers, assessing supplier performance, feedback communication, creating supplier certification programs, laying down the promised current and future benefits, carrying out site visits and training program. The buying firm is normally involved in supplier development programs so as to ensure that the firm attains company's objectives. Several studies support the positive results of supplier development strategies on buyer and supplier performance improvements (Krause, 2000).

Supplier development undertakings also lead to superior partnerships between buyers and their suppliers as well as ways to efficiently and effectively utilize capital by incorporating "lean" practices. Eliminating the waste of resources across the entire supply chain helps in making it "lean" and "green" (Margolis, 2011). Working in close partnership with suppliers, to ensure that the labor force get at least the required minimum legal wage and are properly remunerated for overtime hours is a basic obligation. A direct impact in compliance enhancement can also be attained without raising the product cost through supporting suppliers to advance their productivity and quality (Scannell, 2002).

In highly developed supplier development practices, time and accurate information is vital to decision-making and eventually to performance. As a result, sharing top secret information with suppliers is seen to correlate positively with the firm's general business performance. Incorporating suppliers in the product design course gives them the chance to work with purchasers to discover areas that can most efficiently and effectively be undertaken, thus mounting purchasing performance (Taylor, 2000). In addition, it has been supported that training suppliers enhances supplier performance. Therefore, it should be anticipated that the execution of

highly developed supplier development would develop the supplier performance and/or capacities, and ultimately, progress the buyer's purchasing performance (Rajput, 2012).

Supplier development is, in simpler terms, about providing regular and continuous feedback of the supplier's performance as qualified by the buyer's organization, jointly with any client's complaints. This feedback can frequently, in and of itself, provide a key inducement for suppliers to check and advance their performance, mainly in areas such as delivery consistency and lead times (Frahm, 2003). This strategy can be further boosted by using the expertise in the buying organization to expand the supplier's capacities and hence augment the total added quality in both products and services. Purchasing and supplies management ought to also be receptive to the likelihood of taking up supplier know-how and aligning it to the buyer's business objectives and needs (Chan, 2012).

A further benefit of this supplier development strategy is that the areas selected for improved performance or capacity are customized to the particular needs of the buying organization, and this alignment makes sure that the gains feed directly through into the buyers products and services, enabling them to be even extra competitive in their own market place (Krause D. , 1992).

2.5 Supplier Relationship Management Practices and Operational Performance

The management of the supplier relationship is also tied to performance through the competitive advantage it can create insists O'Brien (2014). The continuous search for ways of gaining competitive advantage have given SRM the millage it needs as a tool for putting an organization ahead of its competitors. As a performance measure, competitive advantage creates superior performance on a persistent basis. When SRM is well implemented through varied strategies, it will help a firm to gain superior performance (Emmett & Crocker, 2009). An organization has to do better than its competitors in the management of suppliers for it to experience good performance.

The web is all connected, an organization that is in business should be able to deliver certain value to customers which translates to creation of value for the firm itself (Lambert, 2008). Performance is also measured by the extent to which value is created for the shareholders of the organization (Field & Meile, 2008). Value in organizations are not created in isolation but through the nurturing of key competencies with spurn to the supplier relationship management.

There is a belief among organizations that strategic supplier management provides the vital benefits when creativity is natured among suppliers which in turn will translate to value benefits to an organization (Tarafdar & Qrunfleh, 2013).

In the manufacturing sector, the measure of performance is in the form of different metrics such as schedule performance. Further on, performance can also be measured through the use of measurement systems that are implemented in production plants and service delivery (Cheng, 2009). The implementation of systems gives the organization the ability to keep track of business progress. The knowledge that is gained on the manner in which the different areas of a business are performing is fundamental and additionally, the right measurement system will determine this. The measure of performance in the manufacturing scene have to be quantifiable factors that may be clearly linked to success indicators such as operational and financial performance, value creation, competitive advantage and synergy. In the manufacturing scene, performance measures go beyond the financial aspects argues (Muller 2010). The first step in the measurement of performance in the manufacturing scene is through the identification of the key areas that drive business performance. The next step is the setting up of performance targets which assist in giving everyone an opportunity to know what is being aimed for (Buchholz & Appelfeller, 2011).

With regards to financial performance, the key measurement in the manufacturing sector is the gross profit margin which is the money that is made after the direct cost of sales has been accounted for. Operating margin on the other hand, lies between the gross and net measures of profitability. We also have the net-profit margin which is considered a narrow measure of profits (Lambert, 2008) which takes into account all costs and not just the direct ones. Finally we have the return on capital employed (ROCE) which is a calculation of the net profits as a percentage of the total capital employed in a business. Other measures of financial performance include: liquidity ratios which show if a manufacturing firm can meet is short term financial obligations, the efficiency ratio which draws a picture of how well the business assets are being used.

With respect to operational performance, measurement can be on the customers of the manufacturing firm i.e. in terms of the sales data on what the clients order for most of the time and what is not ordered and the handling of complaints. All in all it’s the management of customer relationship (Gudrun, 2009). Operational performance measurement can also be on the

employees through meetings and having appraisals. Through the Quality Cost Delivery (QCD) system, which is a capture of the seven key drivers of the manufacturing operations (Moore, 2012). The QCD measures include: not right first time (NRFT) which is a measure of the rate at which defective units are produced. Stock turns on the other hand gauges the number of times a business sells and replaces its inventory. Overall equipment effectiveness (OEE) measures if the most is being made from a piece of equipment. We also have the People productivity (PP) which measures the number of worker hours taken to produce each unit of output. Floor space utilization (FSU) is a measure of the level of revenue generated per square meter of factory floor space. Deliver schedule achievement (DSA) on the other hand, measures the success in delivering the goods that are promised to a client to the schedule that was promised. Value added per person (VAPP) is a measure on the amount of value the manufacturing process adds to the raw materials and compares it to the number of people involved in the whole process.

2.6 The moderating influence of Supply Chain Attributes on the relationship between SRM practices and Operational Performance

In the supply chain, strategy and the marking field, there are predictors of relationship success and as aforementioned, communication between the involved partners will lead to increased trust and commitment. Other studies (Muller , 2010; Gudrun, 2009, Field & Meile, 2008) have proven that and commitment leads to increased satisfaction and relationship success. While there have been elements of congruence with regards to behavioral dimensions such as communication the same is not reflected when it comes to attitudinal aspect such as trust.

2.6.1 Trust

In the supply chain relationship, trust plays a key role with the underlining reality that despite the best of intentions, supply chain managers are not all the time able to foster trust in all the partnerships that involve all the channel members across the supply chain. It therefore behooves researchers to gain an understanding of significant role that is played by trust in long term relationships. Among the key factors that are weighed when it comes to trust are: the trusting behavior in customer supplier relationship and the effect of trust on the supplier-customer relationship. The awareness and central role that trust plays in the supply chain has been attributed by Tarafdar and Qrunfleh (2013) to have begun evolving in the last quarter of the

1990s with the key industries that formed alliances as postulated by Ellram (1992) to be the high tech industry such as the chemical, energy, computers and telecommunication.

