

# Role of Supplier Management on Procurement Performance in Manufacturing Sector in Kenya: A Case of East African Breweries, Kenya

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**Abstract:** Competitive forces in today's business world are putting firms under pressure to improve quality, delivery performance, and responsiveness while simultaneously reducing cost, which for many companies have resulted in increased outsourcing of activities. Consequently a greater dependency on supplier's performance in terms of quality and delivery service has evolved. One important aspect of supply chain management is supplier management which is organizing the optimal flow of high-quality, value-for-money materials or components to manufacturing companies from a suitable set of innovative suppliers. This study therefore was aimed at evaluating the role of supplier management on procurement performance in manufacturing companies a case of East African breweries. The specific objectives covered supplier integration, supplier quality management, supplier collaboration and supplier training. Theories relevant to the study include: deeming's theory, network governance theory and social capital theory which all shows how the variables link up with the mentioned theories. Study variables were discussed under the conceptual framework there after operationalized. The study adopted a descriptive design with the population being the employees of East African breweries and their suppliers. Pilot test was also carried done on 5 employees (1.25%) before the actual data was collected to ensure validity and reliability of the research instruments. Data was edited, coded and analysed by use of statistical package for social sciences (SPSS version 21) and presented through tables and graphs. The study findings indicated that 81% of change in procurement performance at EABL can be explained by four variables namely buyer supplier integration, Supplier quality management, Supplier collaboration, and Supplier Training. Supplier performance management is key to procurement performance as suppliers are integrated into organizations activities. EABL has a strong collaborative relationship with its suppliers and undertakes measures to train them. This has improved procurement performance to great extent (94.6%). However supplier integration and to be specific shared technology has not properly been achieved. EABL should focus more on integration and to maintain or improve on supplier collaboration and supplier training.

**Keywords:** Procurement performance, buyer-supplier integration, supplier quality management, supplier collaboration and Supplier training.

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## 1. INTRODUCTION

A company that deploys effective supplier performance management ensures that a supplier's performance meets the expectations defined in the contract and against market norms. It includes the management of actual performance, identification of performance gaps and agreement of actions to achieve desired performance levels. Supplier performance management not only ensures that those benefits identified in the contracting stage are delivered, but that value delivery continues for the life of the contract Ryals, Lynette; Beth , (2006). As companies increasingly focus on their core competencies and outsource a greater percentage of work, their success becomes ever more dependent on the performance of strategic suppliers. Ultimately, the objective of Supplier performance management is to improve the performance of all parties involved in the contract and Service Level Agreement.

As early as 1982, the father of modern management, Peter Drucker mentioned about the importance of the correlation between the producer and the supplier. (Importance of purchasing management, 2012). Until the 90s, the theory of purchasing came up as a new field that was recognized by the top managers. Purchasing takes up 30% to 90% of the business turnover. With a 2% lower of the raw materials' price, the profit would raise up as 15%.

Companies of all sizes are realizing that they no longer have complete control over their market success. This is because they rely heavily on the performance of their supply chain trading partners. Market-leading retailers and OEMs know this, and they are looking for partners that work to ensure their success. Many large companies are now insisting that their small and medium industrial suppliers help them improve supply chain cost, responsiveness and reliability. These market heavy weights are measuring suppliers' performance against key indicators and giving preferred status to those who perform well. This puts pressure on many small and medium manufacturers. Those that have not invested heavily in supply chain management (SCM) practices or solutions beyond ERP to date are now driven to seriously consider making the investment. The business justification will rest on traditional cost savings and on revenue and customer compliance issues. (Executive Brief, March 2005).

Supply chain improvements will not only improve internal performance, but will also create benefits that will ripple through to customers and partners as well. Cost savings through reduced inventory levels, expediting, fulfilment and premium freight costs could allow a company to provide more favourable prices or terms to customers. Likewise, effective planning and execution can help companies and their customers adapt to the market's demand shifts. When the company can purchase, produce and distribute the right products to the right channels in the right quantities at the right time, both supplier and customer will increase revenue capture by channel and region. Monczka, Trent and Callahan (1993) affirm that one important aspect of supply chain management is supplier management. Organizing the optimal flow of high-quality, value-for-money materials or components to manufacturing companies from a suitable set of innovative suppliers. Consequently, what used to be thought of as a purely tactical exercise – purchasing is now recognized as a strategic function, since “external suppliers now exert a major influence on a company's success or failure.

### **1.1 Global perspective on supplier management:**

Several writers, in the USA and the UK, have recognised that there is a trend among manufacturing companies to reduce their supplier base (Harland, 1996). However, there has been little empirical research on supplier management in other leading industrialised countries, such as Germany. The German manufacturing sector is very strong ± 24.8 per cent of the workforce is employed in manufacturing and this sector is responsible for 25 per cent of the GDP (Euromonitor plc, 1999). For many years the competitiveness of the German manufacturing industry has been the subject of much foreign admiration (Simon, 1992). However with high labour costs and taxes, this lead has been eroded. The view among many writers in Germany is that in order to become more competitive, its manufacturing sector should adopt more “best practices” from abroad (Lay et al., 1996; Kinkel and Wengel, 1997) one best practice being supplier performance management.

