INFLUENCE OF BUYER-SELLER RELATIONSHIPS ON SUPPLY CHAIN PERFORMANCE IN THE BANKING INDUSTRY. A CASE OF CO-OPERATIVE BANK OF KENYA

BY

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DECLARATION

By the Student

This thesis is my original work and has never been submitted for an award of a degree in any other university.

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By the Supervisor

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DEDICATION

This work is dedicated to my husband Noah K. Terer and daughter Mary Angel Terer. They offered me moral and financial support throughout the process of conducting this study. God bless you abundantly.

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ABSTRACT

Several empirical studies conducted support that buyer-seller relationships have a positive effect on a firm's financial performance. Firms engaged in long-term relationship with their customers achieve higher profitability and ROI than firms using a transactional approach. The study of buyer-seller relationships and their impact on supply chain management is pertinent for two reasons. To the researcher knowledge there is limited empirical evidence on the effects of buyer-seller relationships on supply chain performance in Kenya. This study sought to fill the exiting research gap on the effects of buyer-seller relationships on supply chain performance in the banking industry in Kenya with references on Co-operative Bank of Kenya. The study adopted a descriptive research design. The target population was 168 employees of Co-operative Bank of Kenya at their head office in Nairobi. The sampling technique employed was stratified random sampling. The sample size of the study was 118 respondents. The study collected both primary and secondary data. Primary data was gathered using semi-structured questionnaires where the respondents were issued with the questionnaires. The study conducted a pilot test to test the reliability of the questionnaires. Descriptive data analysis was used; this included the use of weighted means, standard deviation, relative frequencies and percentages. SPSS version 22 was used to assist in the data analysis. The study findings showed that majority of the respondents indicated that supply chain performance in the banking industry in Kenya is affected to a great extent by buyer-seller trust (54.7%), buyer-seller communication (51.2%), buyer-seller power dependence (65.1%) and buyer-seller cooperation (64%). The study thus concluded that conceptual measures for the outcome of retail supply chain performance consists of both financial and non- financial parameters. The study recommended that banking and financial institutions should establish strong interpersonal relationships, effective communication and active cooperation with the suppliers for the establishment of strong and successful buyer – seller relationships.

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LIST OF ABBREVIATIONS

QF	Quantity Flexibility
RBV	Resource based theory
ROI	Return on Investment
SCM	Supply Chain Management
SPSS	Statistical Package for Social Sciences
TCE	Transaction Cost Economic
VRIN	Valuable, Rare, Inimitable, and Non-Substitutable

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Supply chain management (SCM) is "a key strategic factor for increasing organizational effectiveness and for better realization of organizational goals such as enhanced competitiveness, better customer care and increased profitability" (Gunasekaran *et al.*, 2001). The major goals of SCM are to minimize non-value-added activities and associated investment cost and operating cost, increase customer responsiveness and flexibility in the supply chain, and enhance bottom- line performance and cost competitiveness (Stewart 1995). A recent study conducted by Petrovic-Lazarevic and Sohal (2002) reported that effective management of the supply chain has been identified as being of significant importance to achieving and sustaining a competitive advantage for firms in the Australia.

Many companies are trying to find tools for performance improvement in response to turbulent business markets and for efficiently controlling their business activities. The objectives of performance measurement are to improve the efficiency and effectiveness of a supply chain (Gunasekaran *et al.* 2001). In addition, Keeber (2000) also stated that the purpose of performance measurement is to reduce operating costs and customer service in logistics activities, improve firm's revenue growth, and enhance shareholder value.

Buyer-supplier relationships in the supply chain are one of the most important elements of supply chain integration. Establishing and managing effective relationships at every link in the supply chain is becoming the prerequisite of business success. High volatility in the retail industry reflects rapid fluctuations in customer demand and unpredictable market trends. In addition, environmental diversity reveals uncertainty in the global business environment. Facing market volatility and diversity, retailers are encouraged to develop relatively flexible relationships with multiple channel partners to deal with unexpected market demands and thus reduce the dependence on the vendor (Ganesan, 1994).

Several empirical studies conducted in China support that buyer-supplier relationships have a positive effect on a firm's financial performance (Liu and Wang 2000; Luo 1997; Yeung and Tung 1996), or that manufacturer-distributor relationships and *guanxi* have an important impact on the performance of export ventures in China (Ambler *et al*. 1999). Firms engaged in long-term relationship with their customers achieve higher profitability and ROI than firms using a transactional approach (Kalwani and Narayandas 1995). Maloni and Benton (2000) found that strong buyer-supplier relationships have a significant positive effect on manufacturer performance, supplier performance, and performance of the entire supply chain.

A company's purchasing practices can impact the effectiveness of its SCM strategy and it's financial and market performance (Tan, Vijay, Kannan and Robert, 1998). In current purchasing practice, orders from retailers are placed with the international suppliers many months ahead of the season, so the risk of both obsolescence and stock-outs is high. The lengthy pipeline increases inventory carrying cost and inefficiency in the supply chain. Besides, when it comes to the selling season, market demand may change and sales can be affected for various reasons such as economy, climate, consumer preference, sports events, unmatched supplies, etc. (Fisher *et al*. 1994).

Cooperative Bank of Kenya is a commercial bank in Kenya. It is one of the commercial banks licensed by the Central Bank of Kenya, the national banking regulator. The bank has the second highest customer base in Kenya with over 3.5 million accounts as of June 2013. In 2010, the bank was awarded "Best Bank of Kenya" by the London Financial Times due to their excellent growth. The bank serves the banking needs of individuals, small businesses and large corporations, focusing on the needs of cooperative societies in Kenya. Cooperative Bank is a large financial services institution. As of 2011, it was the third-largest financial services provider in Kenya, by asset value, behind Kenya Commercial Bank and Barclays Bank of Kenya (MacDonald, Wallace, and MacPherson, 2013). At that time its total assets were valued at approximately US$2.62 billion (KES: 225.3 billion), with shareholders' equity in excess of US$250 million (KES: 21 billion). At that time, the bank controlled about 8.2% of all bank assets in Kenya.

Co-operative bank has completed the implementation of Misys bank fusion- a transformation platform to support the bank’s rapid expansion plans. The bank’s profits have increased 31% to Ksh 3.23 billion for the first quarter of 2013 since the implementation. In addition to this the system has improved transaction processing by doubling it and dropping end of day processing by 40%. Misys Bank Fusion provides the innovation platform for Co-operative Bank of Kenya’s ambitious growth plans.

Another project is the USAID/CO-OP BANK microfinance program whose main aim was to promote the growth of MSEs by increasing their access to appropriately designed financial services through strengthening the Bank's capacity to effectively, efficiently and appropriately delivers financial services to this sector. The objectives were designed to respond to the need of MSE's which include Biashara Plus Loan Product for entrepreneurs qualifying for loan sizes of between Ksh 15 000 and 300 000, Biashara Premium Loan Product for entrepreneurs qualifying for loan sizes of between Ksh 301 000 and 600 000. Haba na Haba Savings Product, Automated Teller Machines (ATMs) Visa Debit Cards and Business Advice, Foreign Exchange and other Banking Services. The project exceeded its set objectives and in some instances exceeded the targets set by the end of its implementation period. Another project was enhancement of institutional capacity and sustainability of SACCOs in Kenya through the provision of specialized financial advisory services. The project involved 20 SACCOs and was meant to improve governance and increase participation of youth and women in management committees of the SACCOs.

1.2 Statement of the Problem

Buyer-seller relationships are an increasingly important area of interest in the academic and the business world. Companies focus strongly on the development of closer ties with other organizations in search of competitive advantage and improved market positioning. So far, little is known about the mechanisms determining the evolution of collaborative relationships, nor about the existence and interplay of buyer supplier relationships at various levels within business relationships (Bart *et al.*, 2009).

Kenya is the most industrially developed country in East Africa, but it has not yet produced results to match its potential. The Banking industry has to put in more effort to ensure that it performs better and contributes more to the country's GDP. For the banks in Kenya, suppliers play a major role on the performance of Banks. Therefore a study on the level at which this sector has embraced the concept of buyer supplier relationships and how these relationships affect organizational performance is important. Co-operative Bank of Kenya continue to post higher profits, this is highly attributed to efficiency in it profit largely their supplier.

