

FACTORS INFLUENCING SUPPLIER RELATIONSHIP MANAGEMENT GROWTH IN STATE CORPORATION IN KENYA

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Abstract: This study aimed at filling gaps on how supplier relations management was used to enhance the growth of state corporations in Kenya. The study was guided by the following research objectives, to determine effect of procurement policies, effect of procurement control, effect of procurement information technology and effect of procurement staff competency. Growth measurement is crucial in enhancing the growth of organizations because whatever gets measured gets done. A modified Likert scale questionnaire was developed divided into four parts. A pilot study was carried out to refine the instrument. The quality and consistency of the study was further assessed using Cronbach's alpha. Data analysis was performed on a PC computer using Statistical Package for Social Science (SPSS Version 22) for Windows. Analysis was done using frequency counts, percentages, means and standard deviation, regression, correlation and the information generated was presented in form of graphs, charts and tables. The findings of the study show that procurement control, procurement information technology, procurement policies and procurement staff competency have an insignificant effect on supplier relationship management growth. After each factor was tested it showed positive insignificant. The study also recommended that most management in various organizations are advised to consider this staff competency factor as vital in terms of top priority issue for sustainability of the organization.

Key Words: Procurement Policies, Procurement Controls, Information Technology, Staff Competencies & Supplier Relationship Management Growth

1. INTRODUCTION:

Research Objectives

To determine factors influencing supplier relationship management growth in state corporations in Kenya.

Specific Objectives

- i. To determine the effect of procurement policies on supplier relationship management growth in state corporations in Kenya.
- ii. To determine the effect of procurement controls on supplier relationship management growth in state corporations in Kenya
- iii. To assess the effect of procurement information technology on supplier relationship management growth in state corporations in Kenya
- iv. To analyse the effect of procurement staff competence on supplier relationship management growth in state corporations in Kenya

Theoretical Framework

Theories are formulated to explain, predict, and understand phenomena and, in many cases to challenge and extend existing knowledge within the limits of the critical bounding assumptions.

Strategic Supplier Relationships Theory

Handfield & Nicholas, (2014) argue that it's important to manage relationships and advocate for the position of a relationship manager. A relationship manager is tasked with addressing any operational-level issues that arise in connection with the strategy plan. Such issues could include invoice processing, quality control measures, and follow-up, sharing market forecasts and production scheduling with suppliers, coordinating as-needed cooperative technical assistance with suppliers to resolve problems, or pursuing value-building opportunities. The RM also shares communications with relevant suppliers on emerging issues such as commodity pricing, material availability, and continuous-improvement opportunities

Maximising the Value of Supplier Relationship Theory

Hughes & Jonathan, (2009) defines SRM as the systematic, enterprise-wide assessment of suppliers' assets and capabilities with respect to overall business strategy, suppliers, planning and execution of all interactions with suppliers, in a coordinated fashion across the relationship lifecycle, in order to maximise the value realised through those interactions. In practice, SRM almost always entails expanding the scope of interaction with key suppliers beyond simple purchasing joint research and development, sharing of strategic information about marketplace trends, joint demand forecasting, and the like.

Contingency Theory

Contingency theory means that one thing depends on other things, and for organizations to be effective, there must be a “goodness of fit” between their structure and the conditions in their external environment. As such the correct management approach is contingent on the organization’s situation (Daft, 2001). This study accepts the notion of contingency theory, which suggests that the selected PMS design and use must conform to its contextual factors (Rwoti, 2005). However, for the purpose of this study, contingency theory is used and reviewed in a narrower focus as follows. Contingency theory represents a rich blend of organizational theory such as organizational decision making perspectives and organizational structure (Donaldson, 2010). The essence of the contingency theory paradigm is that organizational effectiveness results from fitting characteristics of the organization, (such as its cultures) to contingencies that reflect the situation of the organization (Donaldson, 2010).

