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## Factors Influencing Supplier Relationship Management of County Governments in Kenya- A Case Study of County Government of Taita Taveta

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*Abstract:*
*The purpose of this investigation was to find out what factors affect supplier relationship management in county governments. The objective of the study was to help improve supplier relationship management in county governments, by identifying the factors that hinder supplier relations in county governments, with a closer look at Information technology, ethics, partnership approach and organizational structure and how they affect supplier relations, the study will also suggest ways of enhancing the relations. Descriptive research design was used which include questionnaires that will be distributed and filled by various staff at the county government of Taita Taveta and some of the prequalified suppliers of the county government. Target population in this research was the county government staff and the suppliers of the county government of Taita Taveta. The target population was 200 employees and suppliers. Stratified method was used to draw the sample size of 50 employees and suppliers. Data analysis was done using qualitative and quantitative techniques after gathering data from questionnaires and documentary sources. All questionnaires will be adequately checked for reliability and verification. Descriptive methods will be employed and data will be presented in the form of frequency distribution tables to facilitate description and explanation of the study finding. The researcher will record the findings by use of tables, graphs and charts. From the study findings, on gender issues male respondents were the dominant group than their female counterparts and most of them were aged below 40 years. On the education, majority of respondents were college and university graduates. The study revealed that information technology positively affects supplier relationship management and that respondents were fully aware of the ethical issues in procurement at the county governments. Further the study showed that partnership approach and organizational structure have a positive impact on supplier relationship management. According to the findings, it was clear that there was a positive correlation between information technology and supplier relationship management shown by a correlation figure of 0.966; Ethics and supplier relationship management shown by a correlation figure of 0.955; Partnership approach and supplier relationship management shown by a correlation figure of 0.881; Organizational structure and supplier relationship management; shown by a correlation figure of 0.943. This showed that there was a strong positive correlation highest being noted in information technology and lowest in partnership approach with a positive correlation. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (supplier relationship management) that is explained by all independent variables. From the findings this meant that 94.7% of supplier relationship management is attributed to combination of the four independent factors investigated in this study. the study concluded all the independent variables studied have significant effect on supplier relationship management of county government as indicated by the strong coefficient of correlation and a p-value which is less than 0.05. The overall effect of the analyzed factors was very high as indicated by the coefficient of determination. The overall P-value of 0.00 which is less than 0.05 (5%) is an indication of relevance of the studied variables, significant at the calculated 95% level of significance. The study recommended the following; That county governments should embrace information technology in their procurement processes; That county governments should adopt e-procurement processes that will champion supplier relationship management; That county government should have a clear partnership approach with suppliers that will be beneficial to all stakeholders concerned in procurement processes; That county organizational structure should be lean to reduce bureaucracy in procurement processes.*

## 1. Introduction

### 1.1. Background Information
The world has increasingly become complex, uncertain and very competitive. In order to remain competitive and relevant in the market, most companies have developed strategies to cope with these challenges. Supply chain being an integral part of the business highly contributes to the success of an organization especially, when modern technologies for instance integration are used .However,

this cannot be achieved without managing good relationships with the suppliers. Supplier Relationship Management (SRM) plays a pivotal role in reduction of costs and increased efficiency in the supply chain function. Supplier relationship management is the business process that provides the structure for how relationships with suppliers are developed and maintained. Supplier relationship management has become a critical business process as a result of: competitive pressures; the need to consider sustainability and risk; the need to achieve cost efficiency in order to be cost competitive; and the need to develop closer relationships with key suppliers who can provide the expertise necessary to develop innovative new products and successfully bring them to market. Significant benefits are possible from better managing relationships with key suppliers. It has been shown that integration of operations with suppliers can improve firm performance (Swink *et al.*, 2007; Singh and Power, 2009; Flynn *et al.*, 2010). An additional benefit of cross functional, collaborative relationships with key suppliers is the ability to co-create value (Enz and Lambert, 2012).

### 1.1.1. Supplier Relationship Management

Supplier relationship management (SRM) is the discipline of strategically planning for, and managing all interactions with organizations that supply goods and/or services to an organization in order to maximize the value of those interactions. In practice, SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk.

It is the systematic, enterprise-wide assessment of suppliers' assets and capabilities with respect to overall business strategy, determination of what activities to engage in with different suppliers, and planning and execution of all interactions with suppliers, in a coordinated fashion across the relationship life cycle, to maximize the value realized through those interactions (CIO Leadership, 2009). The focus of SRM is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement.

In many fundamental ways, SRM is analogous to customer relationship management. Just as companies have multiple interactions over time with their customers, so too do they interact with suppliers – negotiating contracts, purchasing, managing logistics and delivery, collaborating on product design, etc. The starting point for defining SRM is a recognition that these various interactions with suppliers are not discrete and independent – instead they are accurately and usefully thought of as comprising a relationship, one which can and should be managed in a coordinated fashion across functional and business unit touch-points, and throughout the relationship lifecycle (Hughes, 2010).