More than 5 years later, Handfield and Nicholas (1999) made a discussion on the importance of having trusting relationships in the supply chain with an intention of demonstrating how the sharing of assets and information were important elements for the success of a strategic partnership. Moore (2012) concedes that when firms have collaborations, the sharing of knowledge and resources a possible likelihood and also the fact that trust develops through effective communication while the aspect of information sharing as the prerequisite for trust. Recent scholars such as Peters and Hogensen (1999) and Chandra (2001) emphasize that trust and collaboration were becoming quite common in supply chain relationships because they have the ability to reduce uncertainty.

This growing importance of trust in the supply chain has led to the opening up of opportunities in for research work since the traditional ways of doing business in most companies is contradictory to the framework that "trust" offers. The stems of supply chain management are built on trust and commitment insists Stevens (2011). The benefits accrued from long term relationships cannot be overstated; when stable relationships exist, the transactional costs are able to go down, there is the induction to desirable favor, the reduction in the use of formal contracts and the facilitation of dispute resolution. When the suppliers have long term relationships they tend to be sensitive to the needs of the consumers and this facilitates future plans for continuous improvement based on the mutual planning that is urged by the exchange of information among the two parties. It should also be known that partnerships are formed on grounds of prosperity and adversity and are bound to change with time. In the long run, the changes will create a perception either directly or indirectly on whether either or both parties are being opportunistic or acting dynamic enough in the relationship (Field & Meile, 2008).

2.6.2 Commitment

Commitment involves the calculative process of the cost or reward that would be gotten if a party in the relationship either cheats or stays in the relationship. Commitment would be seen if one party in the relationship believes that it would be in the best interest of the other party not to cheat since the benefits of not doing so, are more than the benefits of cheating. Through the prediction process, one party has the ability to forecast the behavior of the other party and as a

result, an assessment of the credibility and benevolence of the other party can be know either from past experiences such as behavior and promises that have been made initially. When the interaction is as frequent, the ability to tell and interpret outcomes is much higher thus predictability can be assessed. For instance, when a supplier makes repeated promises and is able deliver on them, the confidence of the buyer toward that supplier is made strong this high levels of commitment.

2.6.3 Information sharing

Information sharing is an essential attribute that will lead to the parties knowing just enough so as they can gain an assurance of how they will do their assessment of the capabilities and intentions while on the other hand the sharing of information leads to trust building considering that there is a sense of sharing vulnerability. Additionally, since the information is being shared, the other party feels free and more secure in the relationship.

2.6.4 Meeting obligations

In the manufacturing firm scenario, a supplier might promise a customer prompt delivery of a certain raw material despite the fact that there might be a shortage of that raw material in the market. If the customer doubts that the supplier has the necessary means to procure the needed material, then there will be reluctance towards the word of the supplier. The obligation meeting also comes with honesty and truthfulness on the part of the supplier.

2.7 Challenges experienced in Supplier Relationship Management practices in manufacturing organizations

Among the challenges that affect supplier relationship management is the misconstrued perception and negativity which has been proven empirically to come about with increased transactional costs thus making a strategic partnership loose winning edge. In a customer supplier relationship, when parties “do what they say” and “say what they do”, they are able to build confidence and the element of being relied upon. When there is lack of congruence between the words and actions of a supplier, the end result is deterioration of the relationship (Moore, 2012).

In the development of the supplier customer relationship, customers may provide enhanced vertical co-ordination that may involve the provision of credit and physical inputs as part of the

long term relationship building strategy. The provision of such support at times may be costly and may result in the development of opportunistic behavior such as the credit that is extended to the suppliers may not be used for the intended purpose of buying inputs but extended to other activities. With regards to the cost of transaction, it may be high when the cost involved in the monitoring and enforcement of contracts are high (Cheng, 2009).

The choosing of the suppliers can sometimes prove a hard task especially when the suppliers are opportunistic and are seeking to only benefit themselves. Forming relationships between manufacturers and suppliers requires a great deal of commitment to achieve success in the manufacturing process (Savitz, 2012). However, the supplier relationship in the manufacturing industry has faced numerous challenges affecting strategic performance of the manufacturers due to poor procurement performance (Hui & Lingrong, 2012).

In a study done by Waters (2011), the overall risk of assigning resources to maintain a proper relationship between the organization and its suppliers is equitably high in that over 50% of supplier development activities are considered failures. However, the element of these failures differs. Factors such as poor implementation, creation of many partnerships with extremely high intents, poor planning, lack of focus, lack of resources, lack of trust, poor follow up and poor communication has been cited as some of the reasons why these relationships fail.

Corporate culture has also been a major hindrance to supplier relationship management concept. Identifying and understanding the different corporate culture of the parties involved in the relationship is very important. Lack of collaboration also was cited in the study of Flynn, Huo, and Zhao, (2010). In their study, Flynn, Huo, and Zhao, (2010) broguth out that 44% of organizations had measures to evaluate their suppliers, but only 7% of them had developed ways actually develop their suppliers. This study showed that some organizations often claim to be focused on developing their suppliers but do not always follow through with their stated intentions.

According to Walker and Brammer, (2009), good procurement is an important tool to implement in any organizational policy, and should be an instrument for good administration and therefore good operation. Corrupt procurement on the other hand provides an unfair, unstable and risky competitive advantage and creates a sort of market-entry cost or non-tariff barrier, at least for those companies who do not wish, or cannot afford to bribe their way in (Walker & Brammer,

2009). Key impacts of corruption on procurement listed out by Transparency International include a financial impact and an economic impact. Financial impact consists of unnecessarily high cost of purchases, burdening a government with financial obligations for purchases or investments that are not needed and early repair costs to repair and maintain investments. Economic impact can consist in burdening a government with operational, maintenance and debt servicing liability for investments/purchases and when capital investment levels decrease because of corruption costs and threats to business operators.