Several empirical studies conducted support that buyer-supplier relationships have a positive effect on a firm's financial performance (Liu and Wang 2000; Luo 1997; Yeung and Tung 1996), or that manufacturer-distributor relationships and interpersonal relationship have an important impact on the purchasing and supply functions (Ambler *et al*. 1999). Firms engaged in long-term relationship with their customers achieve higher profitability and ROI than firms using a transactional approach (Kalwani and Narayandas 1995). Maloni and Benton (2000) found that strong buyer-supplier relationships have a significant positive effect on manufacturer performance, supplier performance, and performance of the entire supply chain. The study of buyer-supplier relationships and their impact on supply chain management is pertinent for two reasons. Firstly, the prevailing culture in distribution system emphasizes personal relationship between the manufacturers, wholesalers and retailers (Trappey and Lai 1996). This is important in managing buyer-seller relationships because a supply chain provides an avenue for the existence of such a relationship. To the researcher knowledge there is limited empirical evidence on the effects of buyer-seller relationships on supply chain performance in Kenya. This study sought to fill the exiting research gap on the effects of buyer-seller relationships on supply chain performance in the Banking industry with references on Co-operative Bank of Kenya.

1.3 Purpose of the Study

The purpose of the study was to establish effects of buyer-seller relationships on supply chain performance in the banking industry in Kenya with references on Co-operative Bank of Kenya.

1.4 Objective of the Study

The study was guided by the following research objectives

i. To establish the influence of buyer-seller level of trust on performance of supply chain in the banking industry in Kenya.

ii. To examine the influence of buyer-seller communication on performance of supply chain in the banking industry in Kenya.

iii. To examine the influence of buyer-seller power dependence on performance of supply chain in the banking industry in Kenya.

iv. To examine the influence of buyer-seller cooperation on performance of supply chain in the banking industry in Kenya.

1.5 Research Questions

The study sought to answer the following research questions

i. How does buyer-seller level of trust influence on performance of supply chain in the banking industry in Kenya?
ii. To what extent does buyer-seller communication influence on performance of supply chain in the banking industry in Kenya?
iii. In what ways does buyer-seller power dependence influence on performance of supply chain in the banking industry in Kenya?
iv. To what extent does buyer-seller cooperation influence on performance of supply chain in the banking industry in Kenya?

1.6 Significance of the Study

The study will be of great importance to the management of on Co-operative Bank of Kenya and other commercial bank as they will understand how various aspects of buyer-seller relationships affect the supply chain performance in banking industry. The study will also inform the various players in the Banking industry on effects of buyer-seller relationships on supply chain performance in the banking industry.

This study will assist the policy makers in designing policies that will guide Banks in entering into buyer-seller relationships which will positively influence the supply chain performance in the banking industry. The study will be of great importance to future scholars and academicians as it will provide material and basis for future research.

1.7 Scope of the Study

The study focused on establishing the effects of buyer-seller relationships on supply chain performance in the banking industry with references on Co-operative Bank of Kenya. It covered their head office in Nairobi. The researcher believes that this provided an adequate population and sample for the study and therefore gave reliable results and findings. The study sought to determine the influence of trust, communication, cooperation, power dependence, and supply contract on supply chain performance in the banking industry.

1.8 Limitation of the Study

There were a number of limitations in the course of the study. Some respondents were not willing to cooperate filling the questionnaire, this was overcome by having a conversation with the respondents first. Respondents took a long time to fill and complete the questionnaire but the researcher ensured that the date of submitting the questionnaires was important for the study to be completed in time.

1.9 Delimitations of the Study

This study focused in examining the effects of buyer-seller relationships on supply chain performance in the banking industry in Kenya with references on Co-operative Bank of Kenya. The study sought to establish the influence of buyer-seller level of trust, buyer-seller communication, buyer-seller power dependence and buyer-seller cooperation on performance of supply chain in the banking industry in Kenya. The study focused on Co-operative Bank of Kenya at their head office in Nairobi.

1.10 Definition of Significant Terms

Communication; Communication processes underlie most aspects of organizational behavior and are critical to organizational success.

Cooperation: Cooperation has been defined as, "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time".

Performance; It is the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Overall organizational performance can be divided in to three parts: financial performance, product performance, and operational performance. Financial performance of organization includes: market share, return on investment, profit margin, inventory turnover rate, and productivity.

Power Dependence: The issue of power is closely associated with the nature of dependency in business relationships. Gaski (1984) pinpointed the roles of power and dependence in channels of distribution by noting that “channel member dependence and sources of power in marketing channels are conceptually inseparable,” and “dependence is a component or dimension of these power sources rather than a separate phenomenon.”

Supply Chain: It is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer

Trust: Trust is a willingness to rely on an exchange partner in which the firm has confidence. Trust is an expectation about an exchange partner that results from the partner's expertise, reliability, and intentionality.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. As suggested by Olsen and Ellram (1997), the links between the characteristics of the relationship such as trust, cooperation, and the performance of the relationship need further research. Considering the key issues discussed earlier, five prominent dimensions of the buyer-supplier relationship: trust, communication, cooperation, power-dependence and supply contracts. Therefore, this study makes an important contribution to the relational literature and supply chain management literature through the investigation of effects of buyer-seller relationships on purchasing and supply functions in the Banking industry with references on resolution health East Africa limited.

2.2 Buyer-Seller Level of Trust and Performance of Supply Chain

Trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm. To distinguish the basis of trust, in business culture trust is cultivated at the personal level, whereas in Western culture trust is established at the organizational level (Fang and Kriz 2000; Wong 1996). Trust indicates “a person’s reputation for trustworthiness on both a professional and personal level as well as credibility in a business situation” (Woo and Phrud'homme 1999). Businessmen deem the trustworthiness and interpersonal relationship (a person’s credibility) of their trade partners important in business dealings. Similarly, Ganesan (1994) reported that the reputation of the supplier’s fairness has a significant effect on its credibility in the business, and consequently satisfactory credibility will create higher level of trust.

According to Sullivan and Peterson (1982), the essence of trust is described as "…where the parties have trust in one another, then there will be ways by which the two parties can work out difficulties such as power conflict, low profitability, and so forth." Trust leads retail buyers and sellers to the focus on long-term benefits of the relationship (Ganesan 1994), and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction (Noordewier *et al*., 1990). Doney and Cannon (1997) indicated that trust influences long-term relationships, while Morgan and Hunt (1994) found trust has the strongest effect on achieving cooperation in relationship. Anderson and Weitz (1989) demonstrate the evidence that trust is key to maintaining continuity in conventional channel relationships. Siguaw *et al*. (1998) concluded distributor trust is related significantly and positively to both cooperative norms and distributor satisfaction with financial performance. Two major aspects of trust are personal trust and organizational trust will be focused to give more insights on how trust plays an important in the Chinese buyer-supplier relationship.

Personal trust; The emphasis on trust has prevailed among business industries not only in Western countries but also in Chinese business communities. Trust was the crucial factor in upholding the complex network of trading relations (Wong 1996). The Chinese business relationships appear to be highly personalized, based on personal trust (Kiong and Kee

1998). Kao's (1996) study of "personal trust" in large businesses in Taiwan indicated that personal trust plays a prominent role in the establishment of partnerships. Chinese business practices are based on personal trust, with less formally defined rights and obligations (Mavondo and Rodrigo 2001). The formal contracts are just as a backup of legal commitment. Therefore, Kiong and Kee (1998) conclude that the non-use of written contracts characterize the mutual trust between the channel members.

Organizational trust; Western business companies usually check their first-time customer's credit history before business transactions and credit position. If a supplier has a good reputation in his history of dealing with other firms, trust and credibility are easily built consequently. Interpersonal relationship in business or "credibility" in the West implies the words or written statement that can be relied on between the supplier and the retailer (Doney and Cannon 1997). Interpersonal relationship generally refers to the "integrity, credibility, trustworthiness, or the reputation and character of a person," and "a person's credit rating" in business circles (Kiong and Kee 1998).

Some studies conducted have also revealed the importance of interpersonal relationship in business transactions and the positive impact of interpersonal relationship on the trust-based exchange relationships (Kiong and Kee 1998; Lui 1998). DeGlopper's (1978) study of Lukang also addresses the importance of interpersonal relationship in business and explains further that interpersonal relationship is evaluated upon one's business performance. If a firm does not keep its word or cheats, it will lose its interpersonal relationship. In a word, based on mutual trust interpersonal relationship further ensures the security and reliability in business deals. Additionally, Ganesan (1994) asserted credibility has a significant effect on long-term relationship. In conclusion, the benefits and impact of trust, along with the background of different aspects of trust in business relationships, explain the critical role of trust as a key success factor in buyer-supplier relationships.

