SUPPLY CHAIN RELATIONSHIPS IN KENYAN BANKS: A CASE STUDY OF BARCLAYS BANK OF KENYA

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A Management Research Project Submitted in Partial Fulfilment of the Requirements for the Award of Degree in Master of Business Administration of the University Of Nairobi

June, 2011
DECLARATION

This Research project is my original work and has not been submitted for a degree in this or any other University or Institution of Higher Learning.

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Reg: D61/75133/2009

This Research project has been submitted for examination with the approval as the University Supervisor.

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DEDICATION

This research work symbolizes my journey through the never ending path of enlightenment. I would wish therefore to dedicate it to my dad, John Wachira, my mum, Elena Wachira, and my siblings.
ACKNOWLEDGEMENTS

First and foremost, I would wish to thank my father and mother for being a pillar of encouragement and being the perfect role models. I also thank my immediate family for being close and special to my heart.

Special thanks to my mum, for her relentless and unselfish support. Her undivided love, tireless dedication, understanding and vision were surely important ingredients to my reaching this level in my studies.

Lastly I would wish to thank my supervisor Mr. Tom Kongere and my moderator Mr. Ombati Thomas for their guidance, correction and patience. Their contribution into this study is and was priceless.
ABSTRACT

This research work sought to explore the relationships employed within the supply chain by Kenyan Banks. The key objectives were to, establish factors that influenced Barclays Bank to shift from an arm’s length relationship to promoting a collaborative relationship, determine whether the rapid growth of earning assets by Barclays is as a result of improved relations and to establish whether strategy formulated by management act as bridges or barriers to effective supply chain management within financial institutions. The study was conducted at Barclays Bank Kenya Limited. Primary data was collected through the use of structured and semi structured questionnaire and subsequently analysed using descriptive framework, while the open ended questions were analyzed using content analysis to establish the fundamental or latent commonality among the set of observed variables.

The research findings indicate that cost reduction and Customer satisfaction and service is perceived as more enduring. All supply chain staff recognize technology, information, and measurement systems as major barriers to successful supply chain collaboration. However, the people issues – such as culture, trust, aversion to change, and willingness to collaborate – are more intractable. People are the key bridge to successful collaborative innovation and should therefore not be overlooked as companies invest in supply chain enablers such as technology, information, and measurement systems.

The research findings indicate a growing desire and need to move towards a more collaborative relationship within its immediate supply chain network.
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LIST OF ABBREVIATIONS

SCM  - Supply Chain Management

SC   - Supply Chain

CPFR - Collaborative Planning Forecasting and Replenishment

VMI  - Vendor Managed Inventory

IT   - Information Technology

TCT  - Transaction Cost Theory

ATM – Automated Teller Machine
1.0 INTRODUCTION

1.1. Background of the Study

In negotiations and transactions between the members of supply chains, including suppliers, manufacturers, distributors, and customers, the tendency in the past has been to establish arm’s length relationships; however, significant changes have occurred over the years in the evolutionary process of supply chains, leading to a discernible shift from competition to collaboration (Spekman et al., 1998).

Spekman et al.,(1998) provide comparative analyses of the differences between competition and collaboration in supply chains, with adversarial competition generally being found to be the fundamental strategy, and with the primary focus being placed upon constant supply and restricted information sharing (Humphreys et al., 2001). It has, however, become clear that in terms of improvements in performance, where the participants consider the total benefits to the supply chain as a whole, collaboration clearly outperforms competition; thus, within the overall evolutionary process, the power has now shifted from suppliers to customers (Chae et al., 2005).

Recent years have witnessed the pursuit of several collaborative initiatives aimed at enhancing the mutual benefits of the parties and improving overall performance. There is compelling evidence that the efficacy of information technology (IT) has a positive effect on collaboration by the moderating effect of existing relationships (Chae et al., 2005), indeed collaborative strategies of long-term relationship orientation, network governance, and IT advancement can foster inter-firm communication (Paulraj et al., 2008) with such collaborative communication will further performance for both buyers and suppliers (Paulraj et al., 2008). It has become increasingly apparent, over recent years that deeper and wider collaboration is now the new trend in supply chain management (SCM), not only from a perspective of vertical integration and collaboration, but also from a horizontal standpoint (Chae et al., 2005).

1.1.1. Supply Chain and Relationships

Supply chains comprise of all activities associated with the flow and transformation of goods from the raw material stage through to the end user. It is a vital business function and the process includes sourcing raw materials and parts, manufacturing and assembling products, storage,
order entry and tracking, distribution through the various channels and finally delivering to the consumer (Gwako Zedekia, 2008). Supply chain management (SCM), can be described as the chain linking each element of the manufacturing and supply process from raw materials through to the end user, and treating all firms within the supply chain as a unified virtual business entity, (Scott, 1991). Different relationships are used by different firm’s dependent factors such as: kind of management, competition, dependency on technology and so on, these include Arms Length, Transactional, Closer tactical, Single sourced, Outsourcing, Strategic Alliance, and Collaboration.

Arms length relationships are relationships where the process supports conflicting one sided positions held by individuals, groups or entire societies, as inputs into the conflict resolution situation, typically with rewards for the prevailing outcome in favour of one party. Here both the buyer and seller, are interested in maximizing on their individual positions in any given supply opportunity, even to the detriment of the other party or parties. The buyer buys infrequently from a supplier and does not have high volumes or the need for a closer relationship. The supplier is used when needed, (Bhattacharya et al., 1995).

Collaboration is a commitment between buyer and supplier to have a long term relationship based on trust and clear mutually agreed objectives. Sharing of risks and rewards is fundamental through the common goals of continuous improvement, the growth of profit, expansion of markets and acceleration of innovation. The organisations involved choose to share common destinies in all aspects of their business for mutual benefit, (Ireland and Bruce, 2000).

The supply chain management philosophy stresses that maximizing service to customers of choice at the lowest total cost requires a strong commitment to close relationships among trading partners. It requires a movement away from arms-length interactions toward longer term, partnership-type arrangements to create highly competitive supply chains, (Mehta, 2004). Increased collaboration among supply chain participants leads to, lower total cost and enhanced service performance. Ideally, collaboration begins with customers and extends back through the firm from finished goods distribution to manufacturing and raw material procurement, as well as to material and service suppliers, (Scott, 1991).
The driving forces of supply chain management stem from two sources: external pressures and potential benefits from strategic SC alignment. External pressures include such forces as advances in technology and increased customer demand across national borders (Mehta, 2004); maintaining lower costs while meeting these diverse needs (Cook and Garver, 2002); and intensified competition utilizing relationships among vertically aligned firms (Togar and Ramaswami, 2004). These pressures have begun shifting the focus of individual firms vying for market presence and power to supply chains competing against supply chains (Bhattacharya et al., 1995). The second main driving force entails the potential benefits from successful SC collaboration these include: increased inventory turnover, increased revenue, and cost reduction across the chain are the most sought after (Bhattacharya et al., 1995). Collaboration not only enables partners to reduce one another’s costs but also allows inventory to cycle through to customers faster. Two other core benefits include decreased order cycle times and greater product availability (Leonard and Cronan, 2002). To win customer allegiance, firms must have what customers want when and where they want it. Close relationships with suppliers leave room for special orders in unique times of high demand, helping satisfy the customer expectations. Additional benefits are market responsiveness, added economic value, capital utilization, decreased product time to market, and logistics cost reduction (Leonard and Cronan, 2002). Revenue growth fueled by increased responsiveness occurring at lower costs using fewer assets translates into stellar performance.