The Gulf States (Saudi Arabia, Kuwait, United Arab Emirates, Oman, Bahrain and Qatar) supply roughly 21 per cent of the world's annual oil needs, including 14 per cent of the annual needs of the USA (U.S. Energy Information Administration, 2011). This (accompanied by rising global oil prices) has resulted in some of the highest average GDP/capita figures in the world and in turn resulted in the emergence of the Gulf states as a major global market accounting for 26 per cent of European exports, 22 per cent of Japanese exports, 27 per cent of Southeast Asian exports and 14 per cent of US exports (Baker and Fouad, 1993). While these states' economies are undoubtedly oil-based (Dar and Presley, 2001), many have implemented ambitious plans to diversify their economies through a more accepting philosophy toward globalization (Alsaaty and Sawyer, 2012). One sector, which has received considerable investment and contributed to this diversification, is the manufacturing sector (Al Awad, 2010). However, despite the significance of the Gulf states and the growing importance of the manufacturing sector within these countries (particularly Kuwait), relatively little is known about how parties within this sector interact. Indeed, very few studies have addressed buyer–supplier behavior in the Gulf states (Baker and Fouad, 1993).

India ranks last (tenth) on the parameters of product quality, design and on-time delivery and ninth in the case of after-sales service and managing distribution. India still has a long way to go to improve its competitiveness. To improve the competitiveness of Indian organisations on product design, quality and on-time delivery it has become necessary for them to look for innovations that produce maximum efficiency both within and beyond their operations (Sahay, 2000; Zylbersztajn et al., 2003). Supply chain management is an integrating philosophy to manage the total flow of a

distribution channel from supplier to ultimate customer (Ellram and Cooper, 1990). It is the management of upstream and downstream relationships – both within and beyond their operations – with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole (Martin, 1998; Weber, 2002). Effective supply chain strategies for creating competitiveness revolve around the on-time delivery of competitive quality goods and services, at a reasonable cost, involving the right business partners (Hewitt, 1994; Hobbs et al., 1998; Easton, 2002).

### **1.2 Local perspective on supplier management:**

In Kenya, relationships gained attention early 2000, although having good suppliers is important, surveys shows that Kenyan organizations continue to struggle with buyer-supplier management. A study on the Ministry of Special Programs shows that it has not achieved high levels of suppliers performance necessary for delivering competitive market advantage (G.o.K, 2006). Because it does not have one system to periodically evaluate the performance of its suppliers. Identification of when these relationships are appropriate, the dimensions of effective relationships and how relationships can be a source of competitive advantage have received considerable attention in the literature (Ellram, 1995).

Manufacturing is an important sector in Kenya and it makes a substantial contribution to the country's economic development. The manufacturing firms depend largely to their suppliers to avail quality raw materials at the right time. The Nairobi Securities Exchange (NSE) is the main securities exchange of Kenya and the heading securities exchange in East Africa constituted in 1954. Of real concern in the financing posting in this study are the manufacturing and allied firms. The manufacturing and Allied firms recorded in NSE incorporate; B.O.C Kenya Ltd, British American Tobacco Kenya Ltd, Carbacid Investments Ltd, East African Breweries Ltd, Mumias Sugar Co. Ltd, Unga Group Ltd, Eveready East Africa Ltd, Kenya Orchards and Baumann CO Ltd (NSE, 2013). Manufacturing firms depend to a larger extent on their suppliers to avail the right products, in the right quality, quantity and in the right time. Ideally suppliers ought to be fast in responding to their buyer's needs. However, in many cases, supplier slackness and laxity in responding to buyers needs has been a common occurrence characterized by increased lead times and cycle time. This has a negative impact to the buyers causing them to keep large buffer stock to cater for supplier uncertainty. Hence, it is paramount for firms to create relationships that boost the way suppliers respond to them

### **1.3 Statement of the problem:**

Despite the accrued benefits from the manufacturing sector in Kenya, they are yet to account 20 percent of the GDP as stipulated in the Kenya Vision 2030 (Bolo & Wainaina, 2011; KNBS, 2013; Waiganjo, 2013). The manufacturing sector's contribution to GDP has remained at an average of 10 percent for more than ten years (KNBS, 2015). Devaluation of the Kenya shilling in the 1990s raised the cost of imported malt, while the price of barley also rose sharply in the 1990s relative to the price of sorghum. Although barley is produced in Kenya, price fluctuations encouraged EABL to search for cheaper alternatives. EABL faces a major challenge in its production processes because of the increasing cost of barley and hops. There is a constant spike in the commodity prices of barley which is sorghum based (Ogunda 2013). This is reflected in the slow improvement in its profit margins which is seen in the EABL 2014 annual report. Between April and July 2012, the price of barley increased by 26.06% . This exposes EABL to a significant rise in the price of the inputs used in producing beer. This therefore encourages emphasis on managing sources of supply. (Euromonitor, 2012). Many researchers like (Krause,2007) and Humphreys 2003 have dealt with supplier development and specifically on how it impacts on buyer- supplier performance thus little have been researched on supplier performance management and its impact on procurement performance. Goffin, Marek and Colin (1997) were surprised at the lack of empirical research on supplier management, despite extensive discussion of the topic in industry. This is a deficiency which needs to be rectified many questions remain to be answered, and they should be answered empirically across a range of industrial sectors. It is this deficiency that the study sought to investigate the role of supplier management on procurement performance.

### **1.4 Objectives of the study:**

#### **General Objective:**

To determine the role of supplier management on procurement performance in manufacturing industries in Kenya.

#### **Specific Objectives:**

To determine the role of supplier integration on procurement performance in East African breweries in Kenya.

1. To assess the effect of supplier quality management on procurement performance in East African breweries in Kenya
2. To find out the role of supplier collaboration on procurement performance in East African breweries in Kenya
3. To establish the role of supplier training on procurement performance in East African breweries in Kenya

### 1.5 Research Questions:

1. To what extent does supplier integration affect procurement performance in East African breweries in Kenya?
2. Does supplier quality management effect on procurement performance in East African breweries in Kenya?
3. Do supplier collaboration influence procurement performance East African breweries in Kenya?
4. How does supplier training influence procurement performance in East African breweries in Kenya?