SRM necessitates a consistency of approach and a defined set of behaviours that foster trust over time. Effective SRM requires not only institutionalizing new ways of collaborating with key suppliers, but also actively dismantling existing policies and practices that can impede collaboration and limit the potential value that can be derived from key supplier relationships (Hughes, 2008). At the same time, SRM should entail reciprocal changes in processes and policies at suppliers.

### 1.1.2. The County Government of Taita Taveta

Taita Taveta County was founded in 2013 after Kenya's 8 provinces were subdivided into 47 counties. It is one of County governments envisioned by the 2010 Constitution of Kenya as the units of devolved government. It comprises of 4 constituencies namely; Voi, Wundanyi, Mwatate and Taveta. It is governed by the County Government of Taita Taveta under the leadership of the governor. (taitataveta.org)

The population of the county is well over 250,000 persons with population densities ranging from 3 persons per km2. to more than 800 persons per km2. This is due to the varied rainfall and terrain with the lower zones receiving an average 440 mm of rain per annum and the highland areas receiving up to 1900 mm of rain. The range rises in altitude from 500 m above sea level to almost 2,300 m at vuria peak which is the highest. (taitataveta.org)

The county covers an area of 17,083.9 km2. of which a bulk 62% or 11,100 km2. is within Tsavo East and Tsavo West National Parks. The remaining 5,876 km2 is occupied by ranches, sisal estates, water bodies such as Lakes Chala and Jipe in Taveta and mzima springs, and the hilltop forests which occupy less than 100 km2. or approximately 10 km² out of 587.5 km². (taitataveta.org)

The lowland areas of the district that do not belong to national parks are divided to ranches, estates and wild life sanctuaries. The district has approximately 25 ranches. The main land use in ranch is cattle grazing. The three operating sisal estates of the district are the Teita Sisal Estate, Voi Sisal Estate and Taveta Sisal Estate. Many ranches utilize also wildlife tourism and conservation.

In the Financial Year 2013/2014 the county government had an approved budget of Kshs. 2.9 billion comprising of Kshs. 1.8 billion (63 per cent) for recurrent expenditure and Kshs. 1.1 billion (37 percent) for development expenditure. This budget was to be financed by Kshs. 2.4 billion (83 percent) from national equitable share, Kshs. 244 million (8 percent) from local revenue sources, Kshs 194 million (7 per cent) from equalization Fund and Kshs 61 million (2 percent) being balance brought forward from Financial year 2012/2013 (The Controller of Budget (Kenya), 2014)

### 1.2. Statement of the Problem

For county governments in Kenya to improve their procurement activities, they need to look into new methods and best practices to help boost their operations so that they can match up with international procuring entities, there are a number of best practices that would help improve procurement processes and one of them is supplier relationship management.

Suppliers form a very integral part of supply chains, however most organizations have chosen to focus on customers only and leave out suppliers. Kenya is the most industrially developed country in East Africa, but it has not yet produced results to match its potential. The public sector has to put in more effort to ensure that it performs better and contributes more to the country's GDP. For

the procurement entities, suppliers play a major role on their performance. In Kenya, not many county governments have embraced supplier relationship management; this has translated to companies losing out on the advantages of having good relations with suppliers, which include getting the best quality of goods and services and also the best prices.

Although having good suppliers is important, surveys shows that Kenyan organizations continue to struggle with the idea of supplier relationship management. In most public procurement entities, suppliers are often treated in an adversarial manner by buyers, as the relationship between buyers and suppliers is viewed as a win-lose situation. Maintaining a strong relationship between buyer and supplier becomes is very important. In order to win and retain the business both buyer and supplier must work together as a team. Care should be taken while choosing the suppliers to make sure that they have required capabilities and resources to fulfil the needs. A successful relationship is one in which there is mutual sharing of risk and rewards, clear understanding of each other's roles and responsibilities, high level of commitment and trust, long-term orientation, mutual information sharing, a sincere desire to win and responsiveness towards each other's and end customer's needs.

A gap thus exists in determining the specific factors that affect supplier relationship management in county governments. Therefore, to bridge this gap, this study seeks to understand the factors affecting supplier relationship management in Kenyan county governments.

