

**SUPPLIER RELATIONSHIP MANAGEMENT AND  
SUPPLY CHAIN PERFORMANCE IN ALCOHOLIC  
BEVERAGE INDUSTRY IN KENYA**

**BY**

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## DECLARATION

I declare that this research proposal is my original work and has never been submitted to any other University for assessment or award of a degree.

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Date.....

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D61/63804/2011

This project has been submitted with my authority as the university supervisor.

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## **DEDICATION**

This Research Project is dedicated to my family and friends.

Particular dedication goes to my father whose love for education has no bounds and his unconditional love and values has made me a better person in life. Great appreciation goes to my incomparable mother for nurturing in me the virtue of hard work, endurance and hope in my endeavours. Her example as a remarkable woman are the reasons I am able to do what I do. You will always have permanent place in my heart.

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## ABSTRACT

Supplier Relationship Management (SRM) plays a pivotal role in reduction of costs and increased efficiency in the supply chain function. Supplier relationship management is the business process that provides the structure for how relationships with suppliers are developed and maintained. Supplier relationship management has become a critical business process as a result of: competitive pressures; the need to consider sustainability and risk; the need to achieve cost efficiency in order to be cost competitive; and the need to develop closer relationships with key suppliers who can provide the expertise necessary to develop innovative new products and successfully bring them to market. Significant benefits are possible from better managing relationships with key suppliers. It has been shown that integration of operations with suppliers can improve firm performance (Swink *et al.*, 2007; Singh and Power, 2009; Flynn *et al.*, 2010). An additional benefit of cross functional, collaborative relationships with key suppliers is the ability to co-create value (Enz and Lambert, 2012). The study applied a multistage sampling technique to select the sample size 38 respondents from 38 supply chain professionals in the alcoholic beverage companies. Questionnaires were used as the main data collection instruments. Descriptive statistics was used aided by Statistical Package for Social Scientists (SPSS) to analyze the quantitative data. The study utilized descriptive and multiple regression analysis to determine the relationship between Supplier Relationship Management and Supply Chain Performance. The objectives of the study was to establish the extent of SRM in alcoholic beverage industry, its impact on supply chain performance and challenges faced in implementation of SRM. This research indicates that by adopting collaborative relationships with their suppliers contribute to competitive advantage and value creation in Supply Chain Performance.



# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the study**

The world has increasingly become complex, uncertain and very competitive. In order to remain competitive and relevant in the market, most companies have developed strategies to cope with these challenges. Supply chain being an integral part of the business highly contributes to the success of an organization especially, when modern technologies for instance integration are used .However, this cannot be achieved without managing good relationships with the suppliers. Supply chain deficiencies pose threats to most organizations especially those who do not perceive the need for supplier relationship management (SRM) (Akintonye, 2000).

The need for achieving efficiency in supply chains has fuelled the need for supplier relationship management. Companies that have perfected the art of supplier relationship management have well defined and efficient supply chains. Hughes and Jonathan (2010), defined supplier relationship management (SRM) as a discipline of strategically planning for, and managing, all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions. In practice, SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk.

### **1.1.1 Supplier Relationship Management**

According to Cavinato (2012), the term "Supplier Relationship Management (SRM)" refers to the practice and process for interacting with suppliers. Most supply professionals view SRM as an organized approach to defining what they need and want from a supplier and establishing and managing the company-to-company (or procurement-to-sales) link to obtain these needs. Formal or not, academic and consulting company research shows that organized approaches to supply and suppliers produce positive sourcing results.

Supplier relationship management acts as a focal point between the organization and the final consumers. Organizations that have problems with their supply chain networks or channels can adopt Supplier Relationship Management practice to enhance their supply chain efficiency. Hughes (2010) stated that "inefficient supply chains were the major cause of poor organizational performance" he insisted that organizations with integrated supply chains recorded high profits than those who paid little attention to supply chains (Rogers, 2001).

### **1.1.2 Supply Chain Performance**

Supply Chain Performance is defined as the multiple measures of performance developed by the organization to gauge the ability of a supply chain to meet an organization's long-term and short-term objectives. Performance measurement is the process of quantifying the effectiveness and efficiency of action Neely et al. (1995). The instrument that regularly supports the performance measurement process is referred to as performance measurement supply chain (PMS). A PMS maintains various metrics (performance

measures) that are used for different purposes like supporting decision making and management control, evaluating the results, motivating people, stimulating learning, improving coordination and communication (Neely and Simons, 2005). A performance measure is information delivered to the management function, evaluating the efficiency and the effectiveness of a process, resource or an outcome.

According to Neely (2005) organizations 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. Many large organizations are now insisting that their small and medium industrial suppliers help them improve supply chain cost, reliability and responsiveness.

Beamon (1998) strongly implied that 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, fulfillment and premium freight costs could allow a company to provide more favorable 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.

### **1.1.3 Alcoholic Beverage Industry in Kenya**

The growth of various sectors of the Kenyan economy, such as wholesale and retail and the services industry, along with the ever increasing number of local sporting and entertainment events, has led to increasing numbers of consumers indulge in social drinking. These trends bode well for manufacturers within the industry, which are making further investments to cater for the growing demand for alcoholic drinks. During the course of 2012 key international companies sought to penetrate the Kenyan market further in order to tap into the growing domestic demand for alcoholic drinks. Heineken set up an office within the country to oversee brand advertising and distribution, leaving the fate of Maxam Ltd, its local distributor, in its hands. Diageo, which owns East African Breweries Ltd (EABL), oversaw the rollout of key new brands such as Tusker Lite and Snapp, while the company's popular Senator Keg brand led volume sales.