2.8 Research Gap

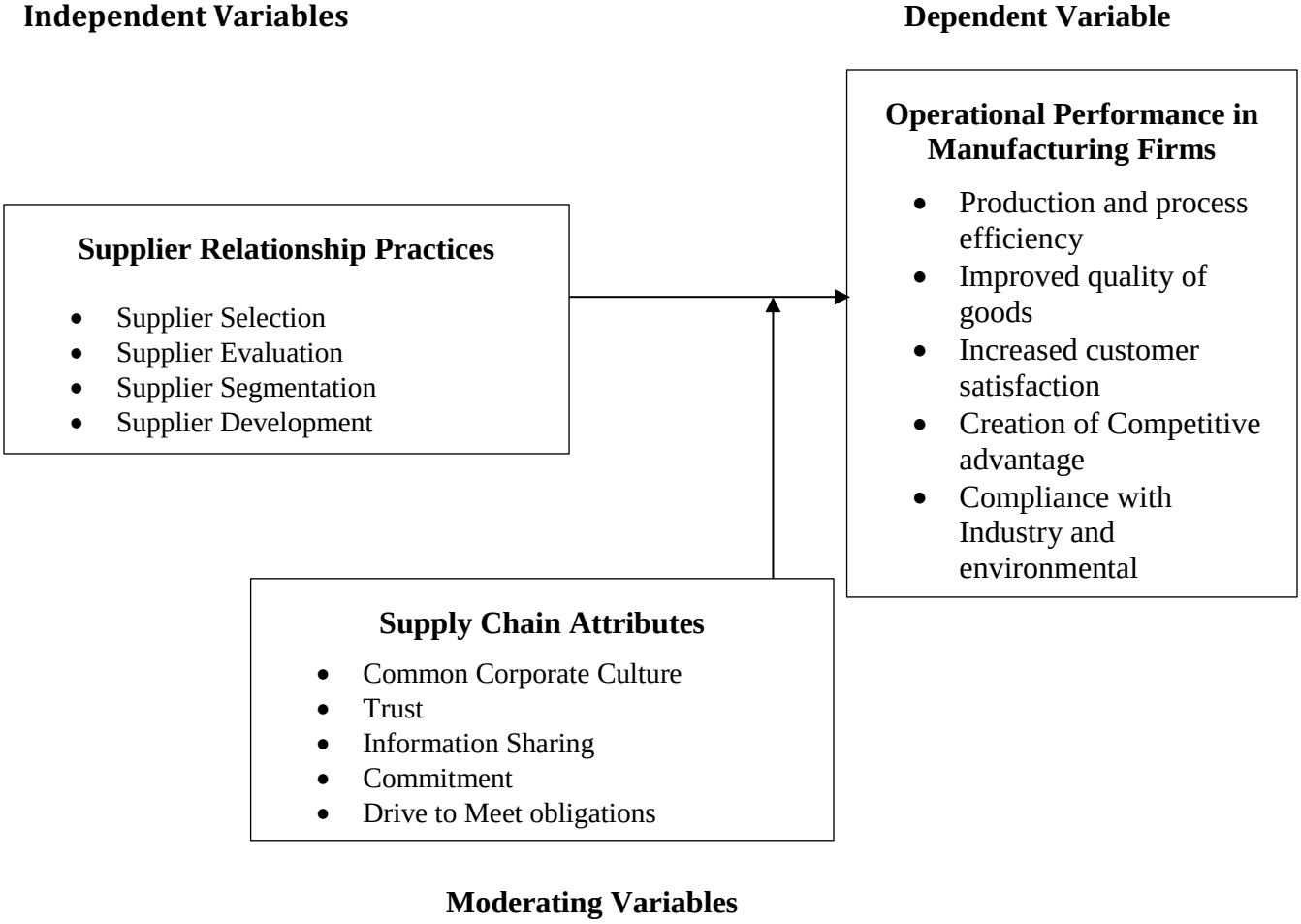
According to research by Wanjiru (2011), Ochieng (2014) and Masiko (2013), there has been a decline in preference for locally manufactured good. Most consumers continue to prefer imported goods. This has also been triggered by the lower quality, and unavailability of the locally manufactured goods (Kuei et al 2001).

Over the years, organizations are coming to a realization that for them to survive, customers, suppliers, retailers and other parties in the supply chain must come together for mutual benefit. This study seeks to find out how this situation has affected the manufacturing sector in Kenya especially among the large firms on how they deal with their suppliers. The study also seeks how the supply chain attributes influence these relationships (O'Brien , 2014).

2.9 Conceptual framework

The conceptual framework shows the relationship between the independent variables on one hand and the dependent variable on the other. The study seeks to consider several variables and how they are related. The dependent variable is the firm`s operational performance while the independent variable is the factors influencing the supply chain management practices. As represented in the table below this research focus is in the adoption SRM practices and how such practices would affect the operational performance of a manufacturing firm.

Figure 2.1 Conceptual Framework



Source: Author (2017)

Figure 2.1 above shows the independent variable and its direct relationship with the dependent variable. This relationship is however moderated by the supply chain attributes that would have some effects on the relations ship between the dependent and independent variables

2.10 Operationalization of Variables

The adoption of SRM practices broadly grouped into three concepts i.e. the practices themselves, the attributes that enhance the practices and the challenges that hinder them. The operationalization of each concept is explained by the table 2.1 below.

Table 2.1 Operationalization of Variable

Variable	Indicator	Measurement Scale	Tools of Analysis
Operational Performance in Manufacturing Firms	- Improved Production Efficiency - Waste Reduction - Improved Quality - Decrease in production defects - Decreased customer complaints - Decreased Worker Injuries - Improved production Accuracy - Decreased production cost - Improved product completeness - Decreased cycle time - Improved workflow process - Environment requirement compliance - Industry requirement compliance - Creation of synergy - Creation of firm competitive advantage	Ordinal Interval	-Mean and Standard deviation -Correlation & Regression
Supplier Relationship Practices	- Supplier Selection - Supplier Evaluation - Supplier Segmentation - Supplier Development	Ordinal Interval	-Mean and Standard deviation - Correlation & Regression
Supply Chain Attributes	- Common Corporate Culture - Trust - Information Sharing - Commitment - Drive to Meet obligations	Ordinal Interval	Mean and Standard deviation - Correlation & Regression
Supplier Relationship Management Challenges/barriers	- Lack of clear definition on who is responsible for the SRM - Lack of clear scope of the functions of SRM - Lack of transparency - Lack of integration among procuring and user departments - Opportunistic Suppliers High transaction cost - Poor Level of Coordination - High monitoring cost - Lack of Committed resources	Ordinal Interval	Mean and Standard deviation - Correlation & Regression

Source: Author (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research methodology that was used to explore the influence of supplier relationship management practices on organizational performance the case being large manufacturing firms in Kenya. The section spells out the procedures that were used to come up with the research design which tentatively determined the population and sample for the study. Additionally, the sampling procedures and size were determined. The section highlights the data collection procedures and techniques, analysis and presentation.

3.2 Research Design

The choice of research design is very crucial for any kind of research assignment as it will enable the researcher to make casual valid inferences (Kumar, 2010). This study in particular through the survey study approach firstly applied the use of correlational research design as it sought to find out the relationship that exist between the dependent variable (performance in manufacturing firms) and the independent variables (SRM practices and supply chain attributes) as moderated by SRM challenges/barriers. The main goal of any correlational research is the determination of whether there is a relationship between variables and to what extent is the relationship (Bhattacharyya, 2006). Additionally, the study employed the use of descriptive research as it explored the influence of supplier relationship management practices on organizational performance whose measures are on a nominal scale and cannot be manipulated mathematically but are purely descriptive (Khan, 2011).