*1.3. Objectives*
This study was guided by both general and specific objectives as follows:

1.3.1. General Objective
To determine the factors affecting supplier relationship management in county governments in Kenya

1.3.2. Specific Objectives
  i)    To assess the effects of information technology on supplier relationship management in county governments in Kenya
  ii)   To assess the effects of ethics in supplier relationship management on county governments in Kenya
  iii)  To analyze the effects of partnership approach on supplier relationship management in county governments in Kenya
  iv)   To determine the effects of organizational structure on supplier relationship management in county governments in Kenya

*1.4. Research Questions*
  i)    What are the effects of information technology on supplier relationship management in county governments in Kenya?
  ii)   What are the effects of ethics on supplier relationship management in county governments in Kenya?
  iii)  What are the effects of partnership approach on supplier relationship management in county governments in Kenya?
  iv)   What are the effects of organizational structure in supplier relationship management in county governments in Kenya?

*1.5. Justification of the Study*
This study will benefit the following parties

1.5.1. The Researcher
The study will help the researcher to fulfil one of the requirements for the award of Masters of Science in Procurement in Logistics

1.5.2. The County Government of Taita Taveta
This research will help The County Government of Taita Taveta to know the importance of supplier relationship management, and determine the factors that affect supplier relationship management. It will further enable the procurement department to apply it in their procurement activities

1.5.3. Other County Governments in Kenya
The study will help the county governments in Kenya to establish better relationships with their suppliers and eventually improve on their performance.

1.5.4. Other Researchers in the Same Field
The findings of this study will be used as a reference point by other researchers for further research in the same field.

*1.6. Scope of the Study*
This study was confined to The County Government of Taita Taveta. The study analyzes the factors affecting supplier relationship management by both primary and secondary data at The County Government of Taita Taveta. It covers mainly the procurement officers, accountants and auditors at the county government and the county government's suppliers.

**2. Literature Review**

*2.1. Introduction*
This chapter gives a review of the existing literature on the factors affecting supplier relationship management in public procurement. The main sections included therein are; the conceptual framework, critique of existing literature relevant to the study, summary and research gaps.

*2.2. Theoretical Literature*
This is a review of the various studies that have been conducted by other researchers on Supplier Relationship Management.

2.2.1. Contracting for the 21st Century: A Partnership Model
Lawther and Martin (2005) questioned the traditional way of public procurement and suggested moving towards public procurement partnerships, the complexity of procuring information technology, software and IT-services being one of the reasons for such a move. Lawther and Martin (2005)'s analysis contrast the assertion made by Harrigan (1985) and Porter (1985) stating that, adversarial relationships are effective in public procurement settings, where supplier relationships basically serve to facilitate the exchange process and fulfil the contract requirements, relationships cannot be used to intervene with a procurement process that is supposed to be open and fair to all bidders. Lawther and Martin (2005) further explains that the relational approach, based on the advantages of cooperation, centres on shared resources, joint product development, and process redesign, which improve efficiency (in production and value creation) for both the buyer and the seller. Lawther and Martin (2005) stated that, the collaboration across public procurement functions provides opportunities for better utilization of procurement skills and resources (thereby providing value for money) maximizing benefits and the spread of best practice. They further explained that in the 21$^{st}$ century a new paradigm was born where public procurement appears to abandon its old 'bid and bash' approach and move towards more relationship contracting. The new paradigm goes by many names including collaborations, networks, strategic alliance and partnerships. These terms all share the search for a middle ground between government and the market.

2.2.2. Relationship Management (Strategic Supplier Relationships)
Handfield and Nichols (2003) argue that it's important to manage relationships and advocate for the position of a relationship manager. A relationship manager is tasked with addressing any operational-level issues that arise in connection with the strategy plan. Such issues could include invoice processing, quality control measures, and follow-up, sharing market forecasts and production scheduling with suppliers, coordinating as-needed cooperative technical assistance with suppliers to resolve problems, or pursuing value-building opportunities. The RM also shares communications with relevant suppliers on emerging issues such as commodity pricing, material availability, and continuous-improvement opportunities. Finally, the RM is also tasked with maintaining a supplier scorecard that provides key information to the supplier on their performance. Many companies are also now using a two-way scorecard that allows the supplier to provide feedback on how well the customer is providing them with information, paying on time, and other key elements of bilateral performance. This ensures that there is a two-way flow of feedback regarding the terms in the contract. Ideally, a standardized scorecard can be used to allow comparison of the relationship with other similar relationships that may exist across the organization, particularly if the supplier is supporting multiple business units with a single contract.
With the recent influx of E-procurement technology into the workplace, many companies are talking about "dehumanizing" supply-chain relationships, and making them more electronic in nature. This works well for standard commodity items that are ordered repeatedly. However, in many situations there is a definite need for human interaction in the form of an RM.