## 2. LITERATURE REVIEW

### 2.1 Introduction:

This chapter is a brief review of critical literature that is considered important in this research. It highlights the theoretical review which outlines different variables, a well-defined conceptual framework, an empirical review, critiques on other done research, a summary of the whole chapter and research gaps left out by previous researchers.

### 2.2 Theoretical review:

A theory includes a set of basic assumptions and axioms as the foundation and the body of knowledge. A theory is composed of logically interrelated, empirically verifiable prepositions. Theoretical framework provides the research the lens to view the world clearly (Camp, 2001). Theoretical framework provides the research the lens to view the world clearly (Marriam, 2001).

#### 2.2.1 Deming's Theory:

Deming's theory of Total Quality Management rests upon fourteen points of management he identified, the system of profound knowledge, and the Shewart Cycle (Plan-Do-Check-Act). He is known for his ratio - Quality is equal to the result of work efforts over the total costs. If a company is to focus on costs, the problem is that costs rise while quality deteriorates. Deming's system of profound knowledge consists of the following four points: System Appreciation - an understanding of the way that the company's processes and systems work

Variation Knowledge - an understanding of the variation occurring and the causes of the variation Knowledge Theory - the understanding of what can be known Psychology Knowledge - the understanding of human nature .

By being aware of the different types of knowledge associated with an organization, then quality can be broached as a topic. Quality involves tweaking processes using knowledge.

Plan-Do-Check-Act (PDCA) is a cycle created for continuous improvement. In the planning phase, objectives and actions are outlined. Then, you do' your actions and implement the process improvements. Next, you 'check' to ensure quality against the original. Finally acting requires that you determine where changes need to occur for continued improvement before returning to the plan phase.

#### 2.2.2 Network Governance theory:

The terms "network organization" (Miles & Snow, 1986), "networks forms of organization" (Powell, 1990), "interfirm networks", "organization networks" (Uzzi, 1996a, 1996b), "flexible specialization" (Piore & Sable, 1984), and "quasi-firms" (Eccles, 1981) have been used frequently and somewhat metaphorically to refer to interfirm coordination that is characterized by organic or informal social systems, in contrast to bureaucratic structures within firms and formal contractual relationships between them (Gerlach, 1992:64; Nohria, 1992). Network governance constitutes a "distinct form of coordinating economic activity" (Powell, 1990:301) which contrasts (and competes) with markets and hierarchies. Network governance involves a select, persistent and structured set of autonomous firms (as well as non-profit agencies) engaged in creating products or services based on implicit and open-ended contracts to adapt to environmental contingencies and to coordinate and safeguard exchanges. (Jones, Hesterly & Borgatti 1997). Environmental uncertainty (also called state uncertainty) refers to an inability to predict future events (Milliken, 1987). The source of this uncertainty

can come from suppliers, customers, competitors, regulatory agencies, unions, or financial markets (Miles & Snow, 1978). Understanding the sources of uncertainty is important since these influences what governance form is used to coordinate and safeguard exchanges. Research on environmental uncertainty and governance form shows that even modest levels of supply uncertainty combined with predictable product demand entice firms to vertically integrate (Helfat & Teece, 1987).

### 2.2.3 Social Capita Theory:

In sociology, social capital is the expected collective or economic benefits derived from the preferential treatment and cooperation between individuals and groups. Although different social sciences emphasize different aspects of social capital, they tend to share the core idea that social networks have value. Just as a screwdriver (physical capital) or a university education (cultural capital or human capital) can increase productivity (both individual and collective), so do social contacts affect the productivity of individuals and groups. Putnam, Robert. (2000). Hence social capita theory suggest that collaboration and in this case buyer supplier collaborations may result in added value.

### 2.3 Conceptual Framework:

Conceptual frameworks, according to educational researcher Smyth (2004), are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature

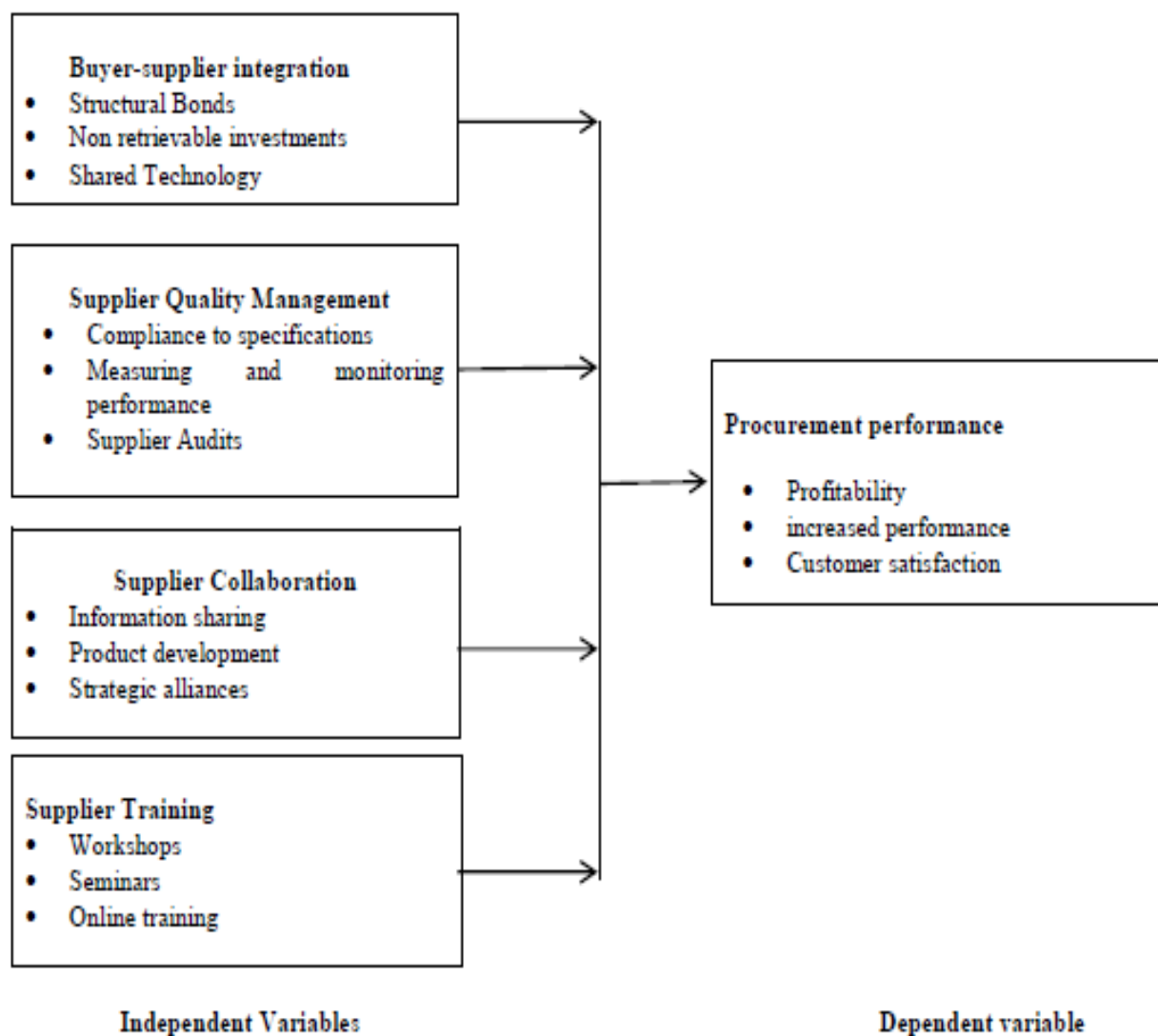


Figure 2.1. Conceptual Framework

## 2.4 Empirical review:

One reason for the increased importance of supplier management is that many manufacturers are concentrating on their core competences, moving away from vertical integration, and therefore need to gain a competitive edge from the supply side of their operations Leenders, (Nollet & Ellram 1994). Good suppliers can help manufacturers during the development of new products and processes, with long-term quality improvements and cost reductions and can provide enhanced delivery performance. Therefore, for manufacturers “the challenge is to maximize [supplier] performance better than competitors (Monczka, Trent, & Callahan, 1993) For companies spending a high percentage of their revenue on parts and materials, savings are particularly important. In these cases, a saving of 1 per cent on purchasing costs can have the same effect on profit as an 8-10 percent increase in sales (Sandelands 1994) Close co-operation with suppliers quickly brings lower unit costs (Davis 1994) and, longer-term, even greater quality at lower cost (Larson 1994).

Larson, (1994) states that quality and cost are the main two concerns for professional buyers. Kannan and Choon Tan (2006) says that firms are increasingly exploring ways to leverage their supply chains, and in particular, to systematically evaluate the role of suppliers in their activities. In today’s competitive and uncertain environment, effective supplier management practices are crucial in satisfying customers’ changing needs. Owing to the impact of globalization, the supply chain has to be responsive in providing prompt and reliable delivery of high-quality products and services at the least cost. This is an essential cornerstone for the organizations to develop a sustainable competitive advantage and to remain at the forefront of excellence in a level playing market field. Responsiveness of the supply chain does not depend solely on the single organization’s performance but on the suppliers’ performance as well (Wong and Wong, 2008). Hence, it is important to consider the issue of supplier’s management practices. According to Scanell, Vickery and Dröge (2000) this has for some companies resulted in a reduction and streamlining of the supplier base and developing closer relationships with suppliers. As Handfield and Nichols (1999) stress that without a foundation of effective supply chain organizational relationships, any effort to manage the flow of information or materials across the supply chain is likely to be unsuccessful.

Supplier management – also called supplier base management in some of the literature – is an essential issue for manufacturing companies. One author says, it is futile for big businesses to reform their manufacturing operations without the strong support of suppliers (Burt, D.N., 1989) another, “we are beginning to witness the positive and strategic contribution the purchasing and sourcing process can make to a firm’s total performance (Monczka, Trent, & Callahan, 1993). Ikram (2002) examined the relationship between power asymmetry and suppliers’ performance without considering supplier management practices, while Ellitan (2003) only studied how competition intensity is linked with performance. Hoyt and Huq (2000) reviewed on how buyer-supplier relationships have evolved from transaction processes based on arms-length agreements to collaborative processes based on trust and information sharing. Their findings include the importance of considering factors such as organizational context and management practices on how they affect the buyer-supplier relations.

PohLean, Wai Peng Wong, Ramayah & Jantan (2010) examines the mediation role of supplier management practices on the influence of power asymmetry and competition intensity on supplier performances. The framework pieced together idea from the marketing literature and organization theory. Based on the study, high involvement work practices (HIWP) in an organization are indeed important as it mediates the influence of competition intensity on supplier quality and flexibility. The study also showed that there is no single formula that can fit all situations. Managers need to understand its supplier management practices in order to better leverage organizational context of competition and power in managing performance.