Distell threatened to sever ties with Kenya Wine Agencies Ltd (KWAL), a government-owned wines and spirits distributor, as it felt the persistent delays in privatizing the entity were interfering with its strategic expansion plans within the region – a matter which was settled out of court with KWAL. SABMiller, which owns 29% of Distell, recently acquired Crown Beverages Ltd to secure a firm foothold within the region and lock horns with the industry giant EABL. The most notable local producer which has not yet fallen prey to this multinational encroachment is Keroche Breweries Ltd, which also has expansion plans of its own as it seeks to battle it out with the big guns for market share.

An earlier market study by Euro Monitor had listed EABL as the leading beer company

in Kenya, holding an 83% volume share in 2011(Euro Monitor International, 2012).Appendix II lists all the alcoholic beverage companies in Kenya.

## **1.2 Statement of the Problem**

A number of studies have been done on Supplier Relationship Management and supply chain performance. Supplier relationship management is gaining momentum globally due to immense competition in the alcoholic beverage industry. This has triggered the need to develop better relationships with suppliers to enhance Supply Chain Performance. Gently and Ford (2003) suggested the need to redefine supply chain management relationships in order to enhance productivity in organizations. They argued that with better supplier relationship management organizations can reduce cycle times and reduce costs in supply chains.

Hsiao (2002) on her study, found that trust,communication,cooperation and power dependence with supply contracts had a positive relationship on supply chain performance in retail outlets in Taiwan.Mettler and Rohner (2009) found that by exchanging product and supplier information with other hospitals, the purchasing department under study made the first move to establish strategic aspects of SRM. The availability of comprehensive and up-to-date product information could enhance the bargaining power of the hospital's purchasing department. Hospitals which had experience with ICT-supported sourcing had sustainable cost reductions. Goko (2012) on her study found that suppliers need to maintain reliable records, errors to be identified early, supermarkets to decentralize their management structures, suppliers should

conform to specifications and that senior level management should be fully committed especially in supplier development programmes so as to overcome the challenges faced in supplier quality management. The empirical findings of this study did not consider other industries for example: alcoholic beverage industry in Kenya. Ratemo (2011) in his study concluded that it was evident that suppliers failed to maintain proper records, long cycle times and increased costs in procurement. The company failed to maintain good relationships with their suppliers leading to poor supply chain performance. Murithi (2011) found out one Communications Company relied only on one supplier, there were no professionals in the procurement department, no early supplier involvement, poor coordination and information sharing between supply chain partners, this caused delays within the supply chain especially when the supplier took long to supply products and services. Previous local studies investigating the impact of supplier relationship management have limited themselves into retail industries. Previous studies majorly focus on the last stage of the supply chain which is delivery of finished goods; however this research aims to focus on Supplier Relationship Management from procurement of raw materials to delivery of finished goods.

The study seeks to answer the following research questions: What is the extent of supplier relationship management in alcoholic beverage industry in Kenya? What is the relationship between supplier relationship management and supply chain performance in alcoholic beverage industry in Kenya?

### **1.3 Research Objectives**

Research objectives of the study:

- i. To establish the extent of Supplier Relationship Management in alcoholic beverage industry.
- ii. To determine the impact of Supplier Relationship Management on Supply Chain Performance in alcoholic beverage industry in Kenya.
- iii. To determine the challenges faced in implementing Supplier Relationship Management in alcoholic beverage industry in Kenya.

### **1.4 Significance of the Research**

The findings from this study will provide an insight into the importance of supplier relationship management on supply chain performance in the alcoholic beverage industry.

Other firms will have a better understanding of supplier relationship management and its importance on supply chain performance.

Academicians and researchers may use the findings from the study as a source of reference. Besides; the study will be a basis for further research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The purpose of this section is to provide a critical evaluation of the available research evidence about Supplier Relationship Management and how it influences Supply Chain Performance in the alcoholic beverage industry in Kenya. It covers various studies conducted by other researchers on supplier relationship management and supply chain performance. Among the areas reviewed include: extent of supplier relationship management, challenges of supplier relationship management and solutions to supplier relationship management. The chapter also covers the conceptual framework of this study.

### **2.2 Supplier Relationship Management**

Buffington and Burt (2002) defined Supplier Relationship Management (SRM) as the systematic, enterprise-wide assessment of suppliers' assets and capabilities with respect to overall business strategy, determination of what activities to engage in with different suppliers, and planning and execution of all interactions with suppliers, in a coordinated fashion across the relationship life cycle, to maximize the value realized through those interactions (Andaleeb, 1996).Buffington (2002) further indicated that the focus of SRM is to develop two way mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement.



Croxton and Rogers (2001) concurred that in many fundamental ways, SRM is analogous to Customer Relationship Management. Just as companies have multiple interactions over time with their customers, so too do they interact with suppliers when negotiating contracts, purchasing, managing logistics and delivery, collaborating on product design, etc. The starting point for defining Supplier Relationship Management is a recognition that these various interactions with suppliers are not discrete and independent instead they are accurately and usefully thought of as comprising a relationship, one which can and should be managed in a coordinated fashion across functional and business unit touch-points, and throughout the relationship lifecycle (Bresnen, 2000). A study by Goko (2012), found out that that suppliers need to maintain reliable records, errors to be identified early, supermarkets to decentralize their management structures, suppliers should conform to two specifications and that senior level management should be fully committed especially in supplier development programs so as to overcome the challenges faced in supplier quality management. In his study, Ratemo was evident that suppliers failed to maintain proper records, long cycle times and increased costs in procurement. The company also failed to maintain good relationships with their suppliers leading to poor supply chain performance.