2. REVIEW OF LITERATURE VARIABLES:

Procurement Controls

According to Hughes, (2009) there is no correct model for deploying SRM at an organizational level, there are sets of structural elements that are relevant in most contexts: One of the structural elements is a formal SRM team or office at the corporate level. The purpose of such a group is to facilitate and coordinate SRM activities across functions and business units. SRM is inherently cross-functional, and requires a good combination of commercial, technical and interpersonal skills. These “softer” skills around communication, listening, influencing and managing change are critical to developing strong and trusting working relations. Organization Structure can be defined as how activities such as tasks allocation, coordination and supervision are directed towards the achievement of organizational aims (Fraenkel & Wallen , 2014).

Procurement Information Technology

SRM encompasses a broad suite of capabilities that facilitate collaboration, sourcing, transaction execution and growth monitoring between an organization and its trading partners. SRM leverages the latest technology capabilities to integrate and enhance supplier oriented processes along the supply chain such as design-to- source, source-to-contract and procure-to-pay. SRM involves stream lining the processes and communication between buyer and supplier and using software application to enable these processes to be managed more efficiently and effectively (Leong, 2009). SRM software varies by vendors in capabilities offered. Five key tenets of SRM systems include Automation, Integration, Visibility, Collaboration and optimization. Automation of transactional processes between an organization and its suppliers, integration that provides a view of the supply chain that spans multiple departments, processes and software applications for internal use and external partners. Visibility; of the information flow and processes flow within and between organizations (Ellram, 2011).

Procurement Policies

State corporations need to have better strategic alliances with their suppliers in order to provide conducive environment for doing business. Strategic alliances can be defined as agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organization (Leadership, 2009). Davila & Palmer, (2013) in their publication titled “Buyer Supplier Collaboration, a roadmap for success” argue that the best buyer-supplier collaboration programs focus on five elements: segmenting the supplier base (with the goal of identifying suppliers that could become strategic partners); building the capabilities needed to partner effectively; finding incentives and benefits that are shared and that can generate momentum; taking a structured approach to the design of the program; and implementing and managing the program for the long term.

Procurement Staff Competency

Supplier Awareness is basically the process of sensitizing and informing the suppliers on the importance of using the E-procurement system as suppliers with different organizations. Supplier Awareness involves many trainings and workshops to educate them on the usage and implementation of the E-procurement system (Saunders, 2014). A broad definition of Supplier Awareness includes any attempt, within or outside the organization, to increase job-related knowledge and skills of either managers or suppliers and employees (Fjermestad & Saitta, 2009). Although this definition captures important parameters, the Skills Assessment report also emphasizes specifically the need to distinguish between formal and informal training approaches. Training in itself is a difficult concept to quantify, but (Goodman & Dean, 2010) believed that the practice of providing sweeping generalizations to cover such institutions like KPA are in many ways dissimilar makes things even more confusing.

3. RESEARCH DESIGN:

This study used descriptive research design. Descriptive study is concerned with finding out who, what, where and how much of a phenomenon, which is the concern of the study. Sekaran, (2011) Observes that the goal of descriptive research is to offer the researcher a profile or describe relevant aspects of the phenomena of interest from the individual, organization, industry or other perspective. In addition the design best fit in the ascertainment and

description of characteristics of variable in this research study and allows for use of questionnaires, interviews and descriptive statistics such as frequencies and percentages (Kothari, 2010).

4. DATA PROCESSING, ANALYSIS & PRESENTATION:

Kothari, (2012) argues that data collected has to be processed, analyzed and presented in accordance with the outlines laid down for the research the purpose at the time of developing plan. Data analysis involves the transformation of data into meaningful information for decision making. It involved editing, error correction, rectification of omission and finally putting together or consolidating information gathered. The collected data was analyzed quantitatively. Descriptive and inferential statistics was done using SPSS version 22 and specifically multiple regression model was applied. Set of data was described using percentage, mean standard deviation and coefficient of variation and presented using tables (Fraenkel, 2014) argue that regression is the working out of a statistical relationship between one or more variables.