3.3 Population and Sampling

A population consists of all the individuals that are of interest to a study (Andersen & Walter, 2013). In this case it was the large manufacturing firms in Kenya operating in different sectors. These are classified into 12 sub categories which are based on the raw materials that the companies import or the products that they manufacture as listed by the Kenya Manufactures Association. More specifically, there are 594 firms listed by Kenya Manufacturers Association in (2015). A sample on the other hand is the subset of the population. For reasons that made it

imperative for the researcher not to study the whole population such as time constraints of academic studies, slow response, lack of co-operation from the respondents and financial constraints. A sample of 60 large manufacturing firms was selected using purposive sampling based on the firms being categorized as large manufactures (more than one branch, a turn-over of more than 100 million or more than 500 employees). This study ensured that the selected sample was a representative figure of the entire population which is the large manufacturing firms in Kenya. This was crucial to allow for the making of valid inferences so that the conclusions that were drawn reflected of the entire population.

Table 3.1: Population and Sampling

Manufacturing Category	**No of Firms**	**No of Sampled Firms**
Chemical & Allied	68	7
Energy, Electricals	37	4
Food and Beverages	149	15
Leather	7	1
Metal	59	6
Motor vehicle	27	3
Mining	19	2
Paper and Board	68	7
Pharmaceuticals	23	2
Plastic	67	7
Textiles	53	5
Timber	17	2
Total: 12 Categories	**549**	**60**

Source: Author (2017)

3.4 Data Collection Methods

Primary data was gathered directly from heads of procurement. As a means of creating measures for the study geared towards an investigation of the research topic as well as the objectives, the study used structured questionnaires as an essential component of the data collection. This data collection technique was important in ensuring that the abstract constructs such as supplier relationship management practices could be quantified and operationalized (Lategan, 2010). The data collection technique and strategy chosen for this study was informed by the research questions. Study concepts were quantified in the structured questionnaires attached as appendix two. The contents of the structured questionnaire ranged from open ended to closed ended questions and likert scale items. The questionnaire is sub divided into five sections as; Section A:

general information, Section B: Supplier relationship management, Section C: Supply chain attributes, Section D: Challenges in supply chain management and Section E: Firm performance.

The use of a structured questionnaire was preferred as a means of collecting primary data because it allowed the use of global ratings which in turn were quantified and the calculated means used as ratio scale data to conduct inferential statistics such as regression (Ting & Lim, 2013). Through the field work strategies that were adopted by the study, the structured questionnaire also provided the avenue through which the sample could be surveyed through mail, phone and in person. Also phone and email interviews were conducted by the researcher in cases where the physical premises could not be accessed or because the contact or relevant people to get data from were not available to physically take part in the study.

3.5 Data Analysis

The analysis of data calls for the use of data analysis techniques and are completely dependent upon the design of a study the case here being correlation, simple regression and descriptive research which inferred the type of questions and the data that was being gathered. Through data analysis, statistical significance of a phenomenon can be determined and the findings can be relied upon in the making of decisions (Khan, 2011).

Once the data had been collected, it was logged, entered, transformed and organized into a database via the Statistical Package for Social Sciences (SPSS) version 22 which facilitated accurate and efficient analysis of both simple descriptive and inferential statistics. Once the coding procedures had been established and finally the creation of screening and cleaning procedures, reliable output was delivered. Among the statistical analyses that were used in this study were means and standard deviations. More specifically, the means indicated the average scores while the standard deviations indicated the degree of variability amount that the scores varied from the mean.

The regression was run at two levels. The first one showed the relationship between the SRM practices and operational performance while the second one was to show the moderating influence of supply chain attributes on the relationship between SRM practices and operational performance. This was done using the equations below;

Equation one:

$$Y = \alpha + \alpha_1 \text{ SRM Practices} + \varepsilon$$

Equation two:

$$Y = \alpha + \alpha_1 \text{ SRM Practices} + \alpha_2 \text{ Supply ChainAttributes} + \varepsilon$$

Where: Y = Organizational performance and ε = error term

Through the regression model, the study was able to determine whether there is a relationship between the independent and dependent variables by indicating positive or negative correlation. An analysis of variance (ANOVA) was also conducted to determine if there was a statistically significant difference in the independent variables and the dependent variable. The analyzed data was presented in the form of frequency distribution tables as well as central tendency tables that covered means and the measure of dispersion.

3.6 Test of Reliability and Validity

The reliability of the questionnaire was evaluated through the use of Cronbach's Alpha which measures the internal consistency. The Alpha intimates internal consistency by the establishment of whether a certain item measures the same construct. Nunnally (1978) set the Alpha threshold at 0.6 which this study benchmarked against. For each of the objectives, there was establishment of the Cronbach's Alpha so that a determination would be made if each scale (objective) would produce consistent results should the research be done once again. From the analysis, all the variables were able to produce scales that were reliable having Alpha values that are above the benchmark.

As presented on table 3.6.1, supplier relationship management had an Alpha value of 0.789, supply chain attributes had an Alpha value of 0.895 and finally the challenges facing SRM have an Alpha value of 0.775. The scale combination had an Alpha value of 0.820 which is also above the threshold of 0.6. The high level of reliability is an indication that the instrument can be relied upon to give accurate and consistent results all the time.

Table 3.6.1: Reliability Analysis

	Cronbach Alpha	Items
Supplier Relationship Management	0.789	5
Supply Chain Attributes	0.895	5
Supplier Relationship Management Challenges	0.775	4
Scale Combination	**0.820**	

Source: Author (2017)

3.7 Ethical Issues in the Research

The researcher was conducted with utmost respect of the privacy of the individuals and entities that were involved. The data collected was handled with extreme confidentiality and was not used for any other purpose other than for the study itself. The respondents were not coerced or put into any physical or mental stress to participate in the study.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This section is a presentation of the findings on the data that was analyzed in relation to the influence of supplier relationship management (SRM) practices on organizational performance. The chapter presents the response rate, demographic profiles, SRM practices, Supply chain attributes, challenges in SCM, firm performance and relationships amongst the variables.

4.2 Response Rate

The number of manufacturing firms targeted by this study was a total of 60 manufacturing firms with the sample frame covering the twelve different categories that form the different subsectors as highlighted by the Kenya Manufacturers Association 2015. The researcher used 10% of the entire population to the sample. The actual response was 44 out of the 60. This means that the overall response rate was at 73.3% which according to Mugenda and Mugenda (2003), for simplification, a response rate of 50% is sufficient, 60% is good and a response rate of above 70% is excellent. The response rate is thus suitable for making inferences about the total population.