Cooper et al. commented: “Successful supply chain management requires a change from managing both individual functions to integrating activities in to key supply chain processes” (Cooper et al., 1997)

1.1.2. Barclays Bank of Kenya

The first bank to establish operations was National Bank of India, which started a branch in Mombasa in 1896. National Bank of India later became Kenya Commercial Bank upon the Kenyan government acquiring 100% ownership in 1970 (www.kcbbankgroup.com). As at June 2011, as per www.centralbank.go.ke, there were a total of forty three commercial banks.

The unit of study is Barclays Bank of Kenya (BBK). The bank operates as a subsidiary of Barclays PLC and has been operating extensively for over ninety years (Barclays Annual report
of 2007). The bank is a large financial institution with an estimated asset base of KES 177 billion, as of September 2010. At that time it was the second largest bank in Kenya behind Kenya Commercial Bank with assets valued at KES 218.2 billion (see www.centralbank.go.ke)

Barclays Bank Kenya boasts of a hundred and seventeen branches (117) and two hundred and thirty (230) automated teller machines (www.barclays.com). BBK was listed on the Nairobi Stock Exchange in 1986. Barclay’s goal is to become the leading bank in Kenya in the eyes of its customers, its employees, its shareholders and the communities in which it operates (Githi, 2006)

Banks the world over are channels through which individuals and organisations transact businesses, mobilize funds as well as save monies for immediate and future use. With the onset of liberalization and globalization of business operations, the banking industry in Kenya has seen increased competition among operators. Technological advancement as well as more educated and discerning suppliers and customers has also compounded the challenges that impact on banks. To adapt to the changed environment and attain competitive advantage, commercial banks have to come up with competitive relations in search of favorable competitive positions in the industry.

1.2. Statement of the problem

During the 1980s and 1990s a new trend towards integration and collaboration instead of so-called arm’s-length agreements between suppliers and customers has been recognized by researchers as well as business practitioners, (Lambert and Cooper, 2000). Actors participating in the same supply chain identify tradeoffs with their adjacent customers and suppliers and recognize the importance of integration in the chain in order to focus on what is offered to the end customer in terms of cost and service (Stank et al., 2001). Internal excellence is not enough anymore; there is also a need for external excellence in the whole supply chain. This is the philosophy underpinning supply chain management (SCM), which has received enormous attention in research journals as well as in industry (Lambert and Cooper, 2000). Supply chain management-based collaboration among supply chain players can have significant benefits. These include massive reduction of costs and inventory reduction, improved delivery service, and shorter product development cycles (Stank et al., 2001).
Banks the world over are channels through which individuals and organisations transact business, mobilize funds as well as save monies for immediate and future use. They are a likely source of revenue generation and dissemination for the government and thus act to stabilize the economy. With the onset of liberalization and globalization of business operations the banking industry in Kenya, just like other sectors of the economy, has witnessed increased competition among operators. Porter (1998) acknowledged that competition is at the core of success or failure of organisations. Technological advancement as well as more educated and discerning customers has also compounded the challenges that impact on banks. To adapt to the changed environment and attain competitive advantage, commercial banks have to develop closer relations with their customers and suppliers. These range from having different accounts for different segments, withdrawal of automated teller machine charges, extended closing hours, opening of branches within residential areas and having dedicated customer relations officers, Barclays automated teller machines (atm) presence is now heavily felt with the bank having the highest number of automated machines (www.mapofworld.com). Barclays Bank of Kenya remains one of the biggest banks in terms of asset base, capitalization and profitability.

Researches on various aspects within supply chain management by Kenyan companies have been carried out in the past. Research work has focused mainly on case studies and efforts towards exploring the benefits derived from supply chain practice. Few studies linking supply chain management and the banking sector exist in Kenya. Nyamwange (2001) noted that most studies on operations management, of which SCM falls, are available in Europe and America. Most studies that focus on the financial performance make an inherent assumption that successful operational relationships already exists in the industry. None that is known looks at the evolutionary process of these relationships. Ooko (2003) discussed the link between performance and supplier integration, he points out that Safaricom Ltd owes its financial position due to the relationship it has with its suppliers and dealers, however he does not discuss if the company applies collaborative tactics within its whole Supply Chain network and on all products. Walker and Poppo (1991) studied two types of buyer-supplier relationships. They compared suppliers within the organization, and single-source suppliers external to the organization. Their study revealed four variables that affect transaction costs asset uniqueness, competition in the supplier's market, newness of technology and required investments. Of the four variables, asset uniqueness produced a smaller effect on transaction costs than a relational contract and,
competition in the supplier's market produced no measurable effect on transaction costs. This study still defended the essence of arm's length transactions based on transaction cost theory (TCT). However, the authors recognized the complexity of buyer supplier relationships and concluded that relational contracting could dampen the effects of asset specificity on transaction costs. They also recognized the existence of hybrid relationships that combine the economic factors of TCT and collaboration. Middel and McNichols (2006) in their research paper on collaboration within e-supply chains, outlined that a formal intervention programme is needed and it should be designed around improving initiatives in collaboration with strategic trading partners in the context of Internet-based supply chain systems. However this study only examined the implementation of collaboration within the context of e-supply chain systems, and was a survey of automobile companies as opposed to a case study which would have investigated depth rather than breadth of the study. Consequently, there are limited published articles examining, why financial institutions have changed the way they relate and the relationship between good collaboration and performance.

An in depth study on factors that have facilitated a shift from arms length relationships to collaborations within BBK’s operations would therefore be very useful for both academic and commercial purposes. No known study has been done to analyze how this shift has been used by BBK to outwit its competitors and maintain its profitable operations over the years. The primary aim of this research paper is to investigate the evolutionary process of relationships within Kenya’s financial supply chains. This is the gap that this study will seek to fill by posing the following questions:

a) What factors led to a change from an arms length to collaborative relationship?

b) How does management affect development and success of relationships?

c) Is there a relationship between collaboration and supply chain performance?

This research paper will seek to identify the major elements of supply chain collaboration, and point out if any of these elements are barriers and/or enablers.
Objectives of the study

The objectives of this study are as follows:

i. To establish factors that influenced Barclays Bank to shift from an arm’s length relationship to promoting a collaborative relationship

ii. To determine whether the rapid growth of earning assets by Barclays is as a result of improved relations.

iii. To establish whether strategy formulated by management act as bridges or barriers to effective supply chain management within financial institutions

1.3. Value of the study

This research paper will definitely benefit several stakeholders among them:

i) Industry players

Investors both existing and potential can incorporate the findings from this paper that will aid in maximizing the potential value of the relationships between them, their suppliers and consumers. It will also aid by giving a better understanding of how various players within the Kenyan banking environment build on their interactions with suppliers and customers. Thus the findings will provide investors with valuable information to be used in making investment decisions.

ii) Academia

Scholars with an interest on the subject of relationships and collaborations within the supply chain may use findings to form the basis of conducting further research on the subject. The study will add to the body of knowledge in the Supply Chain discipline.

iii) Policy making arm of the Government

The government may use the findings to ascertain how its policy formulation networks can be used to encourage investors within the banking sector, general Kenyan supply chain market and come up with policies that protect consumers against exploitation.
In the 1970s, Japanese supply chain processes were an interesting contrast to supply chain governance mechanisms that many US companies relied on. An efficient system of buyer-supplier relationships gave Japanese organizations an advantage over comparable US firms (Nishiguchi, 1994). Japanese supply chain alliances tended to rely on consultative relationships and inter-firm associations which, in turn, lead to an extensive network of cooperative agreements (Ashkenas, 1990). US auto makers dealt with 1,000 to 3,000 suppliers, while their Japanese counterparts dealt with one-tenth that number. Unlike the US companies, Japanese trading partners knew each other’s manufacturing costs and shared a sense of common objectives and a willingness to share risk (Lewis, 1990). This approach to the management of supplier relationships gave the Japanese auto-maker as much as a 22 per cent manufacturing cost advantage in the 1970s (Dyer and Ouchi, 1993). As time progressed, US organizations began to recognize the advantage of collaboration based on trust in supply chain relationships as well as the value of non-adversarial ways of doing business. They also learned the value of relationships based on shared goals and reasonable expectations (Liedtkka, 1996).
2.0 LITERATURE REVIEW