Frohlich and Westbrook (2001) reported a growing consensus concerning the strategic importance of integrating suppliers, manufacturers and customers into value/supply chains. Companies need complementary cognitive competence from partners to appreciate opportunities and threats they could not have appreciated themselves. By engaging in specific investments one may develop a unique competence value for the partner, which makes the other party dependent too.

Shalle, Guyo, & Amuhaya, I.M. (2014) Concluded that buyer/supplier collaboration enhances procurement performance hence creating a competitive advantage through sharing information making joint decision, inter-organizational relationship. This indicates that the level of supply chain collaboration has an important interaction effect on the relation between external resources and buying firm performance, where collaborative forms of buyer-supplier exchange facilitate greater access to external resources. The findings are pointer to the responsiveness, flexibility, commitment and the belief of the trading partners are willing to devote energy to sustaining the relationship.

### 3. RESEARCH METHODOLOGY

#### 3.1 Research Design:

The study adopted a descriptive case study design to justify the relationship between the independent and dependent variables. Kothari (2008) defined a case study as a method used to narrow down a very broad field of research into one easily researchable topic

#### 3.2 Sample and Sampling technique:

Various respondents were selected. Kothari (2004) define it as a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. The respondents were selected using probability and non-probability sampling techniques. For probability sampling techniques stratified random sampling technique was used in categorizing employees on different strata's (levels) they come from, thereafter random sampling was applied to select the final respondents using random numbers for each stratum).

#### 3.3 Data Collection Instruments:

Research instruments refer to techniques and materials used by the study to collect information (Gillham, 2000). Both quantitative and qualitative data were collected in this study. Data was collected mainly through questionnaires. The questionnaires used for the study comprised of open and close ended questions.

#### 3.4 Data processing and analysis:

Data was screened to identify omissions and removal of non – answered questions. The data collected from the field was analyzed qualitatively and quantitatively. For quantitative data analysis, coding and entry was done in electronic spreadsheet with the aid of Statistical Package for Social Sciences (IBM SPSS Version 21). Pearson's correlations coefficients were run to examine the relationship among the independent and the dependent study variables which are set out in the objectives of the study. The regression model is as below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where

Y= Procurement performance of East Africa Breweries

$\beta_0$ =Constant

X1= Buyer Supplier Integration

X2=Supplier Quality Management

X3= Supplier collaboration

X4=Supplier Training

$\beta_1, \beta_2, \beta_3, \beta_4$  = Regression co-efficient

$\epsilon$  =Error

### 4. DATA ANALYSIS AND INTERPRETATION

#### 4.1. Summary of Major Findings:

#### 4.2 Buyer supplier integration:

The respondents were asked to indicate the extent to which Buyer supplier integration affect procurement performance at EABL. Majority of the respondents indicated to a great extent (59.5%) while 32.4% of the respondents indicated to a moderate extent. Only 8.1% of the respondents indicated that Buyer supplier integration has no effect on Procurement performance at EABL. Table 4.4 shows these results.

**Table 4. 1: Buyer supplier integration affected procurement performance at EABL**

	Frequency	Percent	Cumulative Percent
To a little extent	3	8.1	8.1
To a moderate extent	12	32.4	40.5
To a great extent	23	59.5	100.0
Total	40	100.0	

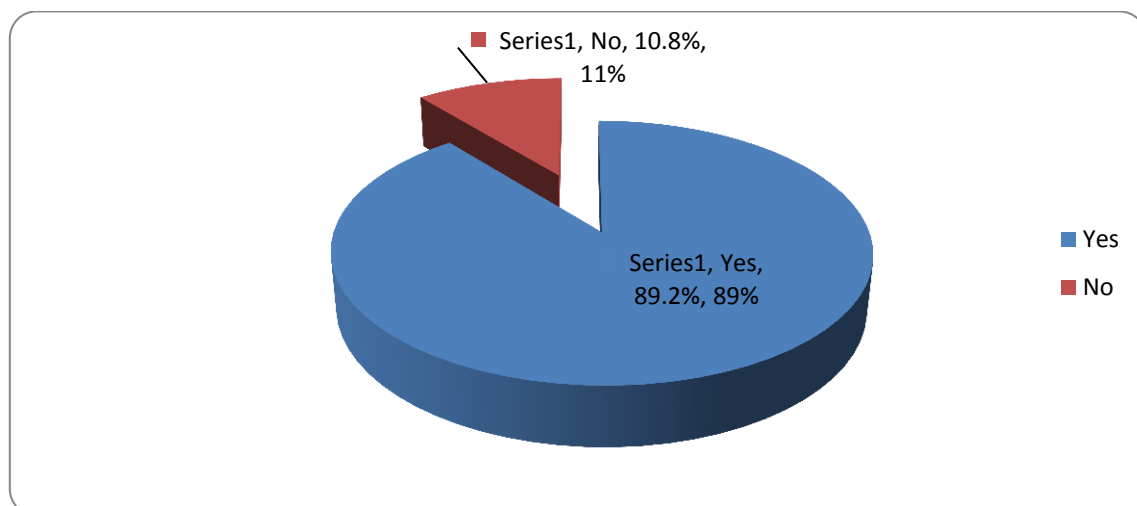
Respondents were asked to indicate the extent they agree or disagree with three statements in regard to Buyer supplier integration at EABL. They were to use a five point likert scale where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, and 5= strongly agree. The results show that respondents agreed with the statement that synchronization of functions has been enhanced by Buyer supplier integration at EABL ( $M=4.09$ ,  $SD=.348$ ). The respondents also agreed with the statement that there are non-retrievable investments by both suppliers and buyers at EABL ( $M=4.00$ ,  $SD=.458$ ). The respondents were neutral on the statement that there is a recognizable amount of shared technology between buyer and suppliers that can be attributed to Buyer supplier integration ( $M=3.89$ ,  $SD=.718$ ). The findings agree with Kannan and Choon Tan (2006) that firms are increasingly exploring ways to leverage their supply chains, and in particular, to systematically evaluate the role of suppliers in their activities. Table 4.5 shows these results.