5. RESEARCH FINDINGS AND DISCUSSION IN RELATION TO EMPIRICAL REVIEW:

Most of the respondents agreed that the procurement policies nearly similar to that of suppliers with a mean score of 4.21 and a standard deviation of 0.935 which implies that the organization have collaborated structures that supports the organization procurement policies. Most of the respondents strongly agreed that the organization has a cross functional steering committee with a mean score of 4.51 and a standard deviation of 0.875.

Table 4.1 Procurement Policies

| Descriptive Statistics | | | | |
|--|----|--|------|----------------|
| | N | | Mean | Std. Deviation |
| The current organizational policies enhances SRM | 38 | | 3.87 | 1.119 |
| The organizational policies is highly mechanized | 38 | | 4.13 | 1.044 |
| The organization has a joint governance framework | 38 | | 4.60 | .959 |
| The procurement policies nearly similar to that of suppliers | 38 | | 4.21 | .935 |
| The organization has a cross functional steering committee | 38 | | 4.51 | .875 |
| Valid N (list wise) | 38 | | | |

Most of the respondents strongly agreed that the current technology can be upgraded to support SRM which has a mean score of 4.45 and a standard deviation of 0.686 which implies that the organization is always upgrading its technology to support operations. Most of the respondents strongly agreed that flexibility and efficiency of operations has increased order cycle time which has considerably been increased by technology with a mean score of 4.74 and a standard deviation of 0.446.

Most of the respondents strongly agreed that system integration with suppliers has been achieved with a mean score of 4.74 and a standard deviation of 0.446 which implicates that the organization has invested much in such initiative to enhance efficiency and effectiveness. Most of the respondents strongly agreed that technology has helped the company towards realization of its strategic vision with a mean score of 4.68 and a standard deviation of 0.574 which implicates that organization has invested much in technology which enables them to achieve their organizational vision.

Table 4.2 Procurement Information Technology

| Descriptive Statistics | | | | |
|---|----|--|------|----------------|
| | N | | Mean | Std. Deviation |
| The technology has an existing SRM enabling technology | 38 | | 4.61 | .790 |
| The current technology can be upgraded to support SRM | 38 | | 4.45 | .686 |
| Flexibility and efficiency of operations has increased order cycle time which has considerably been increased by technology | 38 | | 4.74 | .446 |
| System integration with suppliers has been achieved | 38 | | 4.74 | .446 |
| Technology has helped the company towards realization of its strategic vision | 38 | | 4.68 | .574 |
| Valid N (list wise) | 38 | | | |

Most of the respondents strongly agreed that the organization regularly organizes events to reward best performing staff with a mean score of 4.53 and a standard deviation of 0.725 which implicates that the organization has a well structure framework for rewarding employees. Most of the respondents agreed that the organization regularly conducts seminars for procurement staff with a mean score of 4.32 and a standard deviation of 0.935 which implicates that organization has to invest in such seminars so as enhance staff professionalism in procurement.

Most of the respondents strongly agreed that prohibiting all conflicts of interests that could impair the objectivity and independence of decisions with a mean score of 4.45 and a standard deviation of 0.795. Most of the respondents agreed that the organization act fairly transparency and impartially towards suppliers in terms of tender or contract awarding in consideration of all the procurement procedures with a mean score of 4.42 and a standard deviation 0.758.

Table 4.3 Procurement Staff Competency

| Descriptive Statistics | | | |
|---|----|------|----------------|
| | N | Mean | Std. Deviation |
| Procurement staff flexibility and efficiency of operations has increased | 38 | 4.58 | .758 |
| The organization regularly organizes events to reward best performing staff | 38 | 4.53 | .725 |
| The organization regularly conducts seminars for procurement staff | 38 | 4.32 | .933 |
| There is a joint research and development for staff and suppliers | 38 | 4.53 | .725 |
| Some suppliers provide training for company staff | 38 | 4.47 | .862 |
| Valid N (list wise) | 38 | | |

Most of the respondents agreed that the organization regularly organizes events to reward best performing suppliers with a mean score of 4.37 and a standard deviation of 0.714. Most of the respondents strongly agreed that the organization has a joint research and development program with suppliers with a mean score of 4.79 and a standard deviation of 0.413 implying that the organization has set up structures that facilitates collaboration and coordination of the operations.