2.1 Benefits of strategic supply chain collaboration

The second main driving force entails the potential benefits from successful SC collaboration, some of the benefits, increased inventory turnover, increased revenue, and cost reduction across the chain are the most sought after (Leonard and Cronan, 2002). Collaboration not only enables partners to reduce one another’s costs but also allows inventory to cycle through to customers faster. The two-fold result is increased revenues and decreased costs that can be shared across the chain. Two other core benefits include decreased order cycle times and greater product availability (Leonard and Cronan, 2002; Stank et al., 1999). To win customer allegiance, firms must have what customers want when and where they want it. Close relationships with suppliers leave room for special orders in unique times of high demand, helping satisfy the customer expectations. Additional benefits are market responsiveness, added economic value, capital utilization, decreased product time to market, and logistics cost reduction (Mentzer et al., 2000). Revenue growth fuelled by increased responsiveness occurring at lower costs using fewer assets translates into stellar performance. Overall, SCM potentially creates value for all members in the chain. However, such benefits vary in importance and degree among partnering chain members. This variance in importance is further complicated by the potential risks strategic supply chains place upon aligned firms.

2.2. Evolution from Arms Length to Collaboration

Buyer-supplier relationships play an important role in manufacturing strategy when the environment is uncertain and dynamic (Handfield and Nichols, 1999). Relationships in the supply chain can be simple if they involve the purchase of commodities or, they can be complex if they involve specialty products obtainable only from a limited number of suppliers or if they require specialized assets to produce (Ellram, 1992). The level of risk associated with these relationships is the result of transaction uncertainty due to asset specificity, competition in the suppliers market, and the willingness of both parties to assume some level of risk (Handfield and Nichols, 1999). However, the ways in which organizations manage this risk has been changing over the past two decades. As late as the mid-1980s, transactions between buyers and sellers tended to rely on arms-length agreements, based on market price, while relationships in the
1990s rely more on trust derived from collaboration and information sharing. The dynamics of change and organizational issues associated with supply chain relationships are an important subject for study because they directly influence the "make-or-buy" decision (Handfield and Nichols, 1999). The growing importance of trust in buyer-supplier relationships leads to some new opportunities for research because collaborative and trusting relationships are often counterintuitive to the traditional ways of doing business in many companies. Furthermore, for these types of relationships to be successful, management must implement radical changes to organizational processes and structures that support them (Mariotti, 1999). As new forms of buyer-supplier relationships emerge, new organizational paradigms must be developed to explain their evolution and how these changes affect future performance. Traditional processes, based on market price, must be replaced by a more systematic view of transactions based on total costs if one wishes to explain the dynamics of current buyer-supplier relationships (Mariotti, 1999).

Supply chain management philosophies have changed over the past two decades. Walker and Weber (1984) explained that production costs exerted a major influence on the make-or-buy decision, while volume uncertainty and supplier competition produced a significant effect but one that was considerably smaller. They found, for example, that a decision to make-in-house was positively correlated with volume and technical uncertainty. However, when a supplier's price was less than the cost to produce in-house or, competition in the supplier's industry was high, buyers generally elected to purchase the product in the market. Their findings suggested that make-or-buy decisions tended to rely on economic factors and relational contracting was not an important issue. Walker and Poppo (1991) studied two types of buyer-supplier relationships. They compared suppliers within the organization, and single-source suppliers external to the organization. Their study revealed four variables that affect transaction costs, asset uniqueness, competition in the supplier's market, newness of technology and required investments. Of the four variables, asset uniqueness produced a smaller effect on transaction costs than a relational contract and, competition in the supplier's market produced no measurable effect on transaction costs. The authors recognized the existence of hybrid relationships that combine the economic factors of transaction cost theory (TCT) and collaboration. Forrest and Martin (1990) studied the role of governance mechanisms in the success/failure of supply chain alliances in the biotechnology industry. Their findings showed that the most important reason for the formation of a buyer-supplier alliance was to exploit new technology. They cited three reasons for the
formation of a supply chain alliance: technology development, technology commercialization, and financial benefits.

Nishiguchi (1994) identified six dimensions of the buyer-supplier environment: competition in the supplier's industry, supplier cost advantage, buyer's experience in the manufacturing process, technology uncertainty, volume uncertainty and newness of technology. He concluded that each of these conditions influenced the success of customer-supplier alliances as well as the make-or-buy decision. Heide and John (1990) studied the dimensions of industrial buyer-supplier relationships to test the proposal that the establishment of closer relationships between organizations leads to a shift away from market-based exchange toward more bilateral governance. They proposed three measures of performance for supply chain partnerships these included having a level of joint activity, expectation of a continuing relationship and a level of surveillance that the buyer exercises over the supplier's process. They concluded that customer/supplier cooperation was positively correlated with three conditions which are: having expectations of continuing relationships, increased verification efforts by the customer and specific investments in the relationship. Despite a growing awareness of the role of collaboration, early supply chain research tended to emphasize the importance of arm's-length relationships as the traditional way of doing business. Such processes, founded on the principles of transaction cost theory (TCT), provided a platform for explaining buyer-supplier governance mechanisms into the early 1990s.

However, an awareness of the role of trust and collaboration began to evolve in the early 1990s. For example, in 1992, Ellram studied international alliances to determine their affect on the purchasing function. Of 729 reported international alliances, 12.5 per cent gave purchasing as the primary reason for the alliance and 34 per cent of the alliances cited technology development as their most important objective. Her findings were then tested in six case studies. Ellram concluded that high-tech industries such as pharmaceuticals, chemicals, energy, computers and semiconductors and telecommunications had the highest propensity to form alliances. She was also one of the first to recognize that mutual commitment was more meaningful to the success of an alliance and also carried more weight than formal agreements.

As the latter half of the 1990s approached, the concepts of trust and collaboration in the supply chain, began to challenge the explanatory power of TCT (Ghoshal and Moran, 1996; Chiles and
McMackin, 1996). Handfield and Nichols (1999) discussed the importance of trusting relationships in the supply chain and how the sharing of information and assets was essential for the success of a strategic alliance. Dyer and Singh (1998) argued that when firms collaborate, they are often in a position to generate relational rents if they are in a position to share knowledge and resources. Liedtka (1996) discussed the importance of learning through trust and collaboration, but also recognized the difficulties associated with collaboration. Jones et al. (1997) discussed the network form of governance as an alternative to TCT when conditions of asset specificity, demand uncertainty, and task complexity were present. Lengnick-Hall (1998) argued that trust, developed through effective communication, can create resources that lead to a competitive advantage, while Henriott (1999) and Mariotti (1999) argued for the importance of information exchange in the supply chain as a prerequisite for trust. Finally, Peters and Hogensen (1999) and Monczka et al. (1998) claimed that trust and collaboration were becoming more prevalent in supply chain relationships because of their ability to reduce uncertainty.