2.2.3. Maximising the Value of Supplier Relationships
Hughes (2009) defines SRM as the systematic, enterprise-wide assessment of suppliers' assets and capabilities with respect to overall business strategy, suppliers, planning and execution of all interactions with suppliers, in a coordinated fashion across the relationship lifecycle, in order to maximise the value realised through those interactions. In practice, SRM almost always entails expanding the scope of interaction with key suppliers beyond simple purchasing joint research and development, sharing of strategic information about marketplace trends, joint demand forecasting, and the like. SRM should likewise entail joint Six Sigma to help eliminate supply chain activities that collaboration within the enterprise, in order to manage supplier interactions strategically, as part of an overall relationship, rather than tactically through the various organisational and functional silos that separate R&D from Purchasing, Finance from Manufacturing, and the other inherently cross-functional discipline; it cannot remain the sole province of sourcing and procurement groups.
A major opportunity for most organisations, which require a change in culture and mindset more than anything else if it is to be taken full advantage of, is to be less prescriptive when dealing with suppliers. Instead of saying to the supplier, 'This is what we need to do, and this is how we want you to do it', you instead need to be able to explain to them the outcome you are trying to achieve or the business problem you are trying to solve – and then work to take solution.
He further argues that for SRM to work, you need to really understand your supply base, which can span across hundreds or even thousands of suppliers. You also need to be able to identify where there are risks, manage those risks, and track and measure supplier performance. In order to do this you need IT tools. There's a very significant a very significant data management aspect to SRM, just like with CRM. IT leaders need to ensure that when they select and implement these tools, they are connected to the right business process within the enterprise and most importantly, that there's an appropriate change in the culture and behaviours of the people within the enterprise. Data management and software tools are a critical enabler of SRM, and there are some very good tools in the market. Tools exist for everything, from supplier registration portals, to tools for soliciting ideas from suppliers in the supply chain on codes of conduct.
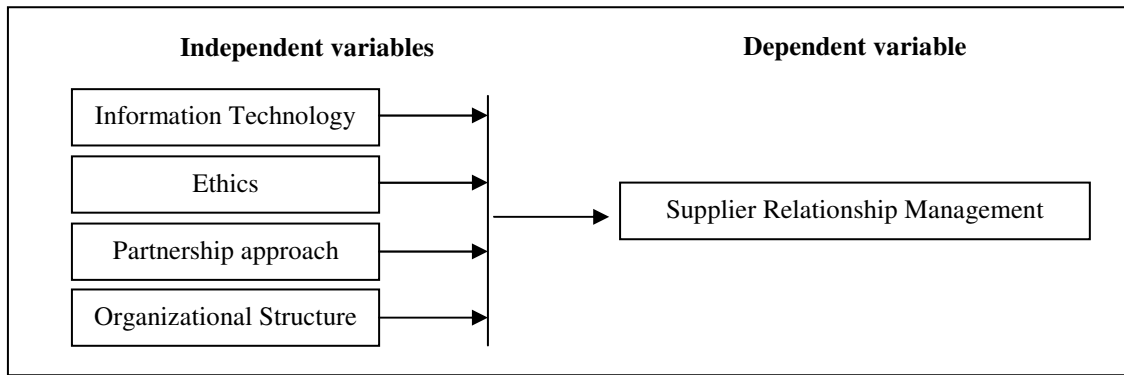
*2.3. Conceptual Framework*



*Figure 1: Conceptual Framework*

The above diagram gives an illustration of how the variables affect supplier relationship management. Information Technology, Ethics, Partnership approach and organizational structure are the main factors that influence supplier relationship management in public procurement.

2.3.1. Information Technology
According to Baily (2008), Information technology is emerging as a key resource in the purchasing process. Concurrently, buyer-supplier relationships are changing. The automated procurement process is known as e-procurement (electronic procurement). E-procurement is the business-to-business or business-to-consumer or business-to-government purchase and sale of supplies, work, and services through the Internet as well as other information and networking systems, such as electronic data interchange and enterprise resource planning.
Mehdi *et al* (2008) explain that the use of IT is considered as a prerequisite for the effective control of today's complex supply chains. Software vendors who develop a wide range of ICT functionalities to support SRM activities give new impetus as well. He states that he immediate objective of automated SRM is to streamline and make more effective the sourcing processes between an enterprise and its suppliers. Automated SRM is also aiming at quality-related improvements of information, products, services, and work force capabilities. Generally, most SRM related software are designed to perform the following roles: Coordination of procurement processes and monitoring of quality consistency of different suppliers, Technical Integration of suppliers in procurement processes, Continuous analysis and control of procurement processes and supplier performance, Automation of all procurement activities between the enterprise and supplier.