4.3 Firm Profile

Table 4.3 below presents the manufacturing categories in which the firms operate. As indicated in the figure, 27.3% firms are from food and beverages industry, 13.6% firms are from chemical and allied industry and paper and board industry respectively, 11.4% firms are from plastic industry, 9.1% firms are from metal industry, 6.8% are from energy and electrical industry and textiles industry respectively, 4.5% are from the motor vehicle industry, 2.3% are from timber industry, pharmaceutical industry and mining industry. There was no response from leather industry.

Table 4.3: Manufacturing Firms Characteristics

	Characteristics	Frequency	Percentage (%)
Manufacturing Category	Chemical & Allied	6	13.6%
	Energy, Electricals	3	6.8%
	Food and Beverages	12	27.3%
	Leather	0	0%
	Metal	4	9.1%
	Motor vehicle	2	4.5%
	Mining	1	2.3%
	Paper and Board	6	13.6%
	Pharmaceuticals	1	2.3%
	Plastic	5	11.4%
	Textiles	3	6.8%
	Timber	1	2.3%
Age	Less than 1 year	2	4.5%
	1 to 5 years	4	9.1%
	5 to 10 years	17	38.6%
	More than 10 years	21	47.7%
Number of Suppliers	Less than 5 Suppliers	5	11.4%
	5 to 10 Suppliers	18	40.9%
	More than 10 Suppliers	21	47.7%
Supplier Turnover	Low	17	38.6%
	Moderate	23	52.3%
	High	4	9.1%
Number of Employees	Less than 25	0	0%
	26 to 50	0	0%
	51 to 75	3	6.8%
	76 to 100	11	25%
	More than 100	30	68.2%
Firm Ownership	Foreign	18	40.9%
	Local	26	59.1%
	Public	0	0%
	Private	44	100%

Source: Author (2017)

Table 4.3 above presents the findings on the number of years the manufacturing firms under study have been in operation. Majority of the organizations (47.7%) have been in operation for more than 10 years, 38.6% have been in operation between 5-10 years, 9.1% have been in operation between 1-5 years while 4.5% have been in operation for less than one year. The number of years in operation is an indication of the duration in which the organizations have been interacting with various suppliers of raw materials and services. The duration of between 5-

10 years (38.6%) and over 10 years (47.7%) is an indication of how well versed the respondents are with their suppliers as well as the kind of relationships that they have been able to build in the period they have been in existence. Further, considering the number of suppliers that each of the respondents' firms deal with. Majority (47.7%) of the firms deal with more than 10 suppliers, 40.9% of the firms deal with between 5-10 suppliers while 11.4% of the firms deal with less than 5 suppliers.

As shown in table 4.3 above, the supplier turnover which in this study is defined as the changing of suppliers of the various raw materials and services, in the last one year, suppliers have been changed mostly to a moderate extent (52.3%). Change of suppliers to a low extent was at 38.6% while to a high extent was at 9.1%. Among the reasons attributed to the change in suppliers in the last one year included: unreliability, inconsistency, low quality materials and sometimes the pricing.

As indicated in table 4.3 above, 68.2% of the firms have more than 100 employees, 25% of the firms have between 75 and 100 employees and 6.8% of the firms have been 51 and 75 employees. Considering the firm size as determined by number of employees, it is therefore instructive that the manufacturing firms qualify for medium and large sized firms as none of the firms have less than fifty employees. Further, all the manufacturing firms (100%) are privately owned. Of these privately owned firms, 59.1% are locally owned firms and 40.9% are foreign owned firms.

4.4 Supplier Relationship Management Practices

The respondents were given 21 items describing the extent to which their organizations practice certain supplier relationship management practices on a Likert scale of 1 to 5 where 1 is (Strongly Disagree), 2 is (Disagree), 3 is (Somewhat Agree), 4 is (Agree) and 5 is (Strongly Agree). The responses are summarized in table 4.4a below.

Table 4.4a: Supplier Relationship Management Practices

Practices		Mean	Standard Deviation
Supplier Selection	Suppliers selected provide quality materials to our organization	3.341	1.077
	Suppliers selected provide order flexibility to our organization	3.296	1.047
	Suppliers exhibiting sound financial and business stability are selected	3.273	1.042
	Suppliers with similar goals as our organization are selected	3.182	0.922
	Suppliers selected provide materials at an appropriate price to our organization	3.159	1.055
	Overall Mean	3.250	1.029
Supplier Evaluation	There is commitment in buyer supplier relationships	3.318	1.073
	There is trust in buyer supplier relationships	3.296	1.112
	Our firm regularly reviews capability of and risks associated with existing suppliers with respect to quality standards	3.205	0.930
	Our firm regularly reviews capability of and risks associated with existing suppliers with respect to arising opportunities	3.159	1.055
	Our firm categorizes all suppliers on the basis of a distinct set of criteria to understand their expertise and flexibility	3.159	0.963
	Suppliers having the willingness to adapt to needs of the buyers are selected	3.136	0.955
	Overall Mean	3.212	1.015
Supplier Segmentation	Suppliers selected provide suitable levels of service to our organization	3.296	1.047
	Suppliers selected provide materials just in time to our organization	3.25	0.967
	Suppliers with sound technical capacity are selected	3.182	0.922
	Suppliers selected provide technical know-how to our organization	3.159	0.963
	There is dependence in the buyer supplier relationships	3.114	1.017
	Overall Mean	3.200	0.983

Supplier Development	Suppliers selected are those that are strategically linked such that they are willing to share risks with our organization	3.273	1.107
	Suppliers selected are those that are strategically linked such that they are willing to share rewards and resources with our organization	3.227	1.075
	There is feedback and quality communication in buyer supplier relationships	3.227	0.962
	Our firm provides training and feedback for suppliers	3.227	0.937
	Suppliers selected provide materials at an appropriate price to our organization	3.159	1.055
	Suppliers are integrated in the manufacturing, warehousing and stores chain	3.136	0.955
	Overall Mean	3.228	1.015
Overall Mean		3.214	0.760

Source: Author (2017)

Table 4.4b: Summary of SRM Practices

Practice	**Mean**	**Standard Deviation**
Supplier Selection	3.250	1.029
Supplier Development	3.228	1.015
Supplier Evaluation	3.212	1.005
Supplier Segmentation	3.200	0.983

As shown in table 4.4b, the most commonly used SRM practice is supplier selection followed by supplier development. Suppler segmentation is the least used SRM practice. The overall mean was 3.214 and a standard deviation of 0.760.

4.5 Influence of SRM Practices on Operational Performance

The respondents were asked to rate their operational performance levels on a scale of 5 (Strongly agree) to 1 (Strongly disagree).

Improvement in production efficiency and a decrease in worker injuries had the highest mean score of 3.932 and a standard deviation of 0.625. On the other hand, reduction of the overall production cycle time and decrease in customer complaints had the lowest mean of 3.227 and a standard deviation of 0.937. The overall Mean was 3.612 and the standard deviation was 0.345.