**Table4. 2: Buyer supplier integration on Procurement performance**

	N	Mean	Std. Deviation
Organizations structures are aligned to suppliers organizations structures	40	4.09	.348
There are non-retrievable investments by both buyer and suppliers that ties them	40	4.00	.458
There is a recognizable amount of shared technology between buyer and suppliers.	40	3.89	.718
Valid N (listwise)	40		

#### 4.3 Supplier quality management:

The respondents were asked to indicate whether Supplier quality management affect procurement performance at EABL. Majority of the respondents (89.2%) indicated yes as compared to 10.8% of the respondents who indicated no. Figure 4.2 shows these results.

**Figure 4. 1: Supplier quality management affects procurement performance at EABL**



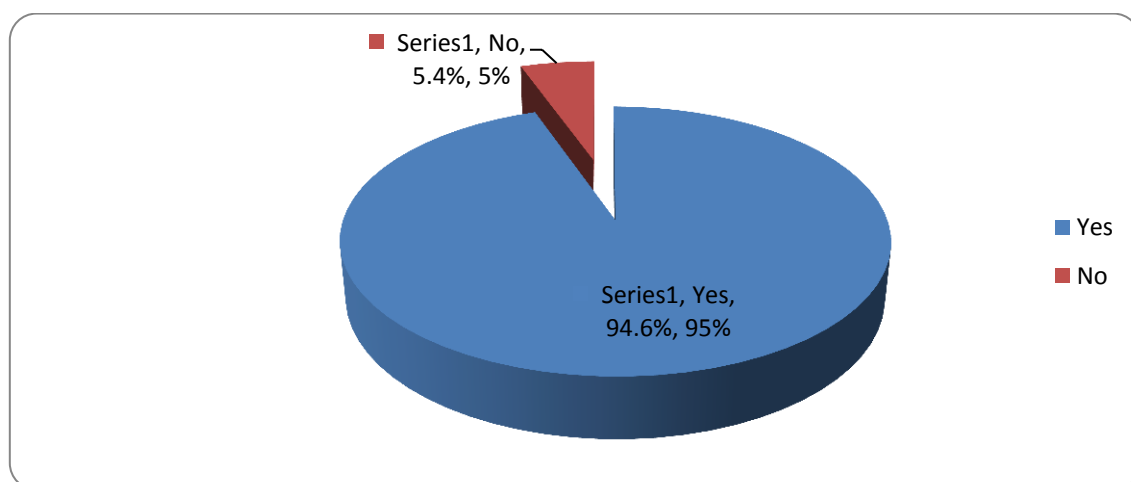
Respondents were asked to indicate the extent they agree or disagree with three statements in regard to Supplier Training at EABL. They were to use a five point Likert scale where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, and 5= strongly agree. The results show that respondents agreed with the statements that Supplier quality management affect Procurement performance. The findings agree with those of Frohlich and Westbrook (2001) who reported a growing consensus concerning the strategic importance of integrating suppliers, manufacturers and customers into value/supply chains. Companies need complementary cognitive competence from partners to appreciate opportunities and threats they could not have appreciated themselves. Table 4.3 shows these results.

**Table 4.3: Supplier quality management**

	N	Mean	Std. Deviation
Organization is involved in managing supplier quality	40	4.00	.432
Suppliers comply to specifications	40	4.33	.471
Supplier performance measurement practices are active and done frequently	40	4.11	.403
Suppliers are audited at a regular interval	40	4.21	.39
Our supplier quality management is successful	40	3.93	.41
Supplier quality management practices has helped increase procurement performance	40	4.15	.48
Valid N (listwise)	40		

#### 4.4 Supplier collaboration:

The respondents were asked to indicate whether Supplier collaboration affect procurement performance at EABL. The results have shown that majority of the respondents (94.6%) indicated yes as compared to 5.4% of the respondents who indicated no. This is also supported by Wachiuri & Waiganjo (2015) who asserts that manufacturing firms should work closely with their suppliers. Have long term relationships with them so that they can end up having also collaborative relationship which in turns not only leads to a win-win situation but to also a win more-win more situations. An according to Ireland ,(2013) Managing Director, East African Breweries Limited, EABL has a strategy which is supplier collaboration that maximises the amount of raw materials from the beer that is sourced locally and the benefits of this, is reducing the exchange rate risk, reducing the exposure to imports, security of supply and lowering costs. Figure 4.2 Shows these results.