### **2.3 Supplier Relationship Management and Supply chain performance.**

The importance of Supplier Relationship Management within the supply chain is substantiated by a number of scholars. Burnes and New (1996) emphasize the importance of partnership sourcing for supply chain improvement. Slack and Bates (1997) stress that partnerships are critical to the successful management of the supply chain. Lamming

(1994) asserts that good relationships with suppliers are necessary for a lean supply process. The role of the supplier in the procurement process was always implied in discussions about the supply chain. However, as the supply chain management concept developed specific implications on Supplier Relationship Management have been addressed. Cooper and Ellram (1993) on the role of logistics and purchasing, concluded that they could contribute to supply chain management in five ways including leadership, inventory management expertise, facilitate information links, provide negotiation expertise, and providing an interfirm perspective Novack and Simco (1991) provided a conceptual model of the purchasing process in the supply chain. They maintained that purchasing is the key intermediary between members of the supply chain. The point being made is that it is essential that purchasing serve an integral, if not a primary role, in the management of the supply chain (Leenders et al., 1994)

Supplier Relationship Management necessitates a consistency of approach and a defined set of behaviors that foster trust over time Flynn (2010). Effective Supplier Relationship Management requires not only institutionalizing new ways of collaborating with key suppliers, but also actively dismantling existing policies and practices that can impede collaboration and limit the potential value that can be derived from key supplier relationships. At the same time, SRM should entail reciprocal changes in processes and policies at suppliers.

### **2.3.1 Supplier Relationship Spectrum**

Lindgreen and Wynstra (2005) suggested that two supplier management models have emerged from both practice as well as academic research on the issue of how to optimally manage suppliers. They distinguished between two basic purchasing strategies, tactical and strategic or in other words, adversarial and partnership.

#### **2.3.1.1 Adversarial Relationships**

Adversarial approach to relationship was first suggested by Porter (1985) on maximizing bargaining power while minimizing dependency on suppliers. Porter (1985) argued that in order to maintain bargaining power, the buyer should source from many suppliers, commit short term contracts with the suppliers; share no information with suppliers regarding sales, cost, product design; and make (or receive) no improvement suggestions to (or from) suppliers. Saunders (1997, p. 255) lists various factors that characterize the traditional (adversarial) nature of the relationship between the buyer and supplier in a supply transaction. Adversarial relationship is promoted when they operate at arm's length with communication carried out in a formal manner rather than by personal contact. In an adversarial relationship, gains by one partner are seen as being at the expense of the other.

Leenders and Flynn(1995) asserts that, a traditional relationship with suppliers is one that uses short-term contracts based primarily on price and that firms switch between traditional suppliers more frequently in search of the best price and may have an arm's length, adversarial relationship with them. Shapiro (1994) also concurs with adversarial view citing that transactional relationships are commonly used where supplier

relationships basically serve to facilitate the exchange process and fulfill the contract requirements. Kaufmann and Stern (1988) commented that in economic theory, dependence is traditionally regarded as something negative, inhibiting market forces to act in the most efficient manner, companies should optimize and preserve bargaining power by being independent.

### **2.3.1.2 Collaborative relationships**

Lambert (2001) defines a partnership as "a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that results in business performance greater than would be achieved by two firms working together in the absence of partnership. Hill (1995) and Sheard (1996) cites that the best strategy for winning and retaining business is for buyers and suppliers to collaborate i.e. work together. Lajara and Lillo (2004) highlights that the practice consists of selecting the "best" suppliers working closely with them and entering into long term relationships based on mutual needs and trust. Sheard (1996) further comments that essentially, the concept means using the resources of a supplier to the maximum benefit possible. Weitz and Bradford (1999) supports the partnership approach arguing that it looks at a supplier as an extension of the buying organization specifically an extension of the purchaser's research capabilities, storage, potentials, financial backing and manufacturing and quality control needs. This trend was also observed by Hunt and Morgan (1995) who noticed a tendency among customers to move from an arm's length relationship towards closer collaborative arrangements. Horvath (2001) proposed that Collaboration through intelligent e-business networks would provide the competitive edge to all the participants in a value chain to

prevail and grow. It is found that collaborative partnerships can be achieved both via trust and through electronically mediated exchange. Myhr and Spekman (2005) investigated how supply-chain partners can achieve collaboration under varying circumstances (transactional types) by developing trust-based social foundations and by utilizing electronically mediated exchange. Results also indicated that electronically mediated exchange more readily enhances collaboration in exchange relationships involving standardized products, while trust plays a larger role when customized products are being exchanged. However, Bensaou (2000) suggests a hybrid of the competitive model and a partnership model as another supplier relationship strategy.

### **2.3.2 Relationship elements**

Olsen and Ellram (1997) suggested that the links between the characteristics of the relationship such as trust, cooperation, and the performance of the relationship need further research. Owing to the key issues discussed earlier, four dimensions of the buyer-supplier relationship will be explored.

#### **2.3.2.1 Trust.**

Beach (2012) insisted that trust is key to any successful supplier relationship management. A good relationship is built on trust between the organization and the supplier. An organization should be able to identify a trustworthy supplier who can be relied upon to supply goods and services to the organization on time.