Collaboration has become the core trading mechanism amongst supply chain partners over the past decade or so; such collaboration has nevertheless advanced still further over the latter part of this period, with several initiatives having succeeded in bringing about much deeper and wider collaboration (Humphreys et al., 2001). These initiatives include vendor-managed inventory (VMI), the e-marketplace and collaborative planning, forecasting and replenishment (CPFR) (Humphreys et al., 2001). In VMI, the vendor manages the buyer’s inventory, i.e. the vendor makes the decisions on the appropriate inventory levels within the previously agreed-upon bounds and the appropriate inventory policies (Simchi-Levi et al., 2008). CPFR is an initiative for supply chain collaboration developed by Voluntary Interindustry Commerce Standards (VICS). It is defined as a business practice that combines the intelligence of multiple trading partners in the planning and fulfillment of customer demand (VICS, 2004). Members have traditionally carried out their business based upon arm’s length relationships, with an emphasis on individual activities and restricted information sharing (Chen et al., 2007). Such arm’s length relationships were invariably based upon only a single transaction, focusing mainly on price negotiations and the guarantee of a constant supply (Humphreys et al., 2001). Nowadays, the evolutionary stages of a supply chain essentially comprise of a flow from competition to cooperation and coordination, and ultimately, collaboration (Spekman et al., 1998). Humphrey (2001) show that collaboration generally outperforms competition, particularly with regard to improvements in
general performance. The general approach to SCM has consequently shifted towards greater emphasis on considerations of global optimization, thereby taking into account the benefits accrued from the supply chain as a whole, as opposed to the benefits that may be accrued by individual firms. As a result, customers now have much greater power and influence over supply chains than ever before (Chae et al., 2005); thus, the focus in SCM has essentially shifted from supply management to demand management.

2.3 Scope of Collaboration

There are a variety of forms of potential supply chain collaboration, which can be divided into two main categories (Figure 1): first, vertical: which could include collaboration with customers, internally (across functions) and with suppliers; and second, horizontal: which could include collaboration with competitors, internally and with non-competitors, by sharing manufacturing capacity. This paper will subsequently, consider only vertical collaboration. Initially and perhaps most importantly is the issue of internal collaboration. Many organizations may have considered and even pursued external collaboration, but often to the detriment of their efforts at internal collaboration (Barratt, 2002; Fawcett and Magnan, 2002). It could be argued that external collaboration has been seen by organisations as a tempting opportunity and a fresh battlefield in which to participate, one that is free of many of the longstanding internal disputes. Internal collaboration can overcome functional myopia, and has the potential to enable internal integration (Khan and Mentzer, 1996; Stank et al., 1999).

**Figure 1 The scope of collaboration generally**

![Diagram of collaboration categories](source: Barratt 2002)
Whilst many organizations have integrated various internal interfaces, for example marketing and logistics (Ellinger, 2002); purchasing and manufacturing (Fawcett and Magnan, 2002); there are still few if any organizations that have achieved complete internal integration, that is purchasing-manufacturing-logistics-marketing (Fawcett and Magnan, 2002). Khan and Mentzer (1996) classify such early forms of integration as predominantly based on interaction, in the sense that functional departments hold meetings and attempt to share more information. What are missing from such initiatives are the joint goals, shared resources, and common vision that is espoused by the collaborative approach, which Khan and Mentzer (1996) suggest is more attitudinal in its nature. A potential danger of internal collaboration is that organisations could achieve internal integration, and have simply created a larger albeit organisational silo (Barratt 2002). Internal collaboration must be married with external collaboration, in terms of developing closer relationships, integrating processes and sharing information with customers and suppliers. In terms of external collaboration Figure 2, presents a number of potential opportunities for vertical supply chain collaboration which include on the downstream side of the supply chain: customer relationship management (CRM); collaborative demand planning (which includes collaborative forecasting, CPFR, and so on.); demand replenishment; and shared distribution. And on the upstream side of the supply chain: supplier relationship management (also referred to as supplier development, which include VMI, CRP); supplier planning and production scheduling; collaborative design (which could include new product introduction); and collaborative transportation.

2.4 Segmentation within the supply chain

It is necessary to appreciate that internally, collaboration is not just about developing closer relationships, or integrating processes between supply chain-related functions (such as purchasing, manufacturing, logistics) but also needs to include: marketing-commercial (for promotions/new product service introductions) (Ireland and Bruce, 2000) and R&D activities (Ellinger, 2002). Further, collaboration is not just about developing close information exchange based relationships at an operational level of activity, but also needs to be implemented at tactical and strategic levels in the organizations across the supply chain (Figure 3). Organisations can integrate their processes at an operational level (Khan and Mentzer, 1996),
however, if processes at tactical and strategic levels are not integrated, then the performance benefits of integration will be limited (Barratt, 2002).

Integration at an operational and tactical level can deliver significant benefits, although it is not clear as to the impact of gaps in the strategic levels of integration (Barratt, 2002). Organisations need to realise that the resource intensive nature of collaboration means that they need to focus their attention on a small number of close relationships rather than trying to collaborate with everyone. But why would organisations want to collaborate with everyone; some relationships may well be optimal in the sense that they are most suited to an arm's-length, purely cost based type of relationship (Lambert 2000), therefore collaboration would not create any further added value or benefit.

**Figure 3 Levels of inter-intra-organizational integration**

One suggestion is that, externally, we probably only need to collaborate with a small number of strategically important customers and suppliers. This segmentation approach is gaining a lot of attention and is a likely context for successful collaboration (Tang and Gattorna, 2003). Supply chain segmentation works on the assumption that customers buy products in different ways, have different expectations of service and are prepared to pay different prices based on their service requirements. A single supply chain, it is argued, cannot meet all the customer expectations in an efficient and effective manner (Christopher, 1998). Indeed, it is likely that a single supply chain is undercharging customers that require specialized services and
overcharging customers who require a simple more commodity type service (Fuller et al., 1993). Different relationships are used by different firm’s dependent factors such as: kind of management, competition, dependency on technology and so on, these include Arms Length, Transactional, Closer tactical, Single sourced, Outsourcing, Strategic Alliance, and Collaboration (Table 1.0).

**Table 1.0 Terms in Supply chain relationships**

<table>
<thead>
<tr>
<th>FORM</th>
<th>DESCRIPTION</th>
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<tr>
<td>Arms Length</td>
<td>the buyer buys infrequently from a supplier and does not have high volumes or the need for a closer relationship. The supplier is used when needed.</td>
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<tr>
<td>Transactional</td>
<td>it focuses on the successful completion of ordinary transactions which deliver low – value, low – risk goods and services to the buyer from a competent supplier.</td>
</tr>
<tr>
<td>Closer tactical</td>
<td>this involves a competent supplier who focuses on the successful completion of a low risk transactions and coordinates the supply of low risk goods and services from other suppliers.</td>
</tr>
<tr>
<td>Single sourced</td>
<td>this is where an organisation forms an exclusive agreement with one supplier for the supply of a range of specified items, usually at a fixed unit price and for a specific period.</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>this involves retention of responsibility for services by the purchasing organisation but the devolution of the day to day performance of those services to an external organisation, under a contract with agreed standards, cost and conditions. This is a strategic decision to utilize the expertise of a supplier.</td>
</tr>
<tr>
<td>Strategic Alliance</td>
<td>this involves two organisations who work together for the provision of goods and services to their own mutual benefit. The organisations may</td>
</tr>
</tbody>
</table>
Collaboration

| Collaboration | this involved a commitment between buyer and supplier to have a long term relationship based on trust and clear mutually agreed objectives. Sharing of risks and rewards is fundamental through the common goals of continues improvement, the growth of profit, expansion of markets and acceleration of innovation. |

**Source Barratt (2000)**

Various types of procurement may require different type of relationships. The Kraljic model is used successfully as described below by many organizations worldwide to help them form strategies which bring about changes in the supply situation and relationship with suppliers.