2.3.2. Ethics
According to the UN Procurement practitioners' handbook (2012), Ethics is the basis on which most of the procurement related principles, such as fairness, integrity, and transparency, are based. Professional standards of ethical conduct, no matter what the organization, contain typical characteristics, including commitments to behave honourably in all aspects of work and professional activity, commitment to conduct oneself in such a manner as to maintain trust and confidence in the integrity of the acquisition process commitment to avoid "clever" practices intended to take undue advantage of others or the system, commitment to uphold the organization's standards and policies and all relevant legislation and commitment to avoid conflicts of interest. The handbook further explains that suppliers must be chosen fairly and rigorously. They must be selected on the basis of their professionalism and competitiveness and with a view to building a relationship based on mutual trust. The selection process must also factor in how well suppliers' respective products and services fit the needs outlined in specifications as well as said suppliers' social and environmental credentials. All parties involved are to be informed of how the selection procedure is to be conducted and the contract awarded.The objectives for all relevant parties must be stated clearly. All interested suppliers must be given the same information concerning a particular topic/issue.The criteria governing selection of suppliers and award of contracts must be objective.
Kelly *et al.,* (2010) observe that Leveraging ethics and social responsibility in downstream markets can generate significant returns and firm competitive advantage, as customers are increasingly valuing these initiatives. However, heightened concerns involving upstream suppliers have sparked interest in how managers' knowledge of suppliers' behaviour influences ethics and social responsibility initiatives. As is evident from recent supply chain crises, upstream supplier practices can have profound consequences for downstream firms and their stakeholders, including consumers, supply chain partners, and the public in general. Although managers face dilemmas regarding ethical behaviours and decisions almost on a daily basis, the role of upstream supplier ethics in marketing decision making remains understudied. Several employees from both the supplier and buyers side are involved in the relationship. They are involved in negotiation, communication, bargaining, and the transfer of goods, services and money. Ethical issues and personal values always influence such transactions. (Kelly *et al.,*2010)

2.3.3. Partnership Approach
Robert *et al.,* (2013) in their publication titled "Buyer Supplier Collaboration, a roadmap for success" argue that the best buyer-supplier collaboration programs focus on five elements: segmenting the supplier base (with the goal of identifying suppliers that could

become strategic partners); building the capabilities needed to partner effectively; finding incentives and benefits that are shared and that can generate momentum; taking a structured approach to the design of the program; and implementing and managing the program for the long term.

On segmenting the supplier base to identify strategic partners, Robert *et al.,*(2013) explain that there is a reason why companies are selective in choosing suppliers for collaboration programs: not every supplier justifies the investment. For instance, with nonstrategic suppliers in competitive supply markets, there's no reason to devise a special collaborative approach; companies should leverage the competitive tension in the supply market to secure the highest value. But with more strategic suppliers—those that represent a significant part of a buyer's spending in some area or that provide special value from the customer's perspective—a partnership starts to make sense. Indeed, economic impact and perceived customer value are the two primary calculations companies must make in determining whether and how to partner with their suppliers.

One leading North American retailer takes a unique approach to segmenting its suppliers. The retailer asks its most strategic suppliers (roughly 10 percent of its base) to participate in a supplier forum. The forum's participants, including Procter & Gamble, Kraft Foods, and Sara Lee, work with the retailer to come up with ideas and practices to improve the way its supply chain functions. After they have been vetted, the new practices are extended to the whole supplier network.

On Building the right capabilities and organization. Robert *et al.,* (2013) explain that in order to create successful collaboration programs, most organizations have to develop new capabilities. One of the most important of these is cost engineering, a way of analysing suppliers' products and processes to gain insights into the economics of the extended enterprise and identify opportunities for improvement. Quality management is another critical capability; it focuses on quality issues across the supply chain and covers both products and associated services. Other capabilities include trend scouting, which pertains to identifying new technologies and supply options as they emerge, and supplier development, which, by enhancing suppliers' capabilities and improving their processes, can help get products to market more quickly. Finally, there is partnership influence, by which the organization gets multiple suppliers to work together to improve the performance of critical components or subsystems.

The third element on the best buyer-supplier collaboration according to Robert *et al.,* (2013) is aligning benefits and incentives. One of the obvious challenges for collaboration programs is getting suppliers to participate in them. Companies sometimes undermine their own chances of a partnership by being overly cautious about sharing information. A core requirement for successful collaboration is trust—a willingness, on the part of both buyer and supplier, to share information. In addition, strategic suppliers are strategic for a reason; they have their own market power and may be sceptical about what's in it for them. This means that many suppliers can't be coerced into a collaborative partnership; they must be persuaded.

The fourth element according to Robert *et al.* (2013) is following a structured approach to program design. Collaboration programs are often viewed sceptically by both the internal organization and the supplier base. It is important to build credibility for the program at the senior level and within the organization. This requires discussing the opportunities created by the program with the supplier's top managers and committing to joint next steps. The CPO should clearly articulate the benefits of the program to all parties. Early communication from the upper levels of the buying organization, and strong support from corporate leadership (for instance, the CEO), are critical in mobilizing the internal team and persuading suppliers to develop a shared vision for these relationships.