### **2.3.2.2 Communication**

Simatupang and Sridharan, (2002) defined information sharing as the access to private data between business partners thus enabling them to monitor the progress of products and orders as they pass through various processes in the supply chain. They identified some of the elements that comprise information sharing, consisting of data acquisition, processing, storage, presentation, retrieval, and broadcasting of demand and forecast data, inventory status and location, order status, cost-related data, and performance status. They also add that information sharing pertaining to key performance metrics and process data improves the supply chain visibility thus enabling effective decision making. Information shared in a supply chain is of use only if it is relevant, accurate, timely, and reliable (Simatupang and Sridharan, 2005; Tathee, 2007). Information sharing with business partners enables organizations making better decisions and making action on the basis of greater visibility (Davenport, et al, 2001; Tathee, 2007).

### **2.3.2.3 Risk Assessment and Management**

Risk is the danger that a decision leads to negative deviations from set goals (Zsidisin, 2001) Zsidisin (2003) defines supply risk as “...the probability of an incident associated with inbound supply from individual supplier failures or the supply market occurring, in which its outcomes result in the inability of the purchasing firm to meet customer demand or cause threats to customer life and safety”.

#### **2.3.2.4 Strategic Supplier Partnership**

Thatte (2007) stated that strategic supplier partnership as the long-term relationship between the organization and its supplier. Gunasegaram et al (2001) asserted that a strategic partnership emphasizes long-term relationship between trading partners and promote mutual planning an problem solving efforts. Strategic partnership between organizations promote shared benefits and ongoing collaboration in key strategic areas like technology, products, and market (Yoshino and Rangan, 1995; Thatte, 2007). Strategic partnerships with suppliers lead organization working closely and effectively with a few suppliers rather than many supplier that have been selected on the basis of cost efficient. Many advantage of consisting supplier early in the product-design process are that suppliers can offer cost effective design alternative, assist in selecting better components and technologies, and aid in designing assessment (Tan et al, 2002; Thatte, 2007).

#### **2.4 Challenges of Supplier Relationship Management**

Choy (2001) postulated that, lack of advanced technology is a challenge in supplier relationship management. SRM in many organizations is achieved through use of modern technology for example: integration which is used by private firms to act as a link between the suppliers and the organization. Sometimes when two organizations have different technologies it may be difficult to develop SRM since the supply chain network may be broken down due to incompatibility between the two companies making it difficult to operate (Michael, 2008).

Choy and Michael (2008) explained that lack of trust is another challenge that face SRM. Trust is a vital component in supply relationship management. Most organizations fear developing SRM due to lack of trust from their suppliers. Trust enhances SRM and thus increased productivity due to timely supply of goods and services. (Flynn, 2002) stated that, communication is also very important to organizations that want to maintain good relationships with its suppliers. To maintain a good supplier relationship management an organization should always ensure adequate communication between its supply chain partners. Johnson (1999) explained that, technology plays a critical role in supplier relationship management. Organizations with similar level of technology can adopt SRM since it is easy to detect when an organization is out of stock through integrating systems. The supplier company gets an alert notifying him to supply goods and services to its customers this however, helps reduce prolonged cycle times (Kim,1999). On the other hand, Josh(2008), insisted that proper coordination is a key ingredient to enhancing supplier and buyer relationships. When an organization and a supplier cooperate and work together, efficiency is enhanced within supply chain partners leading to increased productivity.

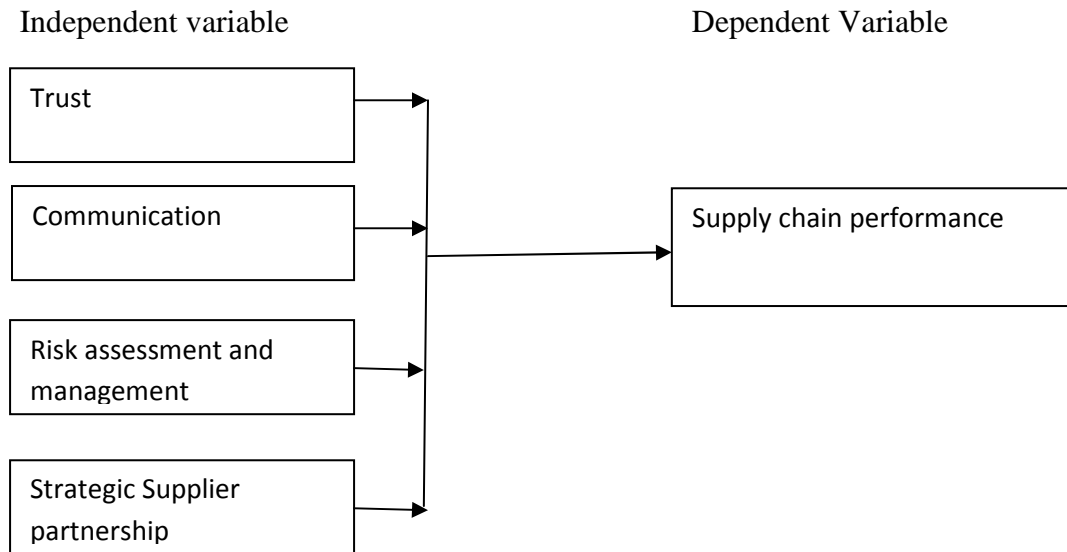
Khalfan (2007) further indicated that, any supplier relationship management, the biggest responsibility lies with the supplier. The success of a buyer to supplier relationship is determined by the supplier. If the supplier is reliable the organization is likely to improve efficiency on its supply chain channels and organizational performance (Johnson, 1999). The proximity between the supplier and the organization is important to consider in supplier relationship management. An organization should find a supplier who is



within reach in times of need, this helps in cutting transportation costs and reduced cycle times leading to increased supply chain performance (Jap, 2000).

## 2.5 Conceptual Framework

Based on the above literature review, the following conceptual framework can be drawn.