2.3 Buyer-Seller Communication and Performance of Supply Chain

Owing to the risk of seasonal and short product life, small firms are naturally inclined to reduce inventory carrying costs and maximize profits from the products provided by the suppliers. Many companies have perceived the importance of substituting information for inventory as a potentially powerful source of competitive advantage (Spekman *et al*., 1999). Therefore, effective communication plays a critical role in social and business relationships. Anderson and Narus (1990) define communication as "the formal as well as informal sharing of meaningful and timely information between firms." Cannon and Perreault (1999) suggest more open sharing of information is indicated by the willingness of both parties to share important information. However, lack of trust can be translated to unwillingness to share information (Fawcett and Marnan 2001), and can make it difficult to share sensitive information such as financial data, especially in Asian business (MOEA, 1999).

Mavondo and Rodrigo (2001) bring up the issue of difficulties in cross-cultural communication and information sharing as they can be a significant obstacle to business. Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance (Goodman and Dion 2001; Mohr and Nevin 1990). In fashion apparel industry, frequent communication between retailers and suppliers can expedite quick and accurate response to volatile market, and reduce the costs and impact of inaccurate forecasts (Fisher *et al*. 1994). With the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication (Blair *et al*., 1985). Consequently, it will help better match supply with demand and increase profitability for channel members. On the other hand, under unequal power relationship a less powerful channel party has a tendency not to provide information and feedback to more powerful ones (Blair *et al*., 1985). Thus, the restricted information flow will impede the channel relationships and affect the supply chain performance as well. Effective communication is crucial to maintain a long-term buyer-relationship and achieve high performance (Morgan and Hunt, 1994).

2.4 Buyer-Seller Cooperation Influence on Performance of Supply Chain

Anderson and Narus (1990) define cooperation as “similar or complementary coordinated actions taken by firms in an interdependent relationship to achieve mutual or singular outcomes with expected reciprocation over time.” Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly (Cannon and Perreault, 1999). The cooperative inter-business relationship is primarily based upon personal trust between business parties. Most businessmen say that the most reliable sources of information come from close relationships within and among business organizations. Without close relationship, the suppliers or buyers are not willing to share information and have less intention to cooperate. Ambler *et al.* (1999) state that active cooperation plays a role in export sales growth. Previous research on channel distribution has suggested that there is a positive relationship between cooperation and satisfaction (Anderson and Narus 1990; Skinner *et al*., 1992). Cooperation between channel members will increase channel efficiency and help members attain their mutual goals.

2.5 Influence of Buyer-Seller Power Dependence on Supply chain Performance

The issue of power is closely associated with the nature of dependency in business relationships. Gaski (1984) pinpointed the roles of power and dependence in channels of distribution by noting that "channel member dependence and sources of power in marketing channels are conceptually inseparable," and "dependence is a component or dimension of these power sources rather than a separate phenomenon." Brown *et al*. (1995, p364) define marketing channel power as the ability of one channel member (supplier) to control the decision variable in the marketing strategy of another member at a different level of distribution (retailer).

Power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain (Maloni and Benton 2000). As most constructs associated with power are mainly built on concepts and findings in Western countries, it is important to identify constructs that better fit a Chinese context (Liu and Wang 2000). Lee (2001) also recommends that channel members in different cultures may have different perceptions of power sources. Though the importance of power and dependence has received the attention of academic scholars and practitioners, research investigating how power and dependence affect the retailer's purchasing decision and supply chain performance is rare.

According to Skinner *et al.* (1992), the bases of power is defined for this researches as the resources the supplier has available to influence the retailer's purchase decisions. The bases of power are classified as coercive power and non-coercive power (reward, legitimate, referent, and expert) (Liu and Wang 2000; Skinner *et al*. 1992). Several studies on power have shown that channel power has significant impact on the buyer-supplier relationship and performance in channel distribution (Lee 2001; Liu and Wang 2000; Maloni and Benton 2000). Based on the empirical findings discussed above, the coercive power and non-coercive power exercised by international suppliers and local suppliers can have positive and negative impact on retail supply chain performance. In this research, the extent of the retailer's dependence on international suppliers and local suppliers, and coercive power and non-coercive power by international suppliers and local suppliers will be investigated.

2.6 Supply Chain Performance

Supply chain performance is an important and multi-faced issue in supply chain management. Performance measurement is defined as the information regarding the processes and products results that allow the evaluation and the comparison in relation to goals, patterns, past results and with other processes and products (Petrovic-Lazarevic and Sohal, 2002). It is important to identify those determinants that drive supply chain success.

What should be measured and what action should be taken based upon the measure are the key issues in today's fast-paced, competitive economy. To achieve an efficient and effective supply chain, many companies have realized the importance of performance evaluation and what measures should be used. The objectives of performance measurement are to improve the efficiency and effectiveness of a supply chain (Beamon 1999; Gunasekaran *et al*., 2001), and also consider the overall supply chain goals and the metrics to be applied (Gunasekaran *et al*., 2001).

Measures of Performance; To evaluate the effectiveness and efficiency of retail supply chain performance, the performance measures for this research is based on Gunasekaran *et al*'s (2001) classification; measures are identified as financial and non-financial. A detailed description of each measure will be discussed in the next section. Financial measures; Sales growth rate and profitability, which are frequently used as predictors of financial performance (Bourne 1999; Gales and Blackburn 1990; Tan *et al*., 1999). Sales growth rate is measured as the percent change in annual sales over the last three years (Gales and Blackburn 1990; Tan *et al*., 1998; Tan *et al*., 1999). *Profitability* refers to the average retail profits that the retailer can make from the sportswear. The study of Dollinger and Kolchin (1986) shows there is a strong positive correlation between purchasing activity and firm profitability.

Non-financial measures; The non-financial measures characterize the essence of flexibility and customer service in the supply chains. *Flexibility* refers to the ability of making available the products or services to meet the particular customer demands (Gunasekaran *et al*. 2001).

Flexibility is a key measure of supply chain performance and is often regarded as a reaction to environmental uncertainty (Vickery *et al*., 1999).

Supply flexibility; Fashion is a precarious business, and heavy stock-keeping units associated with variety of sizes, colors and styles of sportswear are a big burden for retailers. To carry enough inventory to satisfy consumer demand with minimum inventory carrying cost, it is a trend that retailers tend to place small order quant ities and receive frequent deliveries. Tsay (1999) suggests implementing quantity flexibility (QF) as a response to inefficiencies, such as over-stocking and under-stocking, occur in the supply chain.

Product exchange and return; Some retailers prefer buying some brand named sportswear on consignment as there is no inventory investment, or on memorandum buying as any unsold items can be returned for full credit or exchange (Rogers and Gamans 1983).

Delivery efficiency; Nowadays, customers are raising their service expectations with regard to ever-shorter delivery time (Fawcett and Marnan 2001). Stewart (1995) concluded that delivery performance is the first key to supply chain excellence and the driver of customer satisfaction in supply chain management.

The main purpose of *customer service* metrics is to measure how the suppliers are serving (or not serving) the retailers (Hausman, 2000). Customer service has been highly differentiated and become one of the major competitive advantages for a sports apparel retail outlet.

Product availability; Because the nature of the sportswear market involves volatility and seasonality, product availability is a critical factor to customer satisfaction and customer loyalty at the retail level (Sabath, 1995). Unsatisfied demand will cause lost sales, lost customer and obsolete inventories (Ashford, 1997; Stewart, 1995).

Product quality*;* The quality of the product provided by suppliers reflects the brand's image and value (Chaudhuri and Holbrook 2001). Wisner and Tan (2000) include product quality as criteria of supplier performance, and Tan *et al*. (1999) show that quality has a positive impact on growth and return on assets.

2.7 Theoretical Review

2.7.1 Resource Based Theory (RBV)

Resource based theory (RBV) owes its origin to economist Penrose (1959) who stated that rather than emphasize market structures, he highlighted on firm heterogeneity and proposed that the unique assets and capabilities of firms were important factors giving rise to imperfect competition and the attainment of super-normal profits. This theory defines resources as tangible and intangible assets that are tied semi-permanently to a firm (Wernerfelt, 1984). He further argued that resources should be seen as "anything which could be thought of as a strength or weakness of a given firm." Others, especially Barney (1999), have articulated this view by shifting the emphasis from organizational theory to the organization's goal of reducing the uncertainty and the dependency on other organizations for its survival.