The Kraljic Matrix from Peter Kraljic was first described in an article "Purchasing must become Supply Management" in the Harvard Business Review (Sep-Oct 1983).

The Kraljic Model can be used to analyze the purchasing portfolio of a firm and the relationship to apply under each purchase portfolio. The Kraljic framework is based on two dimensions for classifying a firm's purchased materials or components.

Cost Impact: The strategic importance of purchasing in terms of cost, the percentage of raw materials in total costs and their impact on profitability.

Supply Risk: The complexity of the supply market gauged by supply scarcity, pace of technology and/or materials substitution, entry barriers, logistics cost or complexity, and monopoly or oligopoly conditions". The model then distinguishes between the following 4 product categories
Once risk has been understood, it is then easier to establish the kind of relationship one needs to
maintain. Items purchased by organizations are identified as being in one of the four quadrants
shown on the diagram above.

Strategic Critical: Strategic Items are products that are crucial for the process or product of the
buyer. They are characterized by a high supply risk caused by scarcity or difficult delivery.
Buyer-seller power situation is that of balanced power and a high level of interdependency

Recommended purchasing strategy: Strategic Alliance, close relationships, early supplier
involvement, Co-Creation, consider Vertical Integration, long-term value focus.

Relationship strategy required include: Managing these supply require considerable skill
therefore emphasis is on long term close relationship such as Strategic Alliance and Partnership.

**KRALJIC MODEL**

<table>
<thead>
<tr>
<th>RISK</th>
<th>RELATIVE COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW</td>
<td>LOW</td>
</tr>
<tr>
<td>HIGH</td>
<td>HIGH</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bottle neck</th>
<th>Strategic Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Critical Acquisition</td>
<td>Leverage Items</td>
</tr>
</tbody>
</table>

**Source:** Barratt 2002
Leverage Items: Leverage Items are products that represent a high percentage of the profit of the buyer and there are many suppliers available. It is easy to switch supplier. The quality is standardized. Buyer-seller power situation is that of buyer dominated, moderate level of interdependency. Tender, vendor selections, targeted pricing, and umbrella agreement with preferred suppliers. Call-off orders are then placed as an administrative formality. Emphasis is on short-term commitment with a view to taking advantage of the short-term market opportunities. Relationship maintained here include Closer tactical, Transactional or even Outsourcing.

Bottleneck: Items are products that that can only be acquired from one supplier or their delivery are otherwise unreliable and have a relative low impact on the financial results.

Basic characteristic of these items is that they are of very low value but have the potential to stop the job or core activity of the firm. Availability of items in this category is constrained by such factors as limited supply sources. Relationship ideal here is that of long term contractual relations such as strategic alliance, partnership and single source.

Non-critical Items: are products that are easy to buy and also have a relative low impact on the financial results. The quality is standardized. Buyer-seller power situation: balanced power and low level of interdependence. Recommended purchasing strategy: reduce time and money spent on these products by enhancing product standardization and efficient processing. The relationship with supplies in this quadrant does not matter. The relationship maintained here is mainly outsourcing, arms length or even adversarial.

2.5 Supply chain collaboration through Information Technology

As noted by both Swaminathan and Tayur (2003) and Klein (2007), e-business technology and the resultant-enabled information systems represent a business process which makes best use of internet to complete business transactions. Patnayakuni et al. (2006) confirm that the integration of information flows is an essential element of supply chain integration, with all parties involved being required to share transactional, operational and strategic data. The actual extent of information sharing is exemplified by the level of visibility (Barratt, 2002). In support of information sharing and visibility, the primary aim of which is the achievement of supply chain collaboration, the range of Information Technology (IT) available has proliferated (Barratt,
Therefore, information sharing and visibility can clearly enhance benefits, such as improvements of operational performance, reductions in inventory levels, increases in fulfillment rates and responsiveness to changing demand. Organizations can also benefit from the information pooling effect across two supply chains (Huang and Iravani, 2005).

Chen et al. (2007) further revealed that when selecting an appropriate collaborative scenario, members need to consider the level of technology possessed by their partners. According to the evaluations undertaken by Gowrisankaran and Stavins (2004), technology adoption and advancement can facilitate network effects to a significant degree, with positive network effects increasing with network participants. Indeed, Barratt (2002) confirmed that the overall benefits for firms are generally determined by the quality of their collaboration and the number of other firms adopting the system due to the positive network effect which it provides.
3.0 CHAPTER THREE

3.1. Research Design

The research was conducted using a case study design. According to Kothari (2004) a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breadth of a study. This study was appropriate as it involved an in-depth understanding of issues under review, that is, challenges being faced by BBK as well as the response strategies being employed to achieve a competitive edge over its competitors by establishing strong bonds with its customers and suppliers. Case studies have been successfully used by Mutua (2008), Gwako(2008) and Mbewa (2010).

3.2 Population

This research project focused mainly on the Supply Chain function in a Kenyan Bank. Thus the unit of study was the entire Supply Chain staff, which was been identified as the core and value adding function at Barclays Bank. Additionally, a survey of UK corporate sector by Cox and Thompson (1998) indicates that customer service, purchasing and logistics were early favored candidates for benchmarking, as greatest improvements are likely to be made there.

Given that the research focuses on only a section within the company, the unit of analysis was all the section managers and their immediate subordinates. These were the people involved in the day to day supply chain activities of the company.

3.3. Data Collection

Primary data was collected by use of a structured and semi – structured questionnaire having closed and open ended questions as well as use of face to face interviews. The questionnaire was structured in three parts. Section A was to capture the general background information on key objectives and strategies pursued by the bank. Section B was to collect data on how the bank has developed collaborative relations, with whom and in which areas. It also obtained information on the managements understanding of factors that act as barriers to effective collaboration. Section C captured data on bridges employed towards building a collaborative relation and benefits that accrue from such relations. Secondary data was obtained from industry sources as well as those from Barclays Bank of Kenya.
The questionnaires were be dropped personally by the researcher and respondents given a period of time, after which the same were collected personally by the researcher.

3.4. Data Analysis Methods

The data collected was edited for accuracy, uniformity, consistency and completeness. It was then coded in preparation for subsequent analysis. The analysis involved the use of a combination of descriptive framework using means and percentages, while the open ended questions were analyzed using content analysis to establish the fundamental or latent commonality among the set of observed variables (Kothari, 2004). This helped give a broader understanding of management’s perception of factors that inhibit and aid growth of supply chain relationships into collaboration. Factor analysis was used to establish the factors that necessitated the shift to collaboration within the supply chain.
4.0 DATA ANALYSIS AND FINDINGS

4.1: Overview

A structured questionnaire was sent to 15 members of staff within the supply chains division of
the company. Out of 15 a total of 13 respondents filled and returned the questionnaires. This
gave a response rate of 87 % which was representative enough to allow analysis to continue.

The questionnaire was structured into three parts with the aim of collecting data on, the general
background information on key objectives and strategies pursued by the bank. Data on how the
bank has developed collaborative relations, with whom and in which areas. And to capture data
on bridges employed towards building a collaborative relation and benefits that accrue from such
relations.