Source (Ruth Wachira, Supplier Relationship Management and Supply Chain Performance (2013)

Adopting supplier development programs for their core suppliers ensures organizations get the best out of these collaborations. This not only enhances efficiency and reduction of operational costs but also strengthens the suppliers' involvement in the overall strategy of the organization.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research methodology that was applied in conducting the study. It discusses the research design, target population, sampling design and sample size, data collection procedures and instrument, determination of reliability and validity as well as data analysis techniques.

### **3.2 Research Design**

The study involved a descriptive research design of cross sectional type. Tanur (1982) asserts that a survey is a means of collecting information about a large group of elements referred to as a population. A survey has three characteristics: to produce quantitative descriptions of some aspects of the study population in which case it is concerned either with relationships between variables, or with projecting findings descriptively to a predefined population; data collection is done by asking people structured and predefined questions and data is collected from a fraction of the target population.

### **3.3 Population and Sampling**

The population of the study in this research included 38 supply chain professionals in the alcoholic beverage industry. (See Appendix 2)

### **3.4 Data Collection**

Primary data was collected using a questionnaire. The respondents were supply chain professionals in the industry. Supply chain professionals were considered since they understand the Supplier Relationship Management (SRM) in the organization as well as the importance and the challenges involved in SRM. The data was collected by use of a structured questionnaire that was administered by drop and pick later method and through email.

The questionnaire was in the form of Likert scale where respondents were required to indicate their views on a scale of 1 to 5. The likert scale reported how negatively or positively the supply chain professionals were disposed to Supplier Relationship Management. Having numerous items on how Supplier Relationship Management affects supply chain performance, the values were averaged to portray the impact of the relationship. The questionnaire contained 4 sections: Section A sought data on the company profile; section B sought data on the nature of relationship between companies in the industry and their suppliers; section C sought data on the impact of Supplier Relationship Management on supply chain performance whereas section D sought data on the challenges faced by companies on implementation of SRM.

### **3.5 Data Analysis**

The data collected was sorted and coded then entered into the Statistical Packages for Social Sciences. Descriptive statistics was used to show the relation between Supplier Relationship Management and supply chain performance. The findings were presented in

tables. Regression analysis was used to establish the extent to which the four independent variables, trust, communication, Risk assessment and management and Strategic supplier partnership explained the variation in the supply chain performance. The model was depicted as follows:

$$Y = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + e$$

Where:

Y is Supply Chain performance

a is the Y intercept when x is zero

b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub> and b<sub>4</sub> are regression weights attached to the variables;

X<sub>1</sub> = Trust

X<sub>2</sub> = Communication

X<sub>3</sub> = Risk assessment and management

X<sub>4</sub> = Strategic supplier partnership

e = error term

## **CHAPTER FOUR**

### **DATA COLLECTION AND ANALYSIS**

#### **4.1 Introduction**

The data was collected through questionnaires by email and company visits in the period between September 2013 and October 2013. With data from the Kenya Revenue Authority 38 licensed alcohol manufacturers were identified as the target population for the research. As dictated by the research topic, firms in the alcoholic beverage industry provided the study context. Although, there is no “ideal” number of cases, researchers have recommended around 10 (e.g., Eisenhardt, 1989; Ell-ram, 1996). This study meets this benchmark and exceeds the number in comparable studies. From the identified population of 38 suppliers the final obtained sample of 24 companies corresponds to a 63.1 per cent response rate.

#### **4.2 General Information Analysis.**

Respondents were asked to indicate the number of years Supplier Relationship Management was introduced into their organizations. The results are shown in table 4.1

**Table 4.1: When Supplier Relationship Management was first introduced.**

No of Years	Frequency	Percentage
Less than 10 years	20	83
10 years or more	4	17
Total	24	100

**Source: Research Data, 2013**

From the findings 83% of the respondents indicated that SRM is a fairly new concept in their organizations while 17% agreed that it has existed for 10 years or more.

Further the research sought to establish the positions of the respondents in their respective firms. The findings were as indicated in table 4.2

**Table 4.2: Position held in the organization**

Position	Frequency	Percentage
Senior Procurement Manager	3	12
Assistant Procurement Manager	5	21
Procurement Officer	11	46
Other	5	21
Total	24	100

**Source: Research Data, 2013**

In the findings from table 4.2, 79% of the respondents were supply chain professionals in their organization while 21% were from other disciplines. Those not in Supply chain

indicated their profession to being that of operations management and that they carried out Supply chain functions in their capacity level.

Respondents were also asked to indicate how long they had been in those positions given the scale of less than 5 years, between 5 and 10 years, between 11 and 15 years and more than 15 years. The findings indicated that 29% of the respondents had worked for less than 5 years, while 63% had worked between 5 and 10 years while only 8% had worked between 11 and 15 years. There was no respondent who had worked for more than 15 years. Further findings indicate that not all occupied one position for the whole duration rather changed but still in the field of supply chain management. This is shown in table 4.3

**Table 4.3: No of years held in a position**

No. of years	Frequency	Percentage
Less than 5 Years	7	29
Between 5-10 years	15	63
Between 11-15 years	2	8
Above 15 Years	0	0
Total	24	100

**Source: Research Data, 2013**

Respondents were also asked to indicate their gender whether male or female.88% were male while only 12% were female. This is shown in table 4.4

**Table 4.4: Gender**

Gender	Frequency	Percentage
Male	21	88
Female	3	12
Total	24	100

**Source: Research Data, 2013**

#### **4.2 The extent of relationship between suppliers and the organization**

The study sought to determine the extent to which firms in the alcohol beverage industry related to their suppliers. The respondents were asked to indicate the extent to which they agreed or disagreed with the statement, 1=To a very large extent, 2=Large extent, 3=To a moderate extent, 4=Small extent and 5=To a very small extent.