Firms desire core competencies, which are unique to the organization and therefore support the pursuit of competitive advantage. RBV conceptualizes firms as resource bundles that are not only heterogeneous when compared to other firms, but that persist over time therefore making sustained competitive advantage possible (Eisenhardt and Martin, 2000). ''What a firm wants to do is to create a situation where its own resource position directly or indirectly makes it more difficult for others to catch up'' (Wernerfelt, 1984). In doing so, scholars suggest that the firm can develop a bundle of resources, which is valuable, rare, inimitable, and non-substitutable, known as VRIN, that can enable achievement of sustained competitive advantage (Eisenhardt & Martin, 2000). These VRIN resources are particularly useful when they complement each other in such a way to form core competencies.

Core competencies are critical capacities of the firm in delivering value to customers, which result from harmonizing resources, such as streams of technology, work structures, and value delivery (Prahalad and Hamel, 1990). Eisenhardt and Martin (2000) suggest that when VRIN resources and their related activity systems have complementarities, the likelihood of sustained competitive advantage is improved. Core competencies are very important in making outsourcing decisions. As such, scholars have discussed their characteristics in general as well as in the context of outsourcing. Today, many embrace the notion that core competencies are retained in-house, while other capabilities are purchased. Dobrzykowski and Tarafdar (2008) suggest that business processes characterized as a core competence of the firm are likely to be performed internally and those characterized as a noncore competence of the firm are likely to be outsourced.

Although RBV has received, numerous supports its contribution as base theories for strategic outsourcing it has also gotten its share of critics. Laursen and Mahnke (2001) notes that strategic capabilities and resources are often hard to identify in practice and often remain limited to current activities of a firm. They add that the resource-based view helps little to understand switching costs related to vertical disintegration fails to relate outsourcing to competitive dynamics and downplays long-term consequences on dynamic capabilities. Priem and Butler (2001) denote the ignorance of the characteristics of demand as the main failing. Fahy and Smithee (1999) add that the theory's static view on competition will likely lead to difficulties (combined with a lack of empirical validation). This raises doubts to the effective application of the resource-based view for outsourcing, certainly for operational control.

2.7.2 Transaction Cost Economic (TCE)

The Transaction Cost Economic (TCE) approach developed out of the institutional economics of Commons and the analysis of administrative behaviour by the Carnegie school (Winch, 1989). This approach emerges from the economist Coase's seminal work, in which he advances his theory of the existence of firms and argued that, in the absence of transaction costs, there is no economic basis for the existence of the firm (Coase, 1937). TCE recognises that there are costs of using the pricing system and those costs give rise to various forms of economic organisations (Coase, 1988). It represents a major attempt to combine economic and sociological perspectives on industrial organisation (Winch, 1989). This analysis supersedes neoclassical economic analysis, which assumes that economic activities can be coordinated costless by a system of prices. Neoclassical theory is 'simply a rhetorical device adopted to facilitate discussion of the price system' (Demsetz, 1991) and tells nothing about the organisational structure (Hart, 1990).

Transaction costs are the costs of running the economic system (Arrow, 1969). Such costs are the economic equivalent of friction in physical systems and one distinguished from production costs (Williamson, 1985). TCE poses the problem of economic organisation as a problem of contracting and assumes that (1) human agents are subject to bounded rationality, where behaviour is ‘intended rational but only limitedly so’ (Simon, 1961), and (2) is given to opportunism, which is a condition of ‘self-interest seeking with guile’ (Williamson, 1985). The essential insight of TCE is that in order to economise on the total cost of a good or service, both production costs and transaction costs must be taken into account (Winch, 2006). A production technique that has the lowest production costs might not be the economising choice if transaction costs are also taken into account (Winch, 2001). While a traditional economic analysis can identify the most efficient choice of production technique, it cannot explain the most effective use of that production technique (Winch, 2006). It is noteworthy that transaction costs are always assessed in a comparative institutional way (Williamson, 1996). Empirical research on transaction cost issues remains whether organisational relations align with the attributes of transactions as predicted by transaction cost reasoning or not (Williamson, 1985).

Risk allocation in outsourced contracts are suitable to be viewed from a TCE perspective because any issue that can be formulated as a contracting problem can be investigated to advantage in transaction cost economising terms (Williamson, 1985). The suitability also arises from many features of outsourcing, which include incomplete contracting, long-term partnership, investment into assets, complex uncertainty, etc. (Jin and Doloi, 2008). In this paper, it is submitted that, concisely, choosing a strategy for allocating a given risk could actually be viewed as the process of deciding the proportion of risk management responsibility between internal and external organisations based on a series of characteristics of the risk management service (RMS) transaction in question.

The physical and human asset specificities are the major characteristics of an RMS transaction in an outsourced contract because they bear the most relevant and influential ramification. Whilst the problems of physical asset specificity arise post-contract through 'fundamental transformation' (Williamson, 1985) and especially relate to particular types of civil engineering projects, human asset specificity is more widely relevant to construction projects because detailed knowledge is held in a firm, usually by a relatively small number of people (Walker & Chau, 1999). The most important specified human assets in RMS transaction would be the organisational capability of managing a given risk (Jin and Doloi, 2008).

Transaction frequency is another major characteristic of an RMS transaction. Although it is low in construction, often effectively unity for most client-supplier dyads (Winch, 2002), this is one of the areas in which many clients are making changes with the aim of achieving learning benefits. Transaction frequency is expected to influence the governance over RMS transaction because outsourcing perse indicates a higher level of transaction frequency due to its long-term commitment (Williamson, 1996). Uncertainty is the third major characteristic. Outsourced activities usually bear the feature of much prolonged uncertainty due to the period of lifecycle and the difficulty in foreseeing future uncertainties, especially those inherent in later stages.

A public partner could manage a risk entirely in-house (hierarchy). Transaction costs may include the cost of setting up a team and monitoring its performance, among others. This is the case when asset specificity is relatively high and combined with high levels of uncertainty (Williamson, 1996). Arguably, transaction and production costs are lower than the costs for the same level of RMS procured through the market. Otherwise, a public partner may purchase the required RMS entirely from the market or carry out the task together with a supplier. Transaction costs may include the cost of devising the service contract and monitoring the service provider, among others. This is the case when asset specificity is relatively low and consequently market power prevails (Williamson, 1996). The current industrial practices are investigated against these TCE principles in the case study.

The application of transaction-cost economics to outsourcing implies that uncertainty in demand; asset specificity and frequency of transactions determine the governance structure. From these factors, specifically the frequency of transactions and uncertainty might have an impact on control mechanisms and performance management in serene provision. The factor asset specificity contributes to taking outsourcing decisions but also might cause dependencies in the buyer-supplier relationship affecting operations management.

Academics have questioned the validity of transaction-cost economics. Ghoshal and Moran (1996) mention that they consider the possibility for fostering opportunistic behavior the main flaw of the theory, even though Williamson (1998) mentions this explicitly as part of the theory; that latter position is reiterated by Grover and Malhotra (2003) who also question of the role of uncertainty in necessitating hierarchical governance. Some argue that basing inter-organizational decisions on transaction costs alone could undermine the collaborative benefits and the transaction value of inter-firm collaborations (Sturgeon and Lee, 2001).

2.8 Conceptual Framework

Conceptual framework is a scheme of concept (variables) which the researcher operationalizes in order to achieve the set objectives, Mugenda & Mugenda, (2003). A variable is a measure characteristic that assumes different values among subject, Mugenda & Mugenda, (2003). Independent variables are variables that a researcher manipulates in order to determine its effect of influence on another variable, (Kombo & Tromp 2006), states that independent variable also called explanatory variables is the presumed change in the cause of changes in the dependent variable; the dependent variable attempts to indicate the total influence arising from the influence of the independent variable Mugenda & Mugenda, (2003). This is illustrated in figure 2.1 showing the two types of the variables.