Table 4.5a Firm Operational Performance	**Mean**	**Std. Deviation**
There has been improvements in production efficiency	3.932	0.625
There has been a decrease in worker injuries as compared to last year	3.932	0.625
We have experienced improvements in waste reduction	3.773	0.803
There has been a improvements in production accuracy	3.773	0.803
There has been creation of synergies in terms of economies of scale and scope	3.773	0.803
We comply with industry regulations	3.705	0.632
The quality of goods/ products has been improving	3.682	1.006
There has been a decrease in overall production costs as compared to last year	3.682	1.006
There has been a decrease in production defects as compared to last year	3.591	0.622
There has been improvements in levels of goods/product's completeness	3.591	0.622
We comply with the environmental responsibility requirements	3.455	0.975
There has been creation of firm competitive advantages	3.455	1.022
There has been improvements in workflow processes	3.386	0.868
Customer complaints have decreased compared to last year	3.227	0.937
The overall production cycle time has decreased	3.227	0.937
Overall Mean	3.612	0.345

Source: Author (2017)

Correlation Analysis

The researcher run a correlation analysis to find the relationship between the independent variables (i.e. SRM practices) with the dependent variable (i.e. Operational performance). As presented in table 4.5b below, there are statistically significant positive relationships between supplier relationship management practices and firm performance (r=0.382)

Table 4.5b: Correlation Analysis

	Organizational Performance	SRM Practices
Operational Performance	1	
SRM Practices	.382*	1

Regression Analysis

As presented in table 4.5c below, 64.6% of variations in firm performance are explained by variations in SRM practices ($R^2 = 0.646$).

Table 4.5c: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.674[a]	.646	.643	.32242

a. Predictors: (Constant), SRM Practices
Source: Author (2017)

As presented in table 4.5d, the model is statistically significant in explaining the relationship. The F statistic (F=7.190, P = 0.10) infer that there is 1 percent chance that all regression parameters are zero.

Table 4.5d: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.747	1	.747	7.190	.010[b]
	Residual	4.366	42	.104		
	Total	5.114	43			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), SRM Practices
Source: Author (2017)

As indicated in Table 4.5e below, a 1% increase in SRM practices leads to 17.4% increase in firm performance and the relationship is statistically significant ($\beta = 0.174$, $P<0.05$).

Table 4.5e: Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.054	.214		14.293	.000
	SRM Practices	.174	.065	.382	2.681	.010

a. Dependent Variable: Organizational performance

Source: Author (2017)

Thus, the model can be summarized as:

Organizational performance = 3.054 + 0.174 SRM Practices

4.6 Moderating Influence of Supply Chain Attributes on the Relationship between SRM Practices and Operational Performance

The respondents were asked to rate the existence of specific supply chain attributes on a likert scale of 1 to 5 where 1 is (Strongly Disagree), 2 is (Disagree), 3 is (Somewhat Agree), 4 is (Agree) and 5 is (Strongly Agree).

Table 4.6a: Moderating factor: Supply Chain Attributes		
	Mean	Std. Deviation
There exists trust between supplier and our organization	3.932	0.625
There is information sharing between supplier and our organization	3.773	0.803
The partnerships between our suppliers and the organization is supported by prosperity and adversity	3.705	0.509
There exists commitment between supplier and our organization	3.682	1.006
There is common drive to meet obligations between supplier and our organization	3.591	0.622
There exists common corporate culture amongst suppliers and our organization	3.134	0.661
Valid N (list wise)		

Source: Author (2017)

The respondents indicated that to a larger extent, that there is trust between suppliers and organizations with a mean of 3.932 and a standard deviation of 0.625. This was followed by

there is information sharing between suppliers and organizations with a mean 3.773 and a standard deviation of 0.803. Existence of common corporate culture amongst suppliers and our organization had the lowest mean score of 3.134 and a standard deviation 0.661 while there existence of common drive to meet obligations between supplier and our organization had the second lowest mean of 3.591 and a standard deviation of 0.622.

Correlation Analysis

A correlation analysis was run to evaluate the influence of the moderating factor, supply chain attributes on the relationship between SRM Practices and operational performance and the following results were obtained. As presented in table 4.6b below, there are statistically significant positive relationships between the supply chain attributes and the relationship between supplier relationship management practices organizational performance.

Table 4.6b: Correlation Analysis

	Organizational Performance	SRM Practices	S C Attributes
Operational Performance	1		
SRM Practices	.382*	1	
S C Attributes	.435**	.322*	1
	44	44	44
**. Correlation is significant at the 0.01 level (2-tailed).			
*. Correlation is significant at the 0.05 level (2-tailed).			

Regression Analysis

As indicated in table 4.6c below, 85.5% of variations in firm performance are explained by variations in SRM practices and the moderating factor, supply chain attributes.

Table 4.6c: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.876[a]	.855	.851	.30489

a. Predictors: (Constant), S C attributes, SRM Practices

Source: Author (2017)

As presented in table 4.6d, the model is statistically significant in explaining the relationship. The F statistic (F=7.005, P = 0.002) infer that there is 0.2 percent chance that all regression parameters are zero.

Table 4.6d: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.302	2	.651	7.005	.002[b]
	Residual	3.811	41	.093		
	Total	5.114	43			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), S C attributes, SRM Practices

As indicated in Table 4.6e below, a 1% increase in SRM practices leads to 12.3% units increase in firm performance and the relationship is statistically significant ($\beta = 0.123$, $P<0.05$). A 1% increase in Supply Chain attributes leads to 23.1% units increase in firm performance and the relationship is statistically significant ($\beta = 0.231$, $P<0.05$).

Table 4.6e: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.346	.353		6.638	.000
	SRM Practices	.123	.065	.270	1.898	.045
	SC attributes	.231	.095	.348	2.443	.019

a. Dependent Variable: Organizational performance

Thus, the model can be summarized as:

Organizational performance = 2.346 + 0.123 SRM practices + 0.231 SC attributes

Summary of the moderating influence on the relationship between dependent and independent variables

Table 4.6f: Regression Summary		Y1= with SRM Practices	Y2= with SRM Practices and SC Attributes
F Statistics	Value	7.190	7.005
	Significance	0.010	0.002
R Squared	Value	0.646	0.855
Coefficient of SRM Practices	Sign	Positive	Positive
	Value	0.174	.123
	Significance	0.010	.045
Coefficient of SC Attributes	Sign	Positive	Positive
	Value		.231
	Significance		.019
Constant	Sign	Positive	Positive
	Value	3.054	2.346
	Significance	0.000	0.000

As indicated in Table 4.6f above, the F statistics is at 7.190 when one independent variable is incorporated in the model. On introduction of the second variable in the model, the F statistics declines to 7.005. This also has the significance value as 0.002 compared to 0.010 without the attributes. This means that with the introduction of the moderating factor, the significance level increases. In the first model, 64.6% of variations in performance are explained by variations in SRM practices while 85.5% of variations in performance are explained by variations in SRM practices and SC attributes. This shows that the attributes increases the variation of the relationship between SRM practices and operational performance. The coefficient sign for both solutions is positive. This means that both SRM practices and supply chain attributes result to an increase in the operational performance.