4.2: Background Information

4.2.1: Role of section to the company’s operations

Information was sought regarding the respondents view of the strategic role played by their
section in the airlines operation. The results obtained are presented in the table below

<table>
<thead>
<tr>
<th>Role</th>
<th>No of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core to the bank's operations</td>
<td>7</td>
<td>54%</td>
</tr>
<tr>
<td>Supportive</td>
<td>4</td>
<td>30%</td>
</tr>
<tr>
<td>Advisory</td>
<td>2</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Research Data

From the table above, it can be observed that most respondents, who represent more than 50 %, view
their section as core to the business. This can be attributed to the shift in how operations and supply chain are viewed as core cost cutters and also from the support provided by the section. This department is mandated to carry out all the banks supply requirements, ranging from sourcing and procurement of the banks goods and services.
4.2.2: The Company’s response to technological changes

When asked to rate how the company responds to technological changes, respondents were in agreement that the company aggressively adopts technological changes, with only one respondent indicating that the bank adopts new technology but at a slower pace. The respondents who cited aggressive adoption of technology attributed this to the bank’s expansion of its automated teller machines, promotion of mobile banking and a change in the operating system used by the bank.

4.2.3: Critical activities existing within BBK’s Supply Chain

The respondents were also asked to state which activities they considered critical within their Supply Chain. The responses presented in order of importance were as follows: Establishing stability in the chain was rated highest getting 38% of responses, followed by Creating efficiency in the Supply Chain at 28%, thirdly Risk hedging the Supply Chain got 19% of the total responses and finally Developing agile Supply Chain got 14%. Developing innovative products/services and Identifying functional products in the chain got no responses therefore it was postulated that the department doesn’t view them as part of their core or subsidiary activities or that those functions are carried out by other departments.

4.3 Development of Collaborative Relations

4.3.1: Important factors leading to a change in the way the bank relates with its network

The respondents were asked to rate the factors that led to a change in the way the bank relates with its immediate network, and were asked to rate as either very important, important, least important, not important or couldn’t answer. Customer complaints received the highest grading posting at an average of 0.73 for very important, followed by Communication between Supply Chain partners with a rating of 0.65, Top management Intervention and Adaptation to changing realities in the environment came third with a rating of 0.55 fourth was Tradeoffs between Customers and Service at 0.45 and lastly Need for customization was considered the least factor that could lead to how the bank related to its immediate supply network at a mean rating of 0.36.
<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Mean of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very important</td>
</tr>
<tr>
<td>a</td>
<td>Customer complaints</td>
<td>0.73</td>
</tr>
<tr>
<td>b</td>
<td>Top management Intervention</td>
<td>0.55</td>
</tr>
<tr>
<td>c</td>
<td>Communication between Supply Chain partners</td>
<td>0.65</td>
</tr>
<tr>
<td>d</td>
<td>Need for customization</td>
<td>0.36</td>
</tr>
<tr>
<td>e</td>
<td>Adaptation to changing realities in the environment</td>
<td>0.55</td>
</tr>
<tr>
<td>f</td>
<td>Tradeoffs between Customers and Service</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Source: Research Data

This implies that the bank is influenced by the demand end of the supply chain and clients play an important factor in the way the bank operates with its immediate supply network. Suppliers also played an important role in the banks supply chain, hence it can be deduced that the most important factors in policy changes and formulation have to do with the banks customers and its suppliers.

**4.3.2: Major changes implemented by the bank to improve relations within its supply chain**

Respondents stated the following as the changes the bank has done and aggressively carried out within its supply chain and to benchmark it amongst the best in its area of operation. They included, increased used of Information Technology with the use of an instrument like the ERP commonly mentioned. Respondents also mentioned that the bank has adopted the policy of fast payments to its suppliers within the shortest time possible, use of Relationship officers and
managers for their clients, availing of more ATM’s to be closer to the customer and strategic locations e.g. markets and where population is dense like downtown Nairobi. Also more branches have been opened and more are planned to be opened, with some branches adapting to serve niche clients who may want special treatment like personalized bankers. Longer opening hours was also touted, with a branch like Queensway opening up to 8 pm.

4.3.3: Response to the bank having strategic relationships with suppliers

All respondents answered that they do have strategic relationships with their suppliers.

4.3.4: Response to how open the relationships are

Respondents explained that the relationships that they have are collaborative with words such as close, mutual, joint, shared and partnership being widely used.

4.3.5: Joint purchase of inputs with other businesses

All respondents stated that they have had joint purchases with other businesses.

4.3.6: Response to relationship with its customers

70% of the respondents stated that the bank enjoys very good relations with its clients while the other 30% stated that they have good relationships with their customers. Hence overall it can be stated that the bank enjoys cordial relations with its customers.

4.3.7: Response to how active customers are in the development of new products

As in 4.3.6 above the response was the same with 70% stating that customers were actively involved in product development and the remaining 30% stating that they were active.

4.3.8: Barriers to supply chain integration

<table>
<thead>
<tr>
<th></th>
<th>Mean rating</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a  Lack clear alliance guidelines</td>
<td>4.87</td>
<td>62.4</td>
</tr>
</tbody>
</table>
The greatest barriers to achievement of supply chain integration with a percentage greater than 60% were found to be Inadequate information systems at 71.2% followed by Lack of willingness to share information at 65.6%, thirdly Inconsistent operating goals at 64% and fourthly Lack of clear alliance guidelines scoring 62.4%.

4.4: Bridges and Benefits of Collaborative Relations

4.4.1: Bridges to effective supply chain relations

The respondents were asked to rate to what extent mentioned bridges had facilitated an increase in inter-firm coordination within Barclays Bank of Kenya. The results are presented below.


<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>b</td>
<td>A willingness to share information</td>
<td>4.59</td>
<td>55.0</td>
</tr>
<tr>
<td>c</td>
<td>Shared expertise w/suppliers</td>
<td>4.32</td>
<td>47.2</td>
</tr>
<tr>
<td>d</td>
<td>Use of cross-functional teams</td>
<td>4.72</td>
<td>43.7</td>
</tr>
<tr>
<td>e</td>
<td>Clear alliance management guidelines</td>
<td>3.67</td>
<td>32.0</td>
</tr>
<tr>
<td>f</td>
<td>Common goals</td>
<td>4.31</td>
<td>45.7</td>
</tr>
<tr>
<td>g</td>
<td>Sharing risks and rewards</td>
<td>3.85</td>
<td>47.5</td>
</tr>
<tr>
<td>h</td>
<td>Vendor managed inventories</td>
<td>3.86</td>
<td>36.2</td>
</tr>
<tr>
<td>i</td>
<td>Increase Supply Chain training</td>
<td>4.09</td>
<td>39.4</td>
</tr>
<tr>
<td>j</td>
<td>Customer selectivity</td>
<td>4.11</td>
<td>43.5</td>
</tr>
<tr>
<td>k</td>
<td>Senior management interaction</td>
<td>4.21</td>
<td>46.0</td>
</tr>
<tr>
<td>l</td>
<td>Cross-functional processes</td>
<td>4.12</td>
<td>43.5</td>
</tr>
<tr>
<td>m</td>
<td>Shared expertise with customers</td>
<td>4.14</td>
<td>41.6</td>
</tr>
</tbody>
</table>

Source: Research Data

A willingness to share information and Frequent communication from data received and analysed seemed to be vital as bridges towards effective supply chain networks. The barriers to effective SC implementation are considerable. Such insight suggests a need for more effective training regarding the applicability and impact of different facilitating practices, more extensive communication of program results, and more frequent use of cross-functional teams.
4.4.2: Benefits of effective supply chain relations

The respondents were asked to rate the benefits derived from effective supply relations within Barclays Bank of Kenya. The benefits are presented below.