**Table 4.5: Extent of relationship between suppliers and the organisation.**

Statement	To a very large extent	To a Large extent	To a moderate extent	Small extent	Very small extent	Mean	Std. Deviation
Sharing of information	16.6%	41.6%	20.8%	12.5%	8.3%	3.81	1.01
Integrated ERP Systems	0%	20.8%	16.6%	41.6%	20.8%	3.89	0.75
Collective problem solving	20.8%	33.3%	8.3%	20.8%	16.6%	3.97	0.91
Involvement in planning and objectives setting with key suppliers	41.6%	20.8%	20.8%	12.5%	4.2%	3.89	0.98
Exchange of information affecting the business	20.8%	33.3%	16.6%	16.6%	12.5%	3.72	1.19
Training and development of staff	8.3%	12.5%	25%	29.2%	25%	4.33	0.59
Contract management	33.3%	25%	16.6%	16.6%	8.3%	4.10	1.02
Trust	8.3%	45.8%	20.8%	16.6%	8.3%	3.88	0.86
Focus on discrete purchasing	8.3%	8.3%	25%	33.3%	25%	4.07	0.96
Emphasis on price ,quality and delivery	41.6%	25%	16.6%	12.5%	4.2%	3.92	1.01
<b>Average</b>	<b>19.96%</b>	<b>26.6%</b>	<b>18.71%</b>	<b>21.22%</b>	<b>13.32%</b>	<b>3.96</b>	<b>0.93</b>

**Source: Research Data, 2013**

From the data above it is evident that most companies in the alcohol beverage industry share critical information with their suppliers and vice versa. This is shown by a mean of 3.81 and standard deviation of 1.01 that respondents agreed to suppliers sharing

information with them. For Integrated Enterprise Resource Planning Systems most of the respondents agreed that they do not share one functional platform with their suppliers and this is evident from a mean of 3.89 and std.deviation of 0.75. Collective Problem solving was to a large extent from a mean of 3.97 and std.deviation of 0.91. It is evident that some respondents involve their key suppliers in planning and objective setting which was indicated by a mean of 3.89 and std.deviation of 0.98. With a mean of 4.33 and a std.deviation of 0.59 the respondents agreed that they do not have training and development collectively with their suppliers.

Most training is carried out separately by each organization. Contract Management was seen as one of the key issues most respondents agreed with citing dispute resolution as one of the reasons why both participate diligently, this was indicated by a mean of 4.10 and std.deviation of 1.02. Trust plays a key role in relation with suppliers since it covers issues such as commitment and flexibility, this was indicated by a mean of 3.88 and std.deviation of 0.86. With a mean of 4.07 and std.deviation of 0.96 respondents focused on discrete purchasing. As indicated by a mean of 3.92 and std.deviation of 1.01, the respondents agreed to putting emphasis on price, quality and delivery. The study indicates that respondents have elements of both collaborative and adversarial relationship; however most of their relationship with suppliers is geared towards collaborative relationships.

### 4.3 Impact of Supplier Relationship Management on Supply chain Performance.

#### 4.4 Regression Analysis

In order to establish the relationship among the variables, multiple regression analysis was conducted. The analysis applied the statistical package for social sciences (SPSS) to compute the measurements of the multiple regression for the study. The findings are as shown in table 4.6

**Table 4.6: Significance Tests for Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.011	.185		-1.454	.383
Trust	.277	.687	1.578	1.213	.004
Communication	.620	.154	1.117	.274	.002
Risk Management	.031	.191	.167	.173	.005
Strategic Supplier Partnership	.137	.123	.138	1.15	.004

Source: Research Data, 2013

Dependent Variable: Supply chain performance

Where:  $X_1$  = Trust;  $X_2$  = Communication;  $X_3$  = Risk Assessment and Management

$X_4$  = strategic supplier partnership

Using a significance level of 5% all the independent variables are statistically significant since their P values are below 5% (Trust= 0.4%, Communication =0.2%, Risk Assessment and Management= 0.5% and Strategic Supplier Partnership = 0.4%). The model shows that trust, communication, risk assessment and management and strategic supplier relationship are suitable predictors of supply chain performance. The prediction model is therefore as follows:

$$Y = -0.11 + 0.277X_1 + 0.620X_2 + 0.31X_3 + 0.137X_4$$

#### 4.6 Coefficient Of Determination, R<sup>2</sup>

**Table 4.7: The Full Model**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.888(a)	.789	.757	.250	.789	24.301	4	26	.000

Table 4.7 indicates that R<sup>2</sup> is 78.9%. This value indicates that the four independent variables explain 78.9% of the variance in supply chain performance of firms in the alcohol beverage industry. These independent variables are key determinants to improved performance of Supply Chains in the organizations. According to the rule of thumb where R<sup>2</sup> =70% and above is a very good model, this model fits this description. The unexplained variance (due to other variables not in the model and purely chance factors) is only 21.1%.

#### 4.8 F Test For The Full Model

**Table 4.8: ANOVA TABLE**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.057	4	1.514	24.301	.000(a)
	Residual	1.620	20	.062		
	Total	7.677	24			

For 5% level of significance, the numerator  $df = 4$  and denominator  $df = 20$ , critical F value is 2.87, table 4.8 shows computed F value as 24.301. Hence, the regression model is statistically significant, meaning that it is a suitable prediction model for determining the impact of Supplier Relationship Management on Supply Chain Performance. This is supported by the P-value of 0 % which is less than 5%. Thus the overall model is statistically significant meaning the independent variables are suitable predictors of Supply Chain Performance. The findings are in line with Hsiao (2002) who concluded that trust, communication, cooperation and power dependence with supply contracts had a positive relationship on supply chain performance in retail outlets in Taiwan and also supported by Ratemo (2011) citing that the company under study failed to maintain good relationships with their suppliers leading to poor supply chain performance.