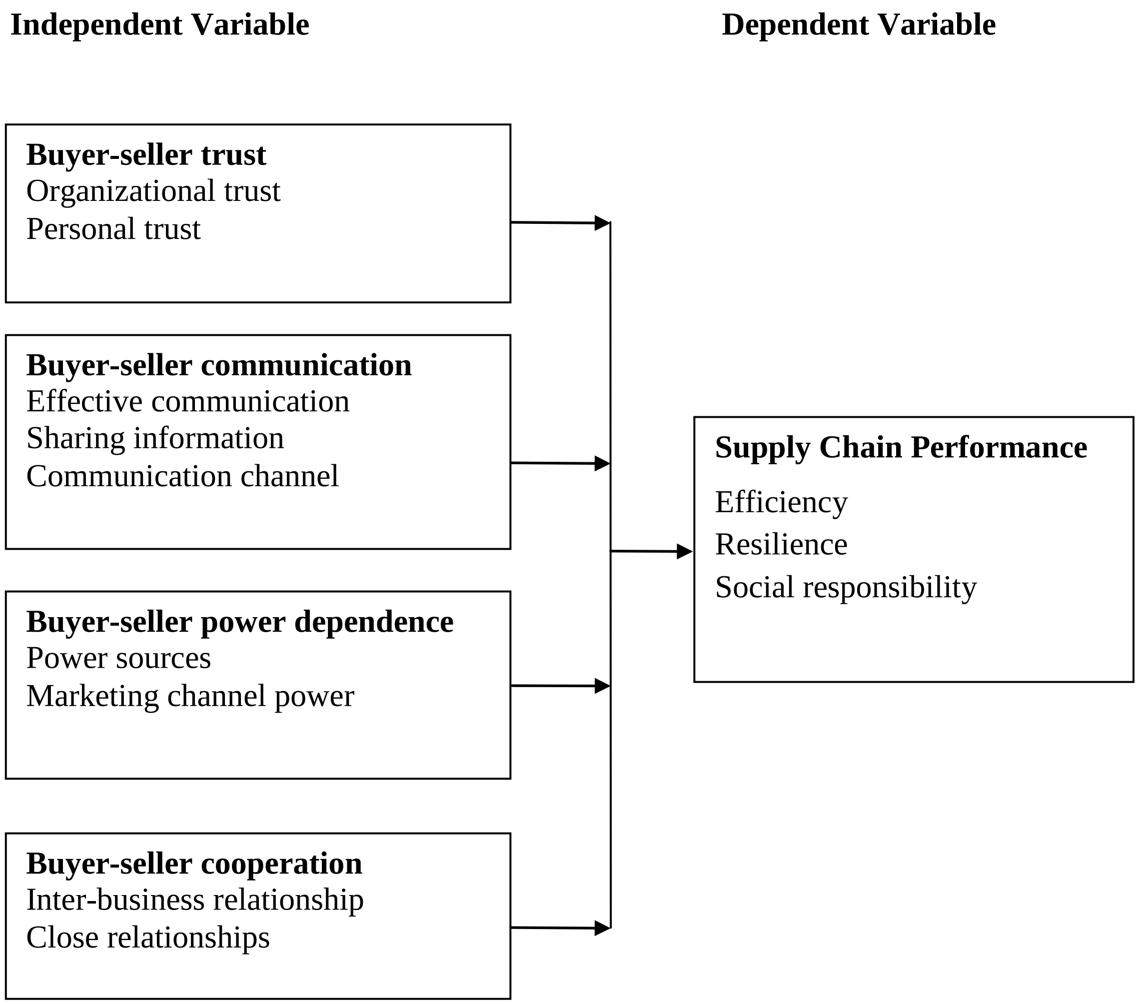

Figure 1: Conceptual Framework

The study of buyer-supplier relationships and purchasing process has been the central issue in relationship marketing and purchasing as well as business-to-business marketing literature. Buyer-supplier relationships in the supply chain are one of the most important elements of supply chain integration. Establishing and managing effective relationships at every link in the supply chain is becoming the prerequisite of business success. High volatility in the retail industry reflects rapid fluctuations in customer demand and unpredictable market trends.

In addition, environmental diversity reveals uncertainty in the global business environment. Facing market volatility and diversity, retailers are encouraged to develop relatively flexible relationships with multiple channel partners to deal with unexpected market demands and thus reduce the dependence on the vendor (Ganesan, 1994).

2.9 Summary

Previous literature is utilized in developing a conceptual framework that provides reliable and valid antecedents associated with each determinant buyer-supplier relationship and purchasing process. Pre-established conceptual measures for the outcome of retail supply in performance consisting of financial measures and non-financial measures are used. The findings will extend our understanding of what factors have an effect on purchasing and supply functions in the Banking industry, and how performance measures predict the retail supply chain performance. Therefore, this research is expected to make two contributions: no previous research has been conducted on the effect of buyer-seller relationships on purchasing and supply functions in the Banking industry. This study seeks to establish the effect of buyer-seller relationships on supply chain performance in the Banking industry with references on Co-operative Bank of Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology approach for the study and highlights the research design, target population, sampling technique, data collection instruments and data analysis and presentation.

3.2 Research Design

The study adopted a descriptive research design since the study intended to gather quantitative and qualitative data that would describe the effects of buyer-seller relationships on supply chain performance in the Banking industry in Kenya with references to Co-operative Bank of Kenya. According to Mugenda and Mugenda (2003) descriptive research will be used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. The study considered this design appropriate since it would facilitate gathering of reliable and accurate data that would clearly describe the effects of buyer-seller relationships on purchasing and supply functions in the banking industry in Kenya with references on Co-operative Bank of Kenya.

3.3 Target Population

Target population as defined by Frederic (2010) is a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. The target population was the employees of Co-operative Bank of

Kenya at their head office in Nairobi. This included both the employees on permanent and temporary contracts of employment which is 168 employees. The employees were categorized as follows in Table 3.1.

Table 3.1: Target Population

Category	**Target Population**	**Percentage**
Top Management	18	10.7
Middle level Management	65	38.7
Low level management	85	50.6
Total	**168**	**100**

Source: HRM, Co-operative Bank of Kenya (2015)

3.4 Sampling Design

A sampling frame is a complete list of all the members of the population that we wish to study (Kothari, 2004). The sampling frame for this study listed of employees working in all the departments and sections of the banks headquarter and branches in Nairobi. The study adopted a mathematical formula for the purpose of determining the sample size. (Taro Yemane, 1970) has suggested the following mathematical formula for determining sample size.

$$N = \frac{n}{1+N(e)2}$$

Where, N is the total population size, and e is the error or confidence level. The conventional confidence level of 95% was used to ensure a more accurate result from the sample. Based on this, the error term would equal to 0.05. Using the total population of 168 and error margin of 0.05, the sample size was calculated as follows.

N =168

$1 + 168(.05)^2$

n = 168/1.42 = 118

n=118 respondents

3.5 Sampling Technique

Out of the total population of 168 employees of cooperative bank, a sample size of 118 was taken. Stratified proportionate sampling was adopted to select the 118 participants. 118 represents 70.2% of the target population, thus from each strata the research picked 70.2%.

Table 3.2: Sample size

Category	Target Population	Ration	Sample size
Top Management	18	70.2	13
Middle level Management	65	70.2	46
Low level management	85	70.2	60
Total	**168**	**70.2**	**118**

3.6 Instruments and Procedures of Data Collection

The study collected both primary and secondary data. Primary data was gathered using semi-structured questionnaires where the respondents were issued with the questionnaires. Questionnaires were preferred because according to Cox (2000), they are effective data collection instruments that allow respondents to give much of their opinions in regard to the research problem. According to Festing (2007) the information that was obtained from questionnaires was free from bias and researchers' influence and thus accurate and valid data was gathered. Secondary data was gathered from past published scholarly articles explaining theoretical and empirical information on effects of buyer-seller relationships on supply chain performance in the banking industry in Kenya.

3.7 Pilot Study

The aim of the pilot study was to test the reliability of the questionnaires. According to Ebrahim (2003), a pilot test is necessary for testing the reliability of data collection instruments. Cox (2000), explains reliability of research as determining whether the research will truly measure that which it will intended to measure or how truthful the research results will be. Pilot study was conducted to detect weakness in design and instrumentation and to provide proxy data for selection of a sample (Kuvaas, 2010).

The researcher selected a pilot group of 10 individuals from the target population to test the reliability of the research instrument. The pilot data was not included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the research instruments to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identifying items that will require modification. The result helped the researcher to correct inconsistencies that were seen to arise from the instruments, which ensured they measured what was intended.

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Kirk and Miller (1986) identified three types of reliability referred to in quantitative research, which relates to: the degree to which a measurement, given repeatedly, remains the same, the stability of a measurement over time; and the similarity of measurements within a given time period. Charles (1995) adheres to the notions that consistency with which questionnaire [test] items are answered or individual’s scores remain relatively the same can be determined through the test-retest method at two different times. Joppe (2000) states that validity determines whether the research truly measures that which it will be intended to measure or how truthful the research results are.