**Figure 4. 2: Supplier collaboration affect procurement performance at EABL**

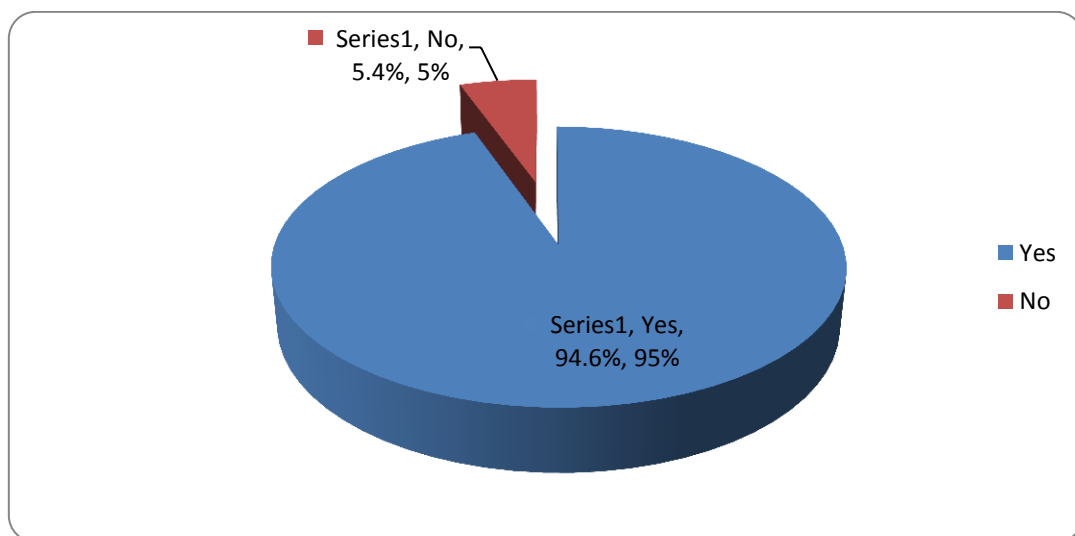
Respondents were asked to indicate their agreement or disagreement with three statements regarding Supplier collaboration. They were to use a five point likert scale where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, and 5= strongly agree. The results show that respondents agreed with the statements that Supplier collaboration has made it possible to establish a contingency management system at EABL (M=4.46, SD=.730) and there is operational flexibility as a result of Supplier collaboration at EABL (M=4.00, SD=.707). Respondents also agreed with the statement that Supplier collaboration has been vital in forecasting at EABL (M=4.07, SD=.687). These results are presented in table 4.4.

**Table 4. 4: Supplier collaboration**

	N	Mean	Std. Deviation
Supplier collaboration has been vital in forecasting at EABL	40	4.07	.687
There is operational flexibility as a result of Supplier collaboration at EABL	40	4.00	.707
Supplier collaboration has made it possible to establish a contingency management system at EABL	40	4.46	.730
Valid N (listwise)	40		

#### 4.5 Supplier Training:

Respondents were asked to indicate whether Supplier Training affect procurement performance at EABL. The results show that majority of the respondents (94.6%) indicated yes as compared to 5.4% of the respondents who indicated no. Figure 4.4 shows these results.

**Figure 4. 3: Supplier Training affect procurement performance at EABL**

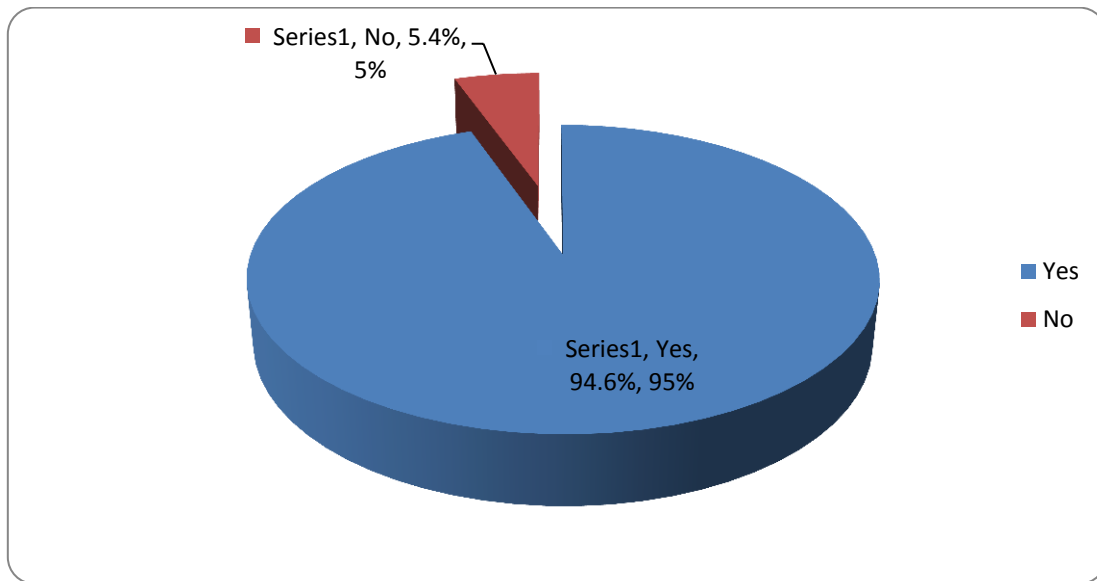
The respondents were asked to indicate their agreement or disagreement with three statements regarding Supplier Training at EABL. The results show that respondents agreed with the statements that there is continuous improvement as a result of Supplier Training on Procurement performance ( $M=4.03$ ,  $SD=.499$ ) and that customer focus in production has been improved as a result of Supplier Training at EABL ( $M=4.03$ ,  $SD=.287$ ). Respondents were neutral on the statement that Supplier Training has strengthened quality control at EABL ( $M=3.86$ ,  $SD=.481$ ). The findings infer with (Eamon et al, 2008). Phillip Lasserre (1982) who highlighted that training of suppliers is of crucial importance as a mechanism for technology transfer. Singer (1988) considers training of suppliers as one of the mechanisms through which Multinational corporations transfer technology across national borders. This is supported by Eamon et al, 2008 who suggested that the right type of training could then lead to an increase in performance for the supplier. Table 4.5 shows these results.