#### 4.10 Challenges in Implementation of Supplier Relationship Management

The study sought to determine the extent to which firms in the alcohol beverage industry related to their suppliers. The respondents were asked to indicate the extent to which they agreed or disagreed with the statement, 1=Strongly agree, 2=Agree, 3=Undecided, 4=Disagree and 5=Strongly disagree

**Table 4.9: Challenges in implementation of supplier relationship Management**

Statement	Strongly agree	agree	Undecided	Disagree	Strongly Disagree	Mean	Std. Deviation
Lack of technology	8.3%	25%	50%	16.6%	0%	3.70	1.01
Geographical proximity	25%	25%	16.6%	12.5%	20.8%	3.74	0.59
Unreliable suppliers	16.6%	50%	16.6%	8.3%	8.3%	3.86	0.98
Incompetent staff	8.3%	16.6%	20.8%	50%	4.2%	3.89	0.75
Lack of information sharing	4.2%	20.8%	41.6%	25%	8.3%	3.98	1.19
Incompatibility in technology between organization and Supplier	41.6%	16.6%	16.6%	12.5%	12.5%	4.10	0.91
<b>Average</b>	<b>23.57%</b>	<b>25.67%</b>	<b>20.80%</b>	<b>20.82%</b>	<b>9.02%</b>	<b>3.87</b>	<b>0.90</b>

From the data above, most respondents were undecided on whether lack of technology was a challenge to implementation of Supplier Relationship Management. This was indicated from a mean of 3.70 and std.deviation of 1.01 With a mean of 3.89 and a std.deviation of 0.75 respondents also disagreed on the issue of suppliers having incompetent staff. With a mean of 4.10 and std.deviation of 0.91 agreed that their technology and that of their suppliers is incompatible hence posing as a challenge to implementation of SRM. Respondents agreed that suppliers were unreliable as indicated

from a mean of 3.86 and std.deviation of 0.98, many citing timely deliveries as one of the issues. From a mean of 3.98 and std.deviation of 1.19 respondents were not sure whether information sharing is a challenge in implementation of SRM .Geographical proximity had different reviews owing to respondents not thinking of it as a hindrance or challenge as indicated from a mean of 3.74 and std.deviation of 0.59.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary**

From the data collected it is evident that trust communication, risk assessment and management and Strategic supplier partnership have a positive correlation to supply chain performance. Trust is a pre-requisite in maintaining long term relationships since it fosters credibility in business transactions. Most firms in the alcohol beverage industry attribute information sharing as a useful means towards achieving goals and objectives in their supply chain. Through joint risk assessment and management, firms are able to focus on continuous improvement thereby reducing costs related to the supply chain function. Most firms in the alcohol beverage industry are embracing collaborative relationship with their key suppliers however they still possess some qualities of adversarial relationship.

#### **5.2 Conclusions**

From the research carried out, it is evident that firms in the alcohol beverage industry are moving towards collaborative relationships with their suppliers to improve on their supply chain performance. Supplier Relationship Management largely depends upon four major aspects. They are trust, communication, risk assessment and management and strategic supplier partnership. Trust may include issues such as commitment, loyalty, openness, attitude, flexibility etc. Communication issues have to do with information sharing and technology interchange. Risk assessment and Management affects issues



such as innovation, value, contract management and pricing structures. Strategic partnership issues may be who to choose as a supplier and for what type of product or service.

### **5.3 Limitations**

In this study the researcher had some limitations in data collection. Most of the respondents who were interviewed did not have a clear sense about Supplier Relationship Management and it was a bit difficult to explain the target of this research to the respondents. Some of them viewed the requested data as confidential for them and somehow unreachable. Not all respondents answered the questionnaire hence the result could be more realistic if the researcher got responses from all respondents.

### **5.4 Recommendations**

The study recommends that supply chain professionals in the alcoholic beverage industry embrace collaborative relationships with their suppliers so as to optimize their supply chain costs. This can be through establishing clear communication networks, joint risk assessment and management and having strategic Supplier partnerships with their key suppliers. Firms should also establish trustworthy suppliers to ensure commitment and credibility in transactions. Technology was viewed as one of the failures in achieving supply chain performance and indications from the findings of its crucial role in the implementation suggest that firms should also invest in technology not only in their firms but also in partnership with suppliers so as to streamline operations in the supply chain.

### **5.5 Suggestions for Further Research**

This study focused on Supplier Relationship Management and Supply chain Performance in alcoholic beverage industry only, further research on other industries should also be done. Further Research also on effect of Information and Communications Technology (ICT) on Supplier Relationship Management should be investigated since from the findings ICT possibilities have been insufficiently used in achieving collaborative relationships.

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## APPENDICES

### Appendix I

#### Research Questionnaire

##### Introduction

This questionnaire has been designed for the sole purpose of collecting data on the impact of Supplier Relationship Management on Supply Chain Performance in the alcoholic beverage industry in Kenya. The data collected will be treated with a very high degree of confidentiality and it is meant for academic purposes only.

##### Section A: General Information

1. When was the practice of Supplier relationship management first introduced?

Less than 10 years

10 years or more

2. What is your position in the organization?

a) Senior Procurement Manager

b) Assistant procurement manager

c) Procurement officer

d) Other (specify).....