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Mean Ranking</th>
<th>% importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Inventory costs</td>
<td>4.69</td>
<td>62.0</td>
</tr>
<tr>
<td>b</td>
<td>Order fulfillment lead times</td>
<td>4.59</td>
<td>54.5</td>
</tr>
<tr>
<td>c</td>
<td>Customer satisfaction</td>
<td>4.65</td>
<td>61.0</td>
</tr>
<tr>
<td>d</td>
<td>On-time delivery</td>
<td>4.58</td>
<td>59.7</td>
</tr>
<tr>
<td>e</td>
<td>Firm profitability</td>
<td>4.51</td>
<td>53.7</td>
</tr>
<tr>
<td>f</td>
<td>Productivity</td>
<td>4.31</td>
<td>52.0</td>
</tr>
<tr>
<td>g</td>
<td>Handle unexpected challenges</td>
<td>4.49</td>
<td>59.2</td>
</tr>
<tr>
<td>h</td>
<td>Improved Market penetration</td>
<td>3.85</td>
<td>34.2</td>
</tr>
<tr>
<td>i</td>
<td>Reduced Transportation costs</td>
<td>3.88</td>
<td>37.9</td>
</tr>
<tr>
<td>j</td>
<td>Overall service quality</td>
<td>4.16</td>
<td>44.3</td>
</tr>
<tr>
<td>k</td>
<td>Market Penetration</td>
<td>3.85</td>
<td>34.2</td>
</tr>
</tbody>
</table>

Source: Research Data

Majority of the respondents viewed lowering of inventory costs as a major benefit of strategic relationships this was viewed at 62% while customer satisfaction was second at 61%. Other benefits that scored above 55% included the ability to get on time delivery at 59.7 % and the flexibility to handle unexpected challenges at 59.2 % seemed to occur when strategic relationships existed in a supply chain.
5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Summary

According to the study, human nature is the primary barrier to successful SC collaboration. Most people are change averse and prefer to stick to the status quo. It was noted repeatedly that people were suspicious of the types of change instigated by SCM and avoid such changes whenever possible. Management also noted that most individuals do not have a clear perception of what SCM means in relation to their tasks. It was noted that top management either lacks a clear vision of SC integration or fails to articulate a vision that other employees can relate to. Indeed, based on the study, SCM vision remains unclear. This lack of vision can lead to poor understanding of what SCM is in practice. The natural result of unclear potential and uncertainty is resistance to change, and even efforts to forestall any meaningful adoption of SC practices. As a form of strategic alliance (Monczka et al., 1998), strategic supply chains succeed and fail by their ability to utilize their collective resources. After all, the purpose of any alliance is to mobilize resources to attain goals that no individual can attain themselves. However, the ability for firms to utilize shared resources is a direct function of the amount and quality of resource shared. For example, inter organizational information systems are only as profitable as a function of the quality and quantity of information they store and share – if not enough information shared or the information that is shared is of little value, strategic supply chains may fall short of creating value. The case study reveals that strategic supply chains suffer from inadequate information sharing, and the interviews go deeper suggesting one of the main reasons for inadequate information is not that partners lack ability but lack desire and willingness. Inter-firm rivalry creates vulnerability and impedes information sharing.

The potential benefits for integrating supply chains are compelling. However, barriers to success can be daunting. Understanding these barriers can lead to designing bridges to allow companies obtain SC benefits. Managers must keep in mind the following three points regarding the benefits, barriers, and bridges:

Firstly, although cost reduction is a prime motivator to strategic SC collaboration, customer satisfaction and service is perceived as more enduring by managers, and should therefore be brought to the fore as the leading goal for SC managers. Such a goal is difficult considering
pressures from shareholders for individual firms to produce short-term gains that can lead to long-term losses in value from strategic SCM.

Secondly, all managers recognize technology, information, and measurement systems as major barriers to successful SC collaboration. However, the people issues – such as culture, trust, aversion to change, and willingness to collaborate – are more intractable. One potential reason for this may be that misalignments in technology, information systems, and measurement have demonstrably correct solutions; e.g. either system A aligns with system B or it does not, and either all partners use the same metric or they do not and you solve either problem by using the same system or metric. However, when dealing with human barriers – such as lack of trust, unwillingness to relinquish control, and opportunism – solutions become more of a judgment call rather than an unsolved problem.

Thirdly, people are the key to successful collaborative innovation. Companies continue to invest in technology, information, and measurement systems. However, managers must not overlook the training, educating, and bringing together of right people to use those systems and to interact with one another. Forming the right teams for the right tasks will then result in well-defined pilot projects and success stories that will help create buy-in from other organizations members and thus increase their commitment to SC collaboration.

In the banking industry, similar to other industries, the power has gradually shifted from suppliers to retailers. There is now a greater tendency for the new supply chain strategies to move towards deeper and wider collaboration in an effort to focus more on demand management, with the relationships between the members having changed from the traditional arm’s length transactions to long-term partnerships. The behaviour of members is now characterized by mutual trust, commitment and interdependence.

5.2: Conclusion and Recommendation

It should be noted that the benefits that accrue from collaborative relations with either end of the supply chain are enormous, at the same time the barriers towards this achievement are monumental. The challenges can be categorized as either internal or external barriers. Those that are internal to the company, where the company has control should be addressed as efficiently and conclusively as possible. This can be addressed through such measures as having consensus
across various departments that work together, enhance communication and communication channels, use information technology to cut costs and increase both speed and efficiency. Continuous training of supply chain staff is also worthwhile; this will ensure that they embrace the latest developments in supply chain practices.

Successful collaborations, just like successful marriages and other partnerships, are not magic. They require hard work and a strong commitment from both parties. There are number of steps that can help improve the chances of achieving a successful collaboration. Begin by ensuring the problem to be resolved merits the commitment and investment required for successful collaboration. If the problem at hand is highly complex and requires skills, capabilities, and intense involvement from both you and your supply chain partner for resolution, engaging in a collaboration effort is worthwhile.

Second, be willing to commit the appropriate level of time, energy, and resources necessary to collaborate intensely. Third, improve or enhance your organizational capabilities in terms of absorptive capability, collaborative capability and problem specific capability. These capabilities contribute to the overall success of the collaboration. Finally realize successful collaborations are difficult but when achieved can an important source of competitive advantage.

5.3 Limitations of the Study

This research work was mainly focused on the supply chain section of Barclays Bank of Kenya. The bank has several departments hence responses obtained from only one department may not be representative of the entire company. Moreover the numbers of respondents who are mainly involved in the day to day running of vary from one bank to the other; therefore the findings can only be used as a guide and a basis for future research.

5.4 Suggestions for Further Research

Supply chain collaboration is a new concept within the business world. The research design in this instance was a case study. For a wider application, it is recommended that a survey be carried out to establish the general supply chain practices within the banking industry.

Future studies should try to place greater emphasis on the types of mechanisms which might better facilitate the successful adoption of supply chain collaboration, as well as the types of IT
that can provide effective support for collaboration in both vertical and horizontal dimensions. Indeed, network characteristics in terms of most aspects of long-term relationships and coordinative strategies likely have a conspicuous effect on the evolution of supply chains; it deserves enhanced attention in future research.
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www.kcbbankgroup.com
APPENDIX ONE: RESPONDENTS LETTER

TO: RESPONDENT

FROM: EMMANUEL M WACHIRA

UNIVERSITY OF NAIROBI

DEPARTMENT OF MANAGEMENT SCIENCE

P.O. BOX 301971

NAIROBI

Dear Sir / Madam,

RE: RESEARCH PROJECT

I am pursuing a Degree of Master of Business (MBA) from the University of Nairobi specializing in Supply Chain and Procurement.