**Table 4. 5: Supplier Training**

	N	Mean	Std. Deviation
Supplier Training on Procurement performance has strengthened quality control at EABL	40	3.86	.481
There is continuous improvement as a result of Supplier Training on Procurement performance	40	4.03	.499
Customer focus in production has been improved as a result of Supplier Training at EABL	40	4.03	.287
Valid N (listwise)	40		

#### 4.6 Procurement performance:

Respondents were asked to indicate whether supplier performance management affected procurement performance at EABL. The results show that majority of the respondents (94.6%) indicated yes as compared to 5.4% of the respondents who indicated no. Figure 4.4 shows the results.



**Figure 4. 4: Procurement performance affects procurement performance at EABL**

**Table 4. 6: Procurement performance**

	N	Mean	Std. Deviation
Profitability has increased as a result of Procurement performance at EABL	40	4.68	.580
EABL has a bigger market share that can be attributed to Procurement performance in the firm	40	3.78	.584
Customer satisfaction has improved as a result of Procurement performance at EABL	40	4.24	.723
Valid N (listwise)	40		

The respondents were asked to indicate their agreement or disagreement with three statements that measure procurement performance. The results indicated that respondents agreed with the statements that profitability has increased as a result of Procurement performance at EABL ( $M=4.68$ ,  $SD=.580$ ) and customer satisfaction has improved as a result of Procurement performance at EABL ( $M=4.24$ ,  $SD=.723$ ). Respondents were neutral on the statement that EABL has a bigger market share that can be attributed to Procurement performance in the firm ( $M=3.78$ ,  $SD=.584$ ). Table 4.6 shows these results.

#### 4.7 Regression Analysis Results:

A multiple linear regression analysis was done to examine the relationship of the independent variables with the dependent variable. The model summary table shows that 81% of change in procurement performance can be explained by four predictors namely buyer supplier integration, supplier quality management, Supplier collaboration and Supplier Training.

**Table 4.7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912 <sup>a</sup>	.831	.810	.14175

a. Predictors: (Constant), buyer supplier integration, supplier quality management, Supplier collaboration and Supplier Training.

The adjusted R<sup>2</sup> is the coefficient of determination. This value explains how procurement performance varied with buyer supplier integration, supplier quality management, Supplier Collaboration and training. The four independent variables that were studied, explain 83.1% of the Supplier Performance Management practices and procurement performance as represented by the R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 16.9% of the procurement performance giving room for further research to investigate the other factors (16.9%) that affect supply chain performance

## 5. SUMMARY, CONCLUSION AND RECOMMENDATION

### 5.1 Buyer supplier integration effect on procurement performance:

The results revealed that Buyer supplier integration affected procurement performance at EABL to a great extent (59.5%). The results have also shown that Buyer supplier integration ( $\beta=.144$ ,  $p=.026$ ) positively and significantly affected procurement performance at EABL.

### 5.2 Supplier quality management effect on procurement performance:

The findings have also shown that Supplier quality management (89.2%). Supplier quality management ( $\beta=.198$ ,  $p=.008$ ) also positively and significantly affected procurement performance at EABL.

### 5.3 Supplier collaboration effect on procurement performance:

The findings have shown that Supplier collaboration (94.6%). The results further show that Supplier collaboration ( $\beta=.229$ ,  $p=.001$ ) was also found to positively and significantly affect procurement performance at EABL.

### 5.4 Supplier Training effect on procurement performance:

The results have revealed that Supplier Training (94.6%) affect procurement performance at EABL. Supplier Training ( $\beta=.607$ ,  $p=.000$ ) was also found to positively and significantly affect procurement performance at EABL.

### 5.5 Conclusion:

This study concluded that suppliers being strategic to EABL, EABL has gone way ahead to involve its customers to ensure that their performance as an organization is enhanced. This is clear as seen in the efforts to have a long term collaborative activities with their suppliers. Supplier collaboration appeared to have the greatest influence on procurement with 94.6% of the respondents strongly agreeing.

Having a clear Buyer supplier integration is important in an organization has been found to positively affect procurement performance. EABL should focus more on sharing their technology with the suppliers as majority of the respondents ( $M=3.89$ ,  $SD=.718$ ) were neutral on this indicator. This study also concluded that supplier training is crucial to Procurement performance. Evidence have shown that Supplier Training in Procurement performance positively affect procurement performance in organizations. This study concluded that Procurement performance, is enhanced by involving supplier right from inception of a product thereby training them on the quality standards required which involves collaborating with the said customers through information sharing, mutual investments and shared technology, integrating your systems with those of your suppliers and having a long term relationship with the suppliers. All these would be a means of managing suppliers and as result procurement performance is enhanced. Organizations should consider working hand in hand with key suppliers to enable mutually beneficial outcome that enhance performance.

### 5.6 Recommendations:

This study recommends that EABL should review its Buyer supplier integration on Procurement performance to improve its performance especially in regards to procurement performance. EABL should also enhance its Supplier Training to promote information sharing and support its ERP systems. This study recommends that EABL should maintain or if possible improve its Supplier collaboration in regards to forecasting, flexibility and having a contingency management system. The study recommends that EABL should utilize procurement practices to strengthen its quality control.

### 5.7 Areas for Further Research:

Since this study only with Role of Supplier Performance Management on procurement performance in Manufacturing Sector in Kenya, further research is needed to compare performance in other beer/manufacturing sector and investigate their effect on procurement performance and or establish the effect of supply base reduction on improving long term relationships / collaboration with suppliers for the purpose of mutual gains.

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