3.8 Validity and Reliability

This section covers the validity and the reliability of the research instruments of data collection.

3.8.1 Validity

Validity is the accuracy and meaningfulness of inferences which are based on the research results, Mugenda and Mugenda, (1999). Validity can also be explained as the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Borg and Gall, (1989) defines validity as the degree to which a test measures what it is supposed to measure. Face validity refers to the likelihood that a question was misunderstood or misinterpreted and therefore would help to remove the ambiguity thus increasing face validity.

According to Borg and Gall, (1989), content validity of an instrument is improved through expert judgments. Content validity refers to whether an instrument provides adequate coverage of a topic. Validity was ensured by having objective questions included in the questionnaire. Pilot study also ensured validity since it was conducted in ten respondent with similar background with the same instrument which was used in the actual study. This helped to establish if the instrument were able to measure what was intended to measure.

3.8.2 Reliability

Reliability is concerned with the question of whether the results of a study are repeatable. The term is commonly used in relation to the question of whether the measures that are devised for concepts in business are consistent. One factor that might affect the reliability of the study is the respondents' lack of knowledge. It is further suggested that if a respondent at the moment is tired or stressed, or have attitudes toward the questionnaire/interview it can impact negatively on the reliability of the study (Eriksson & Wiedersheim-Paul, 2001). Moreover reliability is particularly an issue in connection with quantitative research. The quantitative study is likely to be concerned with the question of whether a measure is stable or not.

After the final confirmation, a pilot test was conducted by distributing the questionnaire among 10 management staff of Co-operative Bank which ensured that the questionnaire is appropriate and the aspects investigated will be generally understandable. In order to check reliability of the results, study used the Cronbach's alpha methodology, which is based on internal consistency. Cronbach's alpha measures the average of measurable items and its correlation. SPSS software was used to verify the reliability of collected data. Overall scales' reliability of the present situation and the desirable situation was tested by Cronbach's alpha, which should above the acceptable level of 0.70 (Hair *et al*., 1998).

3.9 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Descriptive analysis was used; this included the use of weighted means, standard deviation, relative frequencies and percentages (Mugenda and Mugenda, 2003). The Statistical Package for Social Sciences (SPSS) computer software was used for analysis to generate data array that would be used for subsequent analysis of the data. SPSS has descriptive statistics features that would assist in variable response comparison and give clear indications of response frequencies.The data was coded to enable the responses to be grouped into various categories. Descriptive statistics was used to summarize the data. This included percentages and frequencies. Tables and other graphical presentations were appropriately used to present the data that was collected for ease of understanding and analysis.

3.10 Ethical Consideration

While conducting the research, the researcher made efforts at all times to avoid research procedures that were likely to cause any physical or emotional harm such as violating informant's rights to privacy by posing sensitive questions or by gaining access to records that may contain personal data and ensuring the confidentiality of the data obtained; and learning enough about the culture of informants to ensure it is respected during the data collection process. The ethical issues related to the study were addressed by maintaining high level confidentiality of the information volunteered by the respondents and not to be disclosed to protect their rights. All the personal details were limited to general information. Moreover the researcher had introduction letter from the institution for introduction to the host institution to ensure that data collected was for educational purpose only.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction

The study targeted to find out the influence of buyer-seller relationships on supply chain performance in the banking industry. This chapter presents the finding of the study. The chapter presents the findings of the background information of the respondents and then the other findings based on the objectives of the study.

Out of the 118 questionnaires which were given out, 86 were filled in and returned making a response rate of 72.9 percent. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (2003), a response rate of 50 percent is adequate for analysis and reporting; a rate of 60 percent is good and a response rate of 70 percent and over is excellent. Based on the assertion, the response rate was considered to be excellent.

4.2 Demographic Information

4.2.1 Gender of Respondents

The study sought to determine the gender of the respondents. Majority of the respondents were males as shown by 57% whereas 43% of the respondents were females. These findings depict that the Co-operative Bank of Kenya has employees from both genders who fairly participated in the study and thus the results will not suffer from gender biasness.

4.2.2 Level of Education

The respondents were requested to indicate their highest level of education. The results are presented in table 4.1

Table 4.1: Highest Level of Education

Level	**Frequency**	**Percent**
Postgraduate	55	64.0
Graduate	31	36.0
Total	**86**	**100.0**

From the findings, majority of the respondents indicated that they had attained post graduate level as shown by 64% while 36% of the respondents indicated that they had attained a graduate degree. This is an indication the all the respondents were educated and thus would understand the questions to give credible information related to this study.

4.2.3 Respondents' Length of Service

The study further requested the respondents to indicate the length of time they had worked in the bank. The results are presented in table 4.2

Table 4.2 Respondents' Length of Service

Period	**Frequency**	**Percent**
Less than 1 year	15	17.4
1 - 3 years	37	43.0
3-5 years	26	30.2
above 5 years	8	9.3
Total	**86**	**100.0**

Most of the respondents indicated that they had been working in their bank for between 1 and 3 years as shown by 43%, 30.2% of the respondents had been in their bank for between 3 and 5 years, 17.4 % of the respondents indicated that they been working in their banks for less than 1 year while 9.3% of the respondents indicated above 5 years. This is an indication that the respondents had worked for long enough in their bank to understand the effects of buyer-seller relationships on supply chain performance in their bank.

4.3 Buyer-Seller Trust

The study sought to determine the extent to which buyer-seller trust affect supply chain performance in the banking industry in Kenya.

Table 4.3: Extent to Which Buyer-Seller Trust Affect Supply Chain Performance

Extent	Frequency	Percent
To a very great extent	23	26.7
To a great extent	47	54.7
Moderate	12	14.0
Little	4	4.7
Total	**86**	**100.0**

From the study findings, majority of the respondents as shown by 54.7% indicated that buyer-seller trust affect supply chain performance in the banking industry in Kenya to a great extent, 26.7% of the respondents indicated to a very great extent, 14% of the respondents indicated to a moderate extent while 4.7% of the respondents indicated to a little extent.

The respondents were further requested to indicate their level of agreement with some statements relating to effect of buyer-seller trust on supply chain performance. The findings are presented in table 4.4.

Table 4.4: Statements Relating to Effect of Buyer-Seller Trust on Supply Chain Performance

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
• Trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm	5	3	11	42	25	3.919	0.868
• Businessmen deem the trustworthiness and interpersonal relationship (a person's credibility) of their trade partners important in business dealings	4	5	3	52	22	3.965	1.045
• Trust leads retail buyers and sellers to the focus on long-term benefits of the relationship and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction	6	2	9	50	19	3.860	0.969
• trust is key to maintaining continuity in conventional channel relationships	7	1	10	51	17	3.814	0.978
• Trust was the crucial factor in upholding the complex network of trading relations	2	4	8	49	23	4.012	0.981

From the findings, majority of the respondents agreed that Trust was the crucial factor in upholding the complex network of trading relations, as shown by a mean of 4.012; Businessmen deem the trustworthiness and interpersonal relationship (a person's credibility) of their trade partners important in business dealings, as shown by a mean of 3.965; Trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm, as shown by a mean of 3.919; Trust leads retail buyers and sellers to the focus on long-term benefits of the relationship and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction, as shown by a mean of 3.860; and that trust is key to maintaining continuity in conventional channel relationships, as shown by a mean of 3.814.

4.4 Buyer-Seller Communication

The study sought to determine the extent to which buyer-seller communication affect supply chain performance in the banking industry in Kenya. The results are presented in table 4.5

Table 4.5: Extent to Which Buyer-Seller Communication Affect Supply Chain Performance

Extent	Frequency	Percent
Very great	25	29.1
Great	44	51.2
Moderate	17	19.8
Total	**86**	**100.0**

From the study findings, majority of the respondents as shown by 51.2% indicated that buyer-seller communication affect supply chain performance in the banking industry in Kenya to a great extent, 29.1% of the respondents indicated to a very great extent while 19.8% of the respondents indicated to a moderate extent.