A catalyst approach can be used to jump-start the process. This begins with both the buyer and the strategic supplier separately collecting information that can help identify areas of joint opportunity. With that homework done, the two companies meet to figure out how they might jointly reduce costs, improve quality, increase innovation, reduce waste, and improve cycle times. Over a period of a few months, the buyer teams and suppliers generate ideas, evaluate them, prioritize them, agree on the ultimate value and how it will be shared, and set an implementation plan. Catalyst sessions are intended to challenge—the dialogue should be open and no ideas should be off the table. (Robert *et al.*2013)

Once the initiatives have gotten off the ground, a program management office should be used to ensure consistency across initiatives, share best practices across initiative teams, and keep procurement executives apprised of progress. The program management office should also track all initiatives to make sure they are proceeding according to plan. (Robert *et al.*2013)

The fifth element is Implementing and managing the program for the long term**.** Implementing a collaboration plan is complex. Change management is critical. There needs to be movement from the typical buyer-supplier relationship toward a dynamic of greater trust, more information sharing, and enhanced transparency. Conversations must shift from What's in it for me? to What's in it for us? This can only happen if there are enabled and accountable leaders, an engaged organization, and a clear governance structure. There also need to be clear objectives, key actions associated with each objective, and agreed-on KPIs. (Robert *et al.*2013)

How the KPIs and key actions work together can be illustrated by an example. Suppose an office-machine-equipment company wants to reduce the time required to introduce new products. Its key actions might involve moving a strategic supplier's engineers into its own research and development facility and training them. The most relevant KPI in this case would be time to market. In return for helping the buyer reduce its time to market, the supplier might get a guarantee that only its parts would be used in the buyer's new products for a specified period of time. (Robert *et al.*2013)

## 2.3.4. Organizational Structure

Hughes, (2010) argues that while there is no correct model for deploying SRM at an organizational level, there are sets of structural elements that are relevant in most contexts: One of the structural elements is a formal SRM team or office at the corporate level. The purpose of such a group is to facilitate and coordinate SRM activities across functions and business units. SRM is inherently cross-functional, and requires a good combination of commercial, technical and interpersonal skills. These "softer" skills around communication, listening, influencing and managing change are critical to developing strong and trusting working relations.

The second structural element is a formal Relationship Manager or Supplier Account Manager role. Such individuals often sit within the business unit that interacts most frequently with that supplier, or may be filled by a category manager in the procurement function. This role can be full-time, dedicated positions, although relationship management responsibilities may be part of broader roles depending on the complexity and importance of the supplier relationship. SRM managers understand their suppliers' business and strategic goals, and are able to see issues from the supplier's point of view while balancing their own organization's requirements and priorities. (Hughes 2010)

The third structural element is an executive sponsor and, for complex, strategic supplier relationships, a cross-functional steering committee. These individuals form a clear link between SRM strategies and overall business strategies, serve to determine the relative prioritization among a company's varying goals as they impact suppliers, and act as a dispute resolution body. (Hughes J 2010

### 2.4. Critique of the Existing Literature Relevant to the Study

The researcher differs with Hughes (2010) on creating a formal SRM team at the corporate level of an organization; supplier relationship management should be done by the department which is in contact with suppliers; the procurement department; to avoid passing and receiving of conflicting information between the procuring entity and the suppliers. An SRM department won't be necessary; it will create a more complex structure which will make operations not to flow smoothly thus inconveniencing both the procuring entity and the suppliers. The researcher also differs with Relationship Management (Strategic Supplier Relationships) model on creating a position for a relationship manager. It won't be necessary to have a relationship manager because supplier relations can be handled properly by the contact departments; procurement and accounts. The procurement department by the use of the e-procurement module can save supplier information and communicate with them through the supplier portal in real time, they can be able to send and receive feedback through the portal. E-procurement also reduces the chances of unethical behaviour since scores are calculated automatically, this will build supplier confidence. The accounts department can also play a part in improving supplier relationship management by fast tracking payments. Late payment is one of the factors that contribute to strained relations between suppliers and procuring entities, a number of them being county governments. So in essence the researcher believes there's no need for having a relationship manager.

### 2.5. Summary

This chapter has dealt with the factors affecting supplier relationship management based on what other researchers have found out and written. It has also included the conceptual framework which shows the relationship between the independent variables; Information Technology, Ethics, Partnership Approach and Organizational structure; and the dependent variable; Supplier relationship management. The researcher has also criticised a part of the existing literature on supplier relationship management.