As a partial fulfillment of the requirements for the award of the degree, I am currently conducting a research on **THE FACTORS THAT FACILITATE SUPPLY CHAIN NETWORKS FROM ARM'S LENGTH RELATIONSHIPS TO COLLABORATIONS IN KENYAN BANKS: A CASE STUDY OF BARCLAYS BANK.**

Your firm has been selected for this exploratory study, I therefore kindly request, that you assist in the completion of the attached questionnaire. The information you provide in this study will be treated with utmost confidentiality and will not be used for any other purpose apart from its intended academic use. I hereby undertake not to make direct reference to your name in any presentation or report thereto the study.

I would appreciate any additional information, in the form of suggestions and comments, which you deem necessary to make my research findings more conclusive. A copy of the research report will be availed to the respondent upon request.

Thanks in advance.

Yours Faithfully

Emmanuel Mwaniki
APPENDIX 2: QUESTIONNAIRE

This research work is intended to explore the evolution of relationships applied by Barclays Bank of Kenya within its Supply Chain network and to establish benefits that accrue due to collaborative relations within its network

Please provide answers to the following questions by ticking against the most suitable alternative or giving narrative responses in the spaces provided. (Responses will be treated with utmost confidentiality).

Section A: Background Information

1. Respondents Title ...........

2. In general terms what is the strategic role of your department in the activities in the Banks operations?
   a) Core to the banks operations [ ]
   b) Supportive [ ]
   c) Advisory [ ]
   d) Other (specify)....................................................

3. How would you rate the company’s response to technological changes?
   a) Aggressively adopts new technological developments [ ]
   b) Adopts new technology but at a slower pace [ ]
   c) Is not concerned of the new technological advancements [ ]

4. State if each of the following critical activities exists in your Supply Chain
   a) Identifying functional products in the chain [ ]
   b) Developing innovative products / services [ ]
   c) Establishing stability in the chain [ ]
d) Creating efficiency in the Supply Chain

e) Risk hedging the Supply Chain

f) Developing agile Supply Chain

Section B: Development of Collaborative relations

5. State the importance of the following factors in deciding the need to change the way your organization relates with its immediate supply chain network, where 5=very important, 4=important, 3=least important, 2=not important, 1=cannot answer.

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>a</td>
<td>Customer complaints</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Top management Intervention</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Communication between Supply Chain partners</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Need for customization</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>Adaptation to changing realities in the environment</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Tradeoffs between Customers and Service</td>
<td></td>
</tr>
</tbody>
</table>

6. List some of the major changes implemented by your company to improve relations within its supply chain

........................................................................................................................................................................
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7. Do you have any strategic relationships with suppliers? Yes [ ] No [ ]

If not please explain why not ..........................................................................................................................
8. Describe the relationship with your suppliers, how open are they?

9. Have you ever purchased inputs jointly with other businesses? Yes [ ] No [ ]

10. Describe the relationship with your customers?

   Very good [ ]  Good [ ]  Average [ ]  Poor [ ]  Very Poor [ ]

11. How active are your customers in the different stages of development of new products?

   Very active [ ]  Active [ ]  Not Involved [ ]

12. To what extent do the following items act as barriers to supply chain integration? (1 = not a barrier, 5 = serious barrier)

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Lack clear alliance guidelines</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>b</td>
<td>Inconsistent operating goals</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Processes poorly costed</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Lack shared risks and rewards</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>Non-aligned measures</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Inadequate information systems</td>
<td></td>
</tr>
<tr>
<td>g</td>
<td>Organizational boundaries</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Description</td>
<td>Ranking</td>
</tr>
<tr>
<td>----</td>
<td>-----------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>a</td>
<td>Frequent communication</td>
<td>1</td>
</tr>
<tr>
<td>b</td>
<td>A willingness to share information</td>
<td>2</td>
</tr>
<tr>
<td>c</td>
<td>Shared expertise w/suppliers</td>
<td>3</td>
</tr>
<tr>
<td>d</td>
<td>Use of cross-functional teams</td>
<td>4</td>
</tr>
<tr>
<td>e</td>
<td>Clear alliance management guidelines procedures</td>
<td>5</td>
</tr>
<tr>
<td>f</td>
<td>Common goals</td>
<td></td>
</tr>
<tr>
<td>g</td>
<td>Sharing risks and rewards</td>
<td></td>
</tr>
<tr>
<td>h</td>
<td>Vendor managed inventories</td>
<td></td>
</tr>
<tr>
<td>i</td>
<td>Increase Supply Chain training</td>
<td></td>
</tr>
<tr>
<td>j</td>
<td>Customer selectivity</td>
<td></td>
</tr>
</tbody>
</table>

Section C: Bridges employed towards building a collaborative relation and Benefits that accrue

13. To what extent have each of the items below facilitated increased inter-firm coordination? (1= not a facilitator, 5 = effective facilitator)
14. To what extent has SC integration improved your firm’s performance? (1 = not improved, 5 = greatly improved)

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>a</td>
<td>Inventory costs</td>
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<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b</td>
<td>Order fulfillment lead times</td>
<td></td>
<td>4</td>
<td>5</td>
<td></td>
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<tr>
<td>c</td>
<td>Customer satisfaction</td>
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<td></td>
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<tr>
<td>d</td>
<td>On-time delivery</td>
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<td></td>
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</tr>
<tr>
<td>e</td>
<td>Firm profitability</td>
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<tr>
<td>f</td>
<td>Reduced cost of purchased items</td>
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<tr>
<td>g</td>
<td>Handle unexpected challenges</td>
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<tr>
<td>h</td>
<td>Improved Market penetration</td>
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<tr>
<td>i</td>
<td>Reduced Transportation costs</td>
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<td></td>
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<tr>
<td>j</td>
<td>Overall product quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>k</td>
<td>Improved Productivity</td>
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</tr>
</tbody>
</table>
A: COMMERCIAL BANKS

1 - African Banking Corporation Ltd.

2 - Bank of Africa Kenya Ltd.

3 - Bank of Baroda (K) Ltd.

4 - Bank of India

5 - Barclays Bank of Kenya Ltd.

6 - CFC Stanbic Bank Ltd.

7 - Charterhouse Bank Ltd.

UNDER - STATUTORY MANAGEMENT

8 - Chase Bank (K) Ltd.

9 - Citibank N.A Kenya

10 - Commercial Bank of Africa Ltd.

11 - Consolidated Bank of Kenya Ltd.

12 - Co-operative Bank of Kenya Ltd.

13 - Credit Bank Ltd.

14 - Development Bank of Kenya Ltd.

15 - Diamond Trust Bank Kenya Ltd.

16 - Dubai Bank Kenya Ltd.

17 - Ecobank Kenya Ltd.
18 - Equatorial Commercial Bank Ltd.
19 - Equity Bank Ltd.
20 - Family Bank Limited
21 - Fidelity Commercial Bank Ltd.
22 - Fina Bank Ltd.
23 - First community Bank Limited
24 - Giro Commercial Bank Ltd.
25 - Guardian Bank Ltd.
26 - Gulf African Bank Limited
27 - Habib Bank A.G Zurich
28 - Habib Bank Ltd.
29 - Imperial Bank Ltd.
30 - I & M Bank Ltd.
31 - Jamii Bora Bank Limited
32 - Kenya Commercial Bank Ltd.
33 - K-Rep Bank Ltd.
34 - Middle East Bank (K) Ltd.
35 - National Bank of Kenya Ltd.
36 - NIC Bank Ltd.
37 - Oriental Commercial Bank Ltd.
38 - Paramount Universal Bank Ltd.
39 - Prime Bank Ltd.

40 - Standard Chartered Bank Kenya Ltd.

41 - Trans-National Bank Ltd.

42 - UBA Kenya Bank Limited

43 - Victoria Commercial Bank Ltd.