The results showed insignificant correlation between procurement controls on procurement staff competency. The results showed that procurement staff competency had low significant correlation on procurement controls. Cohen and Kaimenakis (2010) studied the role of staff competency on supplier relationship growth and agreed with the results of this study that there was a low significance between staff competency and supplier relationship growth.

Table 4.4 Procurement Controls

| Descriptive Statistics | | | |
|--|----|------|----------------|
| | N | Mean | Std. Deviation |
| Maintenance of confidentiality of all communicated information by suppliers | 38 | 4.45 | .686 |
| Prohibiting all conflicts of interests that could impair the objectivity and independence of decisions | 38 | 4.45 | .795 |
| Act fairly transparency and impartially towards suppliers | 38 | 4.42 | .758 |
| Adhere to external laws, regulations and standards group values and internal procedures | 38 | 4.61 | .547 |
| Respecting mutual commitments by suppliers and ensuring they are respected | 38 | 4.50 | .647 |
| Valid N (listwise) | 38 | | |

Coefficient of Determination

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (supplier relationship management growth) that is explained by all independent variables. From the findings this meant that 10.3% of supplier relationship management growth is attributed to combination of the four independent factors investigated in this study.

Table 4.5 Model Summary

| Model Summary | | | | |
|--|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .321 ^a | .103 | .006 | 1.59584 |
| a. Predictors: (Constant), Procurement Controls, Procurement Information Technology, Procurement Staff Competency, Procurement Policies | | | | |

Analysis of Variance (ANOVA)

It is a statistical method used to test differences between two or more means. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 4.15 below with P-value of 0.448 which is less than 0.05. This indicates that the regression model is statistically significant in effect of supplier relationship management on organizational growth.

Table 4.6 Analysis of Variance

| ANOVA ^a | | | | | | |
|--|------------|----------------|----|-------------|------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 9.669 | 4 | 2.417 | .949 | .000 ^b |
| | Residual | 84.041 | 33 | 2.547 | | |
| | Total | 93.711 | 37 | | | |
| a. Dependent Variable: Supplier Relationship Performance | | | | | | |
| b. Predictors: (Constant), Procurement Controls, Procurement Information Technology, Procurement Staff Competency, Procurement Policies | | | | | | |

6. CONCLUSION:

Therefore most management in various organizations are advised to consider this factor as vital in terms of top priority issue for sustainability of the organization.

Procurement staff competency plays a significant role in any organization in terms of ensuring they have competent personnel who are qualified and able to perform roles and tasks assigned to them in the procurement field. In today's corporate world technology has continued playing a critical role in ensuring efficiency and speedy delivery of materials and information dissemination from one point to another.

It was concluded that corporations should embrace procurement controls in terms of having amicable cost analysis mechanisms in place and other contract performance means that would minimize costs in the organizations.

7. RECOMMENDATIONS:

The study recommends policy makers in coming up with procurement policies geared towards improving supplier relationship management growth. The study will assist intellectuals and be a reference for future studies and practitioners undertakings on effect of supplier relationship management growth.

The study recommends that managers need to invest much more in training of staff so as to harness their professionalism in improving procurement performance.

The study recommends that managers and other relevant key players in procurement should embrace e-procurement and e-commerce systems that navigate faster and speedy transaction of procurement activities along the supply chain management.

The study recommends public corporations and their managers to formulate and implement strategies on procurement controls through value chain analysis, cost controls mechanisms, price control mechanism, just in time approach and embracement of technology as avenues of procurement controls.

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