4.7 Challenges in Supply Chain Management

The respondents were asked to rate the levels of challenges that they experience while practicing supply chain management on a scale of 5 (strongly agree) to 1 (strongly disagree). The responses are summarized in table 4.6 below.

The challenge with the highest mean was that there is no clear definition of who is responsible for supply chain management and inflated and high transaction cost. These two had a mean of 3.773 and a standard deviation of 0.803. The challenges with the lowest mean were absence of seamless integration amongst the procuring and user departments with a mean of 3.159 and a standard deviation of 0.963. This was followed by opportunistic and exploitative suppliers that had a mean of 3.227 and a standard deviation of 0.937.

Table 4.7: Challenges in Supply Chain Management

The challenges	Mean	Std. Deviation
No clear definition of who is responsible for supply chain management	3.773	0.803
Inflated and high transaction costs	3.773	0.803
No clear scope of the functions and duties of supply chain managers	3.682	1.006
High credit contract monitoring costs	3.636	0.749
Lack of transparency in the supply chain process	3.591	0.622
In availability of committed resource	3.364	1.102
Poor levels of coordination with suppliers	3.227	0.937
Opportunistic and exploitative suppliers	3.227	0.937
Absence of seamless integration amongst the procuring and user departments	3.159	0.963
Overall Mean	3.492	0.581
Valid N (listwise)		

Source: Author (2017)

CHAPTER FIVE
DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a presentation of the summary of findings, the conclusions and recommendation of the study as per the empirical evidence gathered in Chapter Four. The section also includes the areas that were recommended for further study by the research. In the summary of findings, comparisons and contrasting is made to the literature that was gathered in Chapter two of this same study.

5.2 Discussion

The objective of this study was to determine the influence of supply relationship management practices on operational performance of large manufacturing organizations. Locally manufactured goods continue to seem as less effective compared to the imported goods. This study strived to find out if the adoption of SRM practices would influence the operational performance.

5.2.1 Supplier Relationship Management Practices

All of the listed SRM practices are practiced in the organization to a moderate extent. The most commonly used practice according to the findings was supplier selection. Most organizations enhance the supplier selection practice in order to ensure that the best supplier is selected. Supplier development was second followed by supplier evaluation and lastly supplier segmentation. These findings are consistent with those of Levi 2011 who also brought out supplier selection as the most important SRM practice and encourage its practice in any organization dealing with suppliers. Stevens (2011) on the other hand contradicts with these findings as he brought out supplier development as the least preferred practice. Supplier development calls for high level of trust and commitment between the organization and its suppliers which is not always the case.

5.2.2 SRM Practices and Operational Performance

On correlation analysis, the study establishes a positive relationship between supplier relationship management practices and operational performance. The relationship was also statistically significant.

From the regression analysis four findings are evident. Foremost, 64.6% of variations in firm performance are explained by variations in the supply relationship management practices. Holding all factors constant, a 1% increase in SRM practices leads to 17.4% increase in firm performance. These findings are in agreement with those of (Ochieng 2014). In his study, Supply Chain management leads to a significant increase in firm`s operational performance.

5.2.3 Supply Chain Attributes

On the supply chain attributes, existence of trust between the organization and its suppliers was the most influential factor. This is in agreement with Stevens (2011) who brought out trust as a key factor for SRM practices in organizations. For any organization to create a strong relationship with its suppliers, there has to be existence of trust, commitment and information sharing (Field & Meile 2008). According to this study, information sharing ranked second as factor affecting SRM practices and operational performance.

From the regression, 85.5% of the changes in the relationship between SRM practices and operational performance are explained by supply chain attributes. This shows that the attributes are important with the creation and maintenance of supplier relationship management and their practices. This was also confirmed trough a research by Ochieng (2014) and Stevens (2011).

5.2.4 Challenges affecting the SRM Practices

According to Waters (2011), creation of supplier relationship between and organization and its suppliers is very crucial as it leads to improved work flow and reduced cost of production. However, these practices do come with challenges. The findings of this study agrees with Ochieng (2014) as his study also brought out lack of trust as the biggest challenge that organizations experience during SRM practice. Lack of trust was followed by high transaction cost. This also agrees with Waters (2011) findings. Eradication of these challenges would lead to a better relationship between organizations and their supplies thus leading to increase in operational performance.

5.3 Conclusions

The study can conclude that indeed SRM practices have a bearing on the operational performance of large manufacturing organizations. The overall performance of organizations in the manufacturing sector in Kenya is affected by manner in which suppliers are managed by the various organizations.

The supplier relationship practices among the manufacturing industries in Kenya have partially adopted documented procedures/rule/guidelines in the manner in which they interact with suppliers this has in turn affected the manner in which they manage supplier selection, evaluation, segmentation and development since the findings indicate that they did not have a clear manner in which these practices where being handled in their firm. Issues of trust and commitment, the respondents considered it as paramount in their interaction with suppliers saying that without them the relationship cannot even be built. Additionally, a good relationship with the supplier is able to save on transactional costs such as those that may result from delayed deliveries, poor quality materials or spare parts and lack of flexibility.

5.4 Recommendations

The study recommends the practice of supply chain management practices as they do have a positive influence on operational performance of manufacturing organizations. Organizations should work together internally and externally i.e. with their suppliers to come up with suitable SRM practices and set attainable expectorations with these practices. However, for these practices to be implemented, the SRM elements such as trust, commitment, information sharing and partnerships will need to put in place.

The study also recommends that the organizations should scan the various challenges they are exposed to on supply chain management and devise approaches to mitigate such challenges. This is because the challenges including costs can have negative effects on organizational performance levels. The study thus recommends that for efficiency to be achieved in the supplier relationship management, factors should address the overall scope from cost, to quality, to flexibility and on time delivery among manufacturing firms in Kenya.

Touching on the sharing of risks and rewards, there is minimal indication of this happening among the organizations under study and their suppliers. For SRM to be truly achieved to sustainable levels, there has to be sharing of risks and rewards which the manufacturing sector in Kenya should look keenly into adopting so as to enhance their competitive advantage and overall performance.

The study also recommends that the challenges that are faced in the supplier relationship management such as high transactional costs can be reduced through mutual agreements between organizations and suppliers that do not necessarily involve money.

5.5 Study Limitations and Suggestions for Further Study

The study assumed that there exist a linear relationship between the study variables. This may not be perfect assumption. Performance is also a longitudinal variable though in cross sectional studies of this nature, data was collected on performance on a likert scale. One of the challenges that were faced in this research was the manner of suspicion in which the respondent's organizations treated the data collection instrument with some declining to fill them. This challenge rose on aspects of firm data sensitivity and possibility of working with competing organizations.