### 2.6. Research Gaps

While a lot of research has been done on factors affecting supplier relationship management, very little research has been done focusing on county governments in Kenya. With the inception of county governments, there are a lot of public entities now as compared to before, and a lot of money is involved, with that more research should be conducted on county governments basing on the best practices, one of which forms the foundation of this study.

## 3. Methodology

### 3.1. Introduction

This chapter discusses research design, target population, sample size, data collection method and procedures, and data analysis.

### 3.2. Research Design

A research design is the blue print of the study. The design of a study defines the study type (descriptive, co relational, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to seek answers to research questions (Muaz and Mohammed, 2013)

The researcher used descriptive research design which includes collecting information by administering questionnaires to procurement, audit and accounts staff at the County Government of Taita Taveta and the suppliers to be able to compile data, analyse and interpret the data from the contents and measuring tools to authenticate the research study. The study under this research determined what factors affect supplier relationship management in county governments.

### 3.3. Target Population

Population is the total number of items or people in specific geographical area. The targeted population in this research study was the county government of Taita Taveta staff and the suppliers. The target population was as follows:

| Respondents | Target Population | Sample Size | Total Percentage (%) |
|---|---|---|---|
| Procurement officers | 60 | 30 | 30 |
| Accountants | 60 | 30 | 30 |
| Auditors | 10 | 5 | 5 |
| Suppliers | 70 | 35 | 35 |
| Total | 200 | 100 | 100 |

*Table 1: Target population*
*Source: Author (2015)*

### 3.4. Sampling Design and Procedure
Sampling methods involves taking at random a predetermined quantity from a batch of the same kind, a quantity considered adequate and representative of the whole batch. The target population was divided in 4 groups; Procurement personnel, auditors and accountants of the County Government of Taita Taveta, and Suppliers. In this study stratified random sampling methods was used so as to obtain 4 strata of the selected departments. The sample size was 100, whereby a sample of 50% of target population was used.

### 3.5. Sample and Sampling Technique
A sample is defined as subject of a population that has been selected to represent characteristics of a population. A stratified random sampling was employed to obtain a suitable unit representative of analysis. This is because of the heterogeneity of the population and all respondents will all have equal opportunity of participation.

### 3.6. Data Collection Instruments
Data collection methods are means by which measurements and facts will be obtained from selected elements in the study. The researcher used both primary and secondary methods of data collection. The researcher used questionnaires and already existing sources to analyze the findings of the research study.

### 3.7. Data Collection Procedure

#### 3.7.1. Primary Methods
Primary method is a method of collecting data where information will be collected at first hand and in its unedited form from a source for specific purpose. The researcher therefore used questionnaires method to acquire or solicit data. Questionnaires were also used to collect data tools which will be distributed to the respondents and time was given to them to complete them. Follow ups were made to ensure success of the procedure. Both open and closed questions were used and a cover letter was used to indicate the aim of the research and an assurance of confidentiality for respondents answer. Questionnaires were designed based on research questions and objectives.

#### 3.7.2. Secondary Methods
The researcher obtained secondary data from already existing sources. In some forms such as library books, documents, journals, company reports and magazines. The researcher used secondary sources because they use already existing information which saved the time and also gave accurate information and made it easier to use.

### 3.8. Data Analysis
Based on the data which was collected through questionnaires and documentary sources, the findings were carefully analyzed in the relevant information. It was classified according to study objectives. Classified data was tabulated according to the relevance of information of the study. The researcher analyzed data using qualitative and quantitative techniques after gathering it from questionnaires and documentary sources. All questionnaires were adequately checked for reliability and verification. Descriptive methods were employed and data was presented in the form of frequency distribution tables to facilitate description and explanation of the study finding. The researcher recorded the findings by use of tables, graphs and charts.
The researcher recorded and distributed the questionnaires to the identified sample and gave the respondents a time frame within which the questionnaires were collected. Interviews and observations data were naturally recorded.

### 3.9. Data Processing and Analysis
The data was analyzed by use of descriptive statistics. This involved quantitative and qualitative analysis. The data collected by various instruments was first thoroughly edited and checked for completeness and comprehensibility. The edited data was summarized and coded for easy classification in order to facilitate tabulation.  This involved descriptive statistics to describe or summarize the information and transform raw data to understandable and interpretable information. The researcher analyzed the data using SPSS program. Tables, graphs and charts were used to simplify and clarify research. The researcher used the linear regression model which is a statistical process for estimating the relationships among variables. It includes many techniques for modelling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable (or 'criterion variable') changes when any one of the independent variables is varied, while the other independent variables are held fixed. The model involves the

following variables: The unknown parameters, denoted as β, which may represent a scalar or a vector, the independent variables X, the dependent variableY. (Armstrong, 2012)

Therefore $Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon.$

Where **Y** represents supplier relationship management,

$x_1$ represents information technology,

$x_2$ *represents ethics,*

$x_3$*represents partnership approach, and*

$x_4$*represents organizational structure*

$\epsilon$ is an error term.