3. How long have you been in this position

a) Less than 5 years

b) 5 to 10 years

c) 11 to 15 years

d) Above 15 years

4. Gender

a) Male

b) Female

##### Section B: The extent of the relationship between suppliers and the organization.

Please indicate the extent to which you agree with the following statements on the nature of suppliers relationship with the organization. The scale below will be applicable:



1= To a very large extent 2= Large extent 3= moderate extent 4= small extent 5=very small extent.

No	Statement	1	2	3	4	5
1	Sharing of information					
2	Integrated ERP systems					
3	Collective problem solving					
4	Involvement in planning and objectives setting with key suppliers					
5	Exchange of information on issues affecting the business					
6	Training and development of staff					
7	Contract management					
8	Trust					
9	Is Focus on short discrete purchasing?					
10	Emphasis on price, quality and delivery.					

13. Any other? Please state

.....  
 .....  
 .....  
 .....

**Section C: Impact of SRM on Supply Chain Performance.**

Please indicate the extent to which you concur with the following statements on how SRM has impacted on Supply Chain Performance in alcoholic beverage industry.

1= To a very large extent 2= Large extent 3= moderate extent 4= small extent 5=very small extent.

NO.	Statement	1	2	3	4	5
<b>1</b>	<b>TRUST</b>					
(a)	Considering how decisions affect each other.					
(b)	Committed to preservation of good relationships					
(c)	Looking out for each other's best interests					
(d)	Willingness to engage in future business opportunity					
(e)	Credibility in business transactions					
<b>2</b>	<b>INFORMATION SHARING</b>					
(a)	Sharing of proprietary information.					
(b)	Information in advance of changing needs.					
(c)	Exchange information that helps in establishing business plans.					
(d)	Integrated ERP systems					
(e)						
<b>3</b>	<b>RISK ASSESSMENT AND MANAGEMENT</b>					
(a)	Focus on value and innovation.					
(b)	Risk management integrated into operations.					
(c)	Cross-functional teams from firm and suppliers working together.					
(d)	Contract management					
(e)	Focus on continuous improvement					
<b>4</b>	<b>STRATEGIC SUPPLIER PARTNERSHIP</b>					
(a)	Joint problem solving					
(b)	Improved product quality					
(c)	Supplier development programs					
(d)	Inclusion of suppliers in planning and goal-setting activities.					

**Section D: Challenges of Supplier Relationship Management**

Please indicate the extent to which you concur with the following statements concerning the Challenges faced by firms in the alcoholic beverage industry in implementation of SRM.

Use the scale of: 1= Strongly agree 2= Agree 3= Undecided 4= Disagree 5= Strongly disagree

No	Statement	1	2	3	4	5
1	Lack of Technology					
2	Incompetent staff					
3	Incompatibility in technology between organization and supplier					
4	Unreliable suppliers					
5	Lack of information sharing					
6	Geographical proximity					

7. Any other. Please state

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## APPENDIX II

### ALCOHOLIC BEVERAGES MANUFACTURERS LICENSED BY KENYA REVENUE AUTHORITY IN THE YEAR 2012

Item	Name of company	Product	Location
1	Aberdares Beverage Limited	Spirit	Kisumu
2	Africa Spirit Co. Ltd	Spirit	Nairobi
3	Afro Prime Industries Ltd	Spirit	Kisumu
4	BilFlex Industries	Spirit	Nairobi
5	Biscept Limited	Spirit	Nakuru
6	BMS Industries LTD	Spirit	Kisumu
7	Crywan Enterprises Ltd	Spirit	Nairobi
8	Elle Kenya Ltd	Spirit	Nairobi
9	Fai Amarillo Limited	Spirit and wine	Naivasha
10	FRM Packers(E.A) LTD	Spirit	Nairobi
11	Gish Holding Ltd	Spirit	Nakuru
12	Grand Beverages Ltd	Spirit	Thika
13	Honeywell Industry	Spirit	Nairobi
14	Julijo Investment Ltd	Spirit	Nairobi
15	Kambu Distillers Ltd	Spirit	Kisumu
16	Kedstar Investment	Spirit	Nairobi
17	Kefima Suppliers	Spirit	Tala

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18	Kenya Breweries Ltd	Beer	Nairobi
19	Kenya Gin Manufact. Ltd	Spirit	Nairobi
20	Kenya Wine Agencies Ltd	Spirit and Wine	Nairobi
21	Keroche Breweries Ltd	Spirit and beer	Naivasha
22	London Distillers (k) Ltd	Spirit	Nairobi
23	Lumat Company Ltd	Spirit	Nairobi
24	Lyniber Suppliers Ltd	Spirit	Nairobi
25	Mashwa Breweries	Spirit and Beer	Naivasha
26	MDI Limited	Spirit	Nakuru
27	Mibbs Ventures	Spirit	Nairobi
28	Patialla Distillers(K) Ltd	Spirit	Nairobi
29	Pen Bon (K) LTD	Spirit	Tala
30	Rhino Beverages LTD	Spirit	Nairobi
31	Sangilia Wine Manuf. LTD	Spirit and Beer	Nairobi
32	The Comrade Invest. Co.LTD	Spirit	Nairobi
33	Top Rank Ltd	Spirit	Thika
34	UDV (K) Ltd	Spirit	Nairobi
35	Vine Pack Ltd	Spirit	Thika
36	Wayne Industries Ltd	Spirit	Naivasha
37	Wholesome Beverages Ltd	Spirit	Nairobi
38	Zheng Hong (K) LTD	Spirit	Nairobi

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Source(KRA,2012)