The study recommends research to be done on the new and innovative ways through which SRM practices can be managed considering the dynamics surrounding the phenomenon such as use of new technology and advancements in transactional approaches that cut down on data management costs.

The foregoing study was based on a linear relationship between SRM practices, SCM attributes, SCM challenges and Organizational operational performance. There are possibly other forms of none linear relationships that can be further investigated. Firm performance can be operationalized using secondary data.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

Strathmore University

PO Box 59857 – 00200

Nairobi

To:

The Head Procurement Officer

Dear Sir/Madam

RE: REQUEST FOR PARTICIPATION IN DATA COLLECTION

I am a Master of Commerce (MCom) student at Strathmore University. As a partial fulfillment of requirement for the award of the degree, I am conducting an academic research on influence of supply chain management (SRM) practices on organizational performance of large manufacturing organizations in Kenya.

I have chosen your firm to participate in this study as it meets my definition of a large manufacturing firm in Kenya. The purpose of this study is to investigate the impact of using SRM practices on your organizational performance. The study will also bring out the various SRM practices that different large manufacturing firms are adopting today and also the challenges they experience in the process of adopting those practices.

The questionnaire will require less than 30 minutes of your time to complete. The information gathered from your firm will be treated with utmost confidentiality. Your organization will remain anonymous and no specific reference will be made to it or individuals involved in the study.

I look forward for your kind participation in this study, thank you.

Yours faithfully

Kiarie, Joyce Wairimu

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APPENDIX II: QUESTIONNAIRE

Kindly answer the following questions by ticking and responding appropriately where asked to:

Section A: Organizational Profile

1. Name of firm (Optional)……
2. Which manufacturing category does your firm belong in…….

3. Number of years in operation

   Less than 1 year [ ] 1 – 5 years [ ] 5 -10 years [ ]

   Over 10 years [ ]

4. Approximately how many suppliers do you deal with
   a) Less than 5 [ ]
   b) Between 5-10 [ ]
   c) More than 10 [ ]

5. In the last year, have changed suppliers?
   a. Yes [ ]
   b. No [ ]

If yes, how many times have you changes suppliers within the year? .....

Please explain the reason for changing the supplier ….……...

……

……

6. Approximately how many employees does your organization have?
   a) Less than 25 [ ]
   b) Between 26-50 [ ]
   c) Between 51-70 [ ]
   d) Between 71-100 [ ]
   e) More than 100 [ ]

7. What is the form of ownership structure for your organization?
   a) Private [ ]
   b) Public [ ]
   c) Local [ ]
   d) Foreign [ ]

Section B: Supplier Relationship Management Practices

8. Various supplier relationship management practices have been put in place to support the modern supply chain. To what extent do you agree with existence of the following supplier relationship management practices in your organization on a Likert scale of 1 to 5?

(where; 1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Agree, 4 = Agree, and 5 = Strongly Agree)

	1	**2**	**3**	**4**	**5**
There is trust in buyer supplier relationships					
There is commitment in buyer supplier relationships					
There is feedback and quality communication in buyer supplier relationships					
There is dependence in the buyer supplier relationships					
Suppliers are integrated in the manufacturing, warehousing and stores chain					
Suppliers with similar goals and values as our organization are selected					
Suppliers having the willingness to adapt to needs of the buyers are selected					
Suppliers exhibiting sound financial and business stability are selected					
Suppliers with sound technical capacity are selected					
Suppliers selected are those that are strategically linked such that they are willing to share risks with our organization					
Suppliers selected are those that are strategically linked such that they are willing to share rewards and resources with our organization					
Suppliers selected provide technical know-how to our organization					
Suppliers selected provide quality materials to our organization					
Suppliers selected provide materials just in time to our organization					
Suppliers selected provide materials at an appropriate price to our organization					
Suppliers selected provide suitable levels of service to our organization					
Suppliers selected provide order flexibility to our organization					
Our firm regularly reviews capability of and risks associated with existing suppliers with respect to quality standards					
Our firm regularly reviews capability of and risks associated with existing suppliers with respect to arising opportunities					
Our firm categorizes all suppliers on the basis of a distinct set of criteria to understand their expertise and flexibility					
Our firm provides training and feedback for suppliers					
Any other (specify) …… …… …… …… ……					

Section C: Supply Chain Attributes

9. Various supply chain attributes affect or trigger the practice of supply chain management in the organization. Please rate to what extent you agree with existence of the following supply chain attributes in your organization?

(where; 1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Agree, 4 = Agree, and 5 = Strongly Agree)

	1	**2**	**3**	**4**	**5**
There is common corporate culture amongst suppliers and our organization					
There exist trust between suppliers and our organization					
There is information sharing between supplier and our organization					
There exists commitment between suppliers and our organization					
There is a common drive to meet obligations between suppliers and our organization					
The partnerships between our suppliers and organization is supported by prosperity and adversity					
Any other (specify) …… …… …… ……					

Section D: Challenges in Supply Chain Management

10. There exist a number of challenges that hinder supply chain management practices in organizations. To what extent do you agree with prevalence of the following supply chain challenges in your organization? Please rate on a scale of 1 to 5

(where; 1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Agree, 4 = Agree, and 5 = Strongly Agree)

	1	**2**	**3**	**4**	**5**
There is no clear definition of who is responsible for supply chain management					
There is no clear scope of the functions and duties of supply chain managers					
There is lack of transparency in the supply chain process					
There is no seamless integration amongst the procuring and user departments					
The existence of opportunistic and exploitative suppliers					
The presence inflated and high transaction costs					

Existence of poor levels of coordination with suppliers					
Credit contract monitoring costs are too high					
In availability of committed resource					
Any other (specify) …… …… ……					

Section E: Operational Performance

11. The following are some of the operational performance indicators. On a Likert scale of 1 to 5; how would you rate the performance of your organization in the last one year (i.e. January to December, 2016)?

(where; 1 = Strongly Disagree, 2 = Disagree, 3 = Somewhat Agree, 4 = Agree, and 5 = Strongly Agree)

	1	**2**	**3**	**4**	**5**
There has been improvements in production efficiency					
We have experienced improvements in waste reduction					
The quality of goods/ products has been improving					
There has been a decrease in production defects as compared to last year					
Customer complaints have decreased compared to last year					
There has been a decrease in worker injuries as compared to last year					
There has been a improvements in production accuracy					
There has been a decrease in overall production costs as compared to last year					
There has been improvements in levels of goods/product's completeness					
The overall production cycle time has decreased					
There has been improvements in workflow processes					
We comply with the environmental responsibility requirements					
We comply with industry regulations					
There has been creation of synergies in terms of economies of scale and scope					
There has been creation of firm competitive advantages					
Any other (specify) …….. …….. …….. ……..					