The respondents were further requested to indicate their level of agreement with some statements relating to effect of buyer-seller communication on supply chain performance. The results are presented in tale 4.6

Table 4.6: Statements Relating to Effect of Buyer-Seller Communication on Supply Chain Performance

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
• Lack of trust can be translated to unwillingness to share information and can make it difficult to share sensitive information such as financial data	5	2	9	51	19	3.895	0.990
• Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance	4	2	7	50	23	4.000	1.008
• Frequent communication between retailers and suppliers can expedite quick and accurate response to volatile market, and reduce the costs and impact of inaccurate forecasts.	2	3	8	49	24	4.047	0.994
• With the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication	5	10	5	43	23	3.802	0.864

Majority of the respondents agreed that frequent communication between retailers and suppliers can expedite quick and accurate response to volatile market, and reduce the costs and impact of inaccurate forecasts, as shown by a mean of 4.047; Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance, as shown by a mean of 4.000; lack of trust can be translated to unwillingness to share information and can make it difficult to share sensitive information such as financial data, as shown by a mean of 3.895; and that With the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication, as shown by a mean of 3.802.

4.5 Buyer-Seller Power Dependence

The study sought to determine the extent to which buyer-seller power dependence affect supply chain performance in the banking industry in Kenya. The results are presented in table 4.7.

Table 4.7: Extent to Which Buyer-Seller Power Dependence Affect Supply Chain Performance

Extent	Frequency	Percent
Very great	12	14.0
Great	56	65.1
Moderate	18	20.9
Total	**86**	**100.0**

From the study findings, majority of the respondents as shown by 65.1% indicated that buyer-seller power dependence affect supply chain performance in the banking industry in Kenya to a great extent, 20.9% of the respondents indicated to a moderate extent while 14%

of the respondents indicated to a very great extent. The respondents were further requested to indicate their level of agreement with some statements relating to effect of buyer-seller power dependence on supply chain performance. The results are presented in table 4.8

Table 4.8: Statements Relating to Effect of Buyer-Seller Power Dependence on Supply Chain Performance

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
• Channel member dependence and sources of power in marketing channels are conceptually inseparable	4	5	3	52	22	3.965	1.045
• Power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain	3	2	9	52	20	3.977	1.017
• power and non-coercive power exercised by international suppliers and local suppliers can have positive and negative impact on retail supply chain performance	4	2	7	50	23	4.100	1.008
• power has significant impact on the buyer-supplier relationship and performance in channel distribution	2	3	8	49	24	4.047	0.994

The findings revealed that majority of the respondents agreed that power and non-coercive power exercised by international suppliers and local suppliers can have positive and negative impact on retail supply chain performance, as shown by a mean of 4.100; power has significant impact on the buyer-supplier relationship and performance in channel distribution, as shown by a mean of 4.047; Power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain, as shown by a mean of 3.977; and that channel member dependence and sources of power in marketing channels are conceptually inseparable, as shown by a mean of 3.965.

4.6 Buyer-Seller Cooperation

The study sought to determine the extent to which buyer-seller cooperation affect supply chain performance in the banking industry in Kenya. The results are presented in table 4.9

Table 4.9: Extent to Which Buyer-Seller Cooperation Affect Supply Chain Performance

Extent	Frequency	Percent
Very great	31	36.0
Great	55	64.0
Total	**86**	**100.0**

From the study findings, majority of the respondents as shown by 64% indicated that buyer-seller cooperation affect supply chain performance in the banking industry in Kenya to a great extent while 36% of the respondents indicated to a very great extent. The respondents were further requested to indicate their level of agreement with some statements relating to effect of buyer-seller cooperation on supply chain performance. The results are presented in table 4.10.

Table 4.10: Statements Relating to Effect of Buyer-Seller Cooperation on Supply Chain Performance

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
• Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly	0	3	12	42	29	4.128	0.926
• Positive relationship between cooperation and satisfaction between channel members will increase channel efficiency and help members attain their mutual goals.	1	2	5	60	18	4.070	1.184
• The cooperative inter-business relationship is primarily based upon personal trust between business parties	2	4	9	51	20	3.965	0.993
• that the most reliable sources of information come from close relationships within and among business organizations	3	2	7	52	22	4.023	1.038

Majority of the respondents agreed that Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly, as shown by a mean of 4.128; Positive relationship between cooperation and satisfaction between channel members will increase channel efficiency and help members attain their mutual goals, as shown by a mean of 4.070; that the most reliable sources of information come from close relationships within and among business organizations, as shown by a mean of 4.023;

and that the cooperative inter-business relationship is primarily based upon personal trust between business parties, as shown by a mean of 3.965.

4.7 Supply Chain Performance

The respondents were also requested to indicate their level of agreement with the some statements relating to influence of various factors on supply chain performance. The results are presented in table 4.11 below.

Table 4.11: Supply Chain Performance

Statement	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	Std Deviation
Buyer-seller cooperation	3	5	7	51	20	3.930	0.995
Buyer-seller power dependence	2	2	11	52	19	3.977	1.007
Buyer-seller communication	2	3	8	49	24	4.047	0.994
Buyer-seller trust	4	8	9	48	17	3.767	0.902

Majority of the respondents agreed that all the stated factors do affect supply chain performance: Buyer-seller communication, as shown by a mean of 4.047; Buyer-seller power dependence, as shown by a mean of 3.977; Buyer-seller cooperation, as shown by a mean of 3.930; and Buyer-seller trust, as shown by a mean of 3.767.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented summary of the findings, discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study. The researcher had intended to establish the influence of buyer-seller level of trust on performance of supply chain in the banking industry in Kenya, to examine the influence of buyer-seller communication on performance of supply chain in the banking industry in Kenya, to examine the influence of buyer-seller power dependence on performance of supply chain in the banking industry in Kenya and to examine the influence of buyer-seller cooperation on performance of supply chain in the banking industry in Kenya.

5.2 Summary of the Study

5.2.1 Buyer-Seller Trust

The findings revealed that buyer-seller trust do affect supply chain performance in the banking industry in Kenya to a great extent. The study also unfolded that trust was the crucial factor in upholding the complex network of trading relations, Businessmen deem the trustworthiness and interpersonal relationship (a person's credibility) of their trade partners important in business dealings, trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm, Trust leads retail buyers and sellers to the focus on long-term benefits of the relationship and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction, and that trust is key to maintaining continuity in conventional channel relationships. These findings were found to concur with the findings of Woo and Phrud'homme (1999) who argued that businessmen deem the trustworthiness and interpersonal relationship (a person's credibility) of their trade partners important in business dealings. Similarly according to Ganesan (1994), trust leads retail buyers and sellers to the focus on long-term benefits of the relationship and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction.

5.2.2 Buyer-Seller Communication

The study established that buyer-seller communication do affect supply chain performance in the banking industry in Kenya to a great extent and that frequent communication between retailers and suppliers can expedite quick and accurate response to volatile market, and reduce the costs and impact of inaccurate forecasts, Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance, lack of trust can be translated to unwillingness to share information and can make it difficult to share sensitive information such as financial data, and that with the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication. These findings were found to be consistent with the findings of Mohr and Nevin (1990) who argued that effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels and performance.

5.2.3 Buyer-Seller Power Dependence

The study findings unfolded that buyer-seller power dependence do affect supply chain performance in the banking industry in Kenya to a great extent. The findings also revealed that power and non-coercive power exercised by international suppliers and local suppliers can have positive and negative impact on retail supply chain performance, power has significant impact on the buyer-supplier relationship and performance in channel distribution, Power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain, and that channel member dependence and sources of power in marketing channels are conceptually inseparable. The findings concur with the findings of Maloni and Benton (2000) who asserted that power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain.

5.2.4 Buyer-Seller Cooperation

The findings further established that buyer-seller cooperation do affect supply chain performance in the banking industry in Kenya to a great extent and that Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly, Positive relationship between cooperation and satisfaction between channel members will increase channel efficiency and help members attain their mutual goals, that the most reliable sources of information come from close relationships within and among business organizations, and that the cooperative inter-business relationship is primarily based upon personal trust between business parties. These findings were found to be consistent with those of Anderson and Narus (1990) that there is a positive relationship between cooperation and satisfaction and added that cooperation between channel members will increase channel efficiency and help members attain their mutual goals.

5.3 Discussion

5.3.1 Buyer-Seller Trust

The findings indicated that majority of the respondents indicated that buyer-seller trust affect supply chain performance in the banking industry in Kenya to a great extent. These findings thus show that buyer-seller trust do affect supply chain performance in the banking industry in Kenya to a great extent. These findings are in line with those of Ganesan (1994) who asserted that credibility and trust in business has a significant effect on long-term relationship and thus the entire supply chain performance. Kiong & Kee (1998) further asserts that if a supplier has a good reputation in his history of dealing with clients, trust and credibility are easily built and consequently excellence is very likely in the business relationship. This thus implies that as Woo and Phrud'homme (1999) argued, businessmen should deem the trustworthiness and interpersonal relationship (a person’s credibility) of their trade partners important in business dealings. Similarly according to Ganesan (1994), trusts leads retail buyers and sellers to the focus on long-term benefits of the relationship and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction.

5.3.2 Buyer-Seller Communication

The study findings showed that majority of the respondents indicated that buyer-seller communication affect supply chain performance in the banking industry in Kenya to a very great extent. These findings were found to be consistent with the findings of Mohr and Nevin (1990) who argued that effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels and performance. According to Goodman and Dion (2001), effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and hence the overall performance of the business.

5.3.3 Buyer-Seller Power Dependence

The study findings pointed out that majority of the respondents indicated that buyer-seller power dependence affect supply chain performance in the banking industry in Kenya to a great extent. These fndings are in line with those of Maloni and Benton (2000) who emphasized that power dependence plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain. Several other studies on power dependence have shown that channel power has significant impact on the buyer-supplier relationship and performance in channel distribution (Jang & Lee, 2001; Liu *et al.,* 2008).

5.3.4 Buyer-Seller Cooperation

The results of the study showed that majority of the respondents asserted that buyer-seller cooperation affect supply chain performance in the banking industry in Kenya to a great extent. These findings agree with those of Ambler *et al.* (1999) who stated that active buyer-seller cooperation plays a significant role in sales growth. Other studies on channel distribution have also shown that there is a positive relationship between buyer-seller cooperation and satisfaction (Cannon & Perreault Jr, 1999; Eriksson & Sharma, 2003). Cooperation between channel members will increase channel efficiency and help members attain their mutual goals.

5.3.5 Supply Chain Performance

Majority of the respondents agreed that all the stated factors (buyer-seller cooperation, buyer-seller power dependence, buyer-seller communication and buyer-seller trust) do affect supply chain performance. These findings agree with previous literature from different parts of the world such as Maloni and Benton (2000), Eriksson & Sharma (2003), Jang & Lee (2001), Liu *et al.* (2008) and Kiong & Kee (1998). This thus implies that pre-established conceptual measures for the outcome of retail supply chain performance consists of both financial and non- financial parameters.

5.4 Conclusion

The study revealed that buyer-seller trust, communication, power dependence as well as cooperation all affect supply chain performance in the banking industry in Kenya to a great extent. The study thus concludes that Cooperative Bank of Kenya has enhanced its performance by maintaining trust with its customers which has led to retail buyers and sellers to the focus on long-term benefits of the relationship. The study also concludes that effective communication in channel relationships has positively affected the performance of supply chain in the banking industry in Kenya by enhancing levels of member coordination as well as satisfaction of customers. Further conclusions are drawn that depending on its source, power can affect either negatively or positively the performance of supply chain in the banking industry.

5.5 Recommendations

From the study findings, the study recommends that:

i. Financial institutions should ensure strong interpersonal relationship in business transactions since it comes with a positive impact on the trust-based exchange relationships.

ii. There is need for effective communication since it plays a critical role in social and business relationships. Effective communication enables an organization to match supply with demand and increase profitability hence improves performance.

iii. Banking industries need ensure active cooperation as it plays a role in export sales growth. Through active cooperation, the institutions will have close relationships and hence work together to achieve mutual and individual goals jointly.

5.6 Recommendations for Further Research

The study sought to establish the effect of buyer-seller relationships on supply chain performance in the banking industry in Kenya with references on Co-operative Bank of Kenya. The study recommends that a study should be done on the challenges faced when establishing strong interpersonal relationship, effective communication and active cooperation for the establishment of efficient buyer-seller relationships in the banking industry.

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APPENDICES

Appendix I: Questionnaire

Kindly ticks in the space provided (√) the correct answers or supply the required information where, required, please specify and elaborate.

Part A: Respondents Information

1. Indicate your gender

   Male ( ) Female ( )
2. Indicate your job designation ……………………………………………….?
3. What is your highest level of education?

   Postgraduate [ ] Degree [ ] Diploma [ ] Form four [ ]
4. How long have you worked in this organization?

   Less than 1 year [ ] 1-3 years [ ] 3-5 years [ ] above 5 years [ ]

Part B: Buyer-Seller Trust

5. Does buyer-seller trust affect supply chain performance in the banking industry in Kenya?

   Yes ( ) No ( )
6. To what extent does buyer-seller trust affect supply chain performance in the banking industry in Kenya?

   Very great extent [ ]
   Great extent [ ]
   Moderate extent [ ]
   Little extent [ ]
   No extent [ ]

7. Indicate your level of agreement with the following statements relating to buyer-seller trust effects on supply chain performance. Scale-1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree.

Statement	**1**	**2**	**3**	**4**	**5**
Trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm					
Businessmen deem the trustworthiness and interpersonal relationship (a person's credibility) of their trade partners important in business dealings					
Trust leads retail buyers and sellers to the focus on long-term benefits of the relationship and eventually enhance the performance outcomes in buyer-supplier relationships, including firm competitiveness and transaction costs reduction					
trust is key to maintaining continuity in conventional channel relationships					
Trust was the crucial factor in upholding the complex network of trading relations					

8. How else does buyer-seller trust affect supply chain performance in the banking industry in Kenya that is not mentioned above?

……………………………………………………………………………………………

……………………………………………………………………………………………

…………………………………………………………………………………………….

Part C: Buyer-Seller Communication

9. Does buyer-seller communication affect supply chain performance in the banking industry in Kenya?

Yes ( ) No ( )

10. To what extent does buyer-seller communication affect supply chain performance in the banking industry in Kenya?

To a very great extent [ ]

To a great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

11. Indicate your level of agreement with the following statements relating to buyer-seller communication effects on supply chain performance. Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
lack of trust can be translated to unwillingness to share information and can make it difficult to share sensitive information such as financial data					
Effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and performance					
Frequent communication between retailers and suppliers can expedite quick and accurate response to volatile market, and reduce the costs and impact of inaccurate forecasts.					
With the presence of trust and support, channel members are more willing to pass information upward and promote bidirectional communication					

12. How else does buyer-seller communication affect supply chain performance in the banking industry in Kenya that is not mentioned above?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

………………………………………………………………………………………………

Part D: **Buyer-Seller Power Dependence**

13. Does buyer-seller power dependence affect supply chain performance in the banking industry in Kenya?

    Yes ( ) No ( )

14. To what extent does buyer-seller power dependence affect supply chain performance in the banking industry in Kenya.

    Very great extent [ ]

    Great extent [ ]

    Moderate extent [ ]

    Little extent [ ]

    No extent [ ]

15. Indicate your level of agreement with the following statements relating to buyer-seller power dependence effects supply chain performance. Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
channel member dependence and sources of power in marketing channels are conceptually inseparable					
Power plays a significant role in the supply chain, and the different sources of power have differing impact on inter-firm relationships and the performance of the entire supply chain					
power and non-coercive power exercised by international suppliers and local suppliers can have positive and negative impact on retail supply chain performance					
power has significant impact on the buyer-supplier relationship and performance in channel distribution					

15. How else does seller supply power dependence affect supply chain performance in the banking industry in Kenya that is not mentioned above?

…………………………………………………………………………………………

…………………………………………………………………………………………

………………………………………………………………………………………….

Part E: Buyer-Seller Cooperation

14. Does buyer-seller cooperation affect supply chain performance in the banking industry in Kenya?

Yes ( ) No ( )

16. To what extent does buyer-seller cooperation affect supply chain performance in the banking industry in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

17. Indicate your level of agreement with the following statements relating to b buyer-seller cooperation effects supply chain performance. Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
Cooperation between the exchange parties reflects the expectations of working together to achieve mutual and individual goals jointly					
Positive relationship between cooperation and satisfaction between channel members will increase channel efficiency and help members attain their mutual goals.					
The cooperative inter-business relationship is primarily based upon personal trust between business parties					
that the most reliable sources of information come from close relationships within and among business organizations					

15. How else does seller supply cooperation affect purchasing and supply functions in the banking industry in Kenya that is not mentioned above?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………………………………………………………….

Part F: Supply Chain Performance

16. Indicate your level of agreement with the following statements relating to influence of various factors on supply chain performance. Scale 1=strongly agree 2= agree 3= moderate 4= disagree 5=strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
Buyer-seller cooperation					
Buyer-seller power dependence					
Buyer-seller communication					
Buyer-seller trust					

Thank you