## 4. Data Analysis, Results and Discussions

### 4.1. Introduction

This chapter presents analysis of the data on the factors influencing supplier's relationship management of county government of Taita Taveta, Kenya. The chapter also provides the major findings and results of the study and discusses those findings and results against the literature reviewed and study objectives. The data is mainly presented in frequency tables, means and standard deviation.

#### 4.1.1. Response Rate

The study targeted 100 employees of the county government of Taita Taveta, Kenya. From the study, 80 out of the 100 sample respondents filled-in and returned the questionnaires making a response rate of 80% as per Table 2 below.

|  | Frequency | Percentage |
|---|---|---|
| Respondent | 80 | 80 |
| Non-respondent | 20 | 20 |
| **Total** | **100** | **100** |

*Table 2: Questionnaire Return Rate*

According to Mugenda and Mugenda (1999) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.

#### 4.1.2. Data Validity

The researcher asked experts, three academicians, to assess the scales' content validity. Accordingly, the researcher made changes on the first draft in terms of eliminating, adding or rewording some of the items included in that draft**.**

#### 4.1.3. Reliability Analysis

Prior to the actual study, the researcher carried out a pilot study to pre-test the validity and reliability of data collected using the questionnaire.  The pilot study allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 3 below.

| Scale | Cronbach's Alpha | Number of Items |
|---|---|---|
| Information Technology | 0.764 | 4 |
| Ethics | 0.809 | 4 |
| Partnership Approach | 0.723 | 4 |
| Organizational Structure | 0.791 | 4 |

*Table 3: Reliability Coefficients*

The overall Cronbach's alpha for the four categories which is 0.752. The findings of the pilot study shows that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2003).

### 4.2. Background Information

The background information was gathered based on the gender. Age and education level.

#### 4.2.1. Gender of Respondents

The study sought to know the gender of the respondents. The results showed that majority of respondents were male which was represented by 77.5% of the total response rate while 22.5% of the respondents were female with a mean of 1.23 and a standard deviation of 0.420. This showed that more male than females participated in the study shown in the Figure 2 below.

*Figure 2: Genders of Respondents*

4.2.2. Age of Respondents

The study sought to find out the ages of the respondents. The results showed that respondents between 20-30 years were 33.8%; between 31 and 40 were 53.8%; between 41 and 50 years were 7.5% and 50 years and above were 5% of the total respondents. A mean score of 1.84 with a standard deviation of 0.770 and a median of 2.00 were registered which showed that mean age was between 31-40 years. This showed that majority of respondents were 40 years and below as shown in the Figure 3 below.
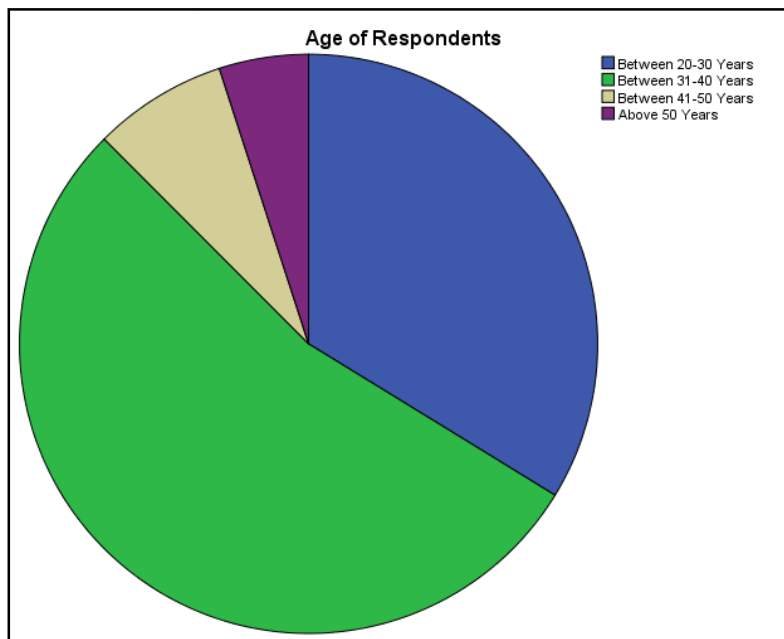


*Figure 3: Ages of Respondents*

4.2.3. Education Level of Respondents

The study sought to find out the education level of respondents. The results showed that respondents with primary level of education were 3.8%, secondary school were 5%, college level was 20% and those with university education were 71.3% with a mean score of 3.59 and a standard deviation of 0.758. The median was 4.00 indicating the majority of respondents were respondents with university level of education as shown in Figure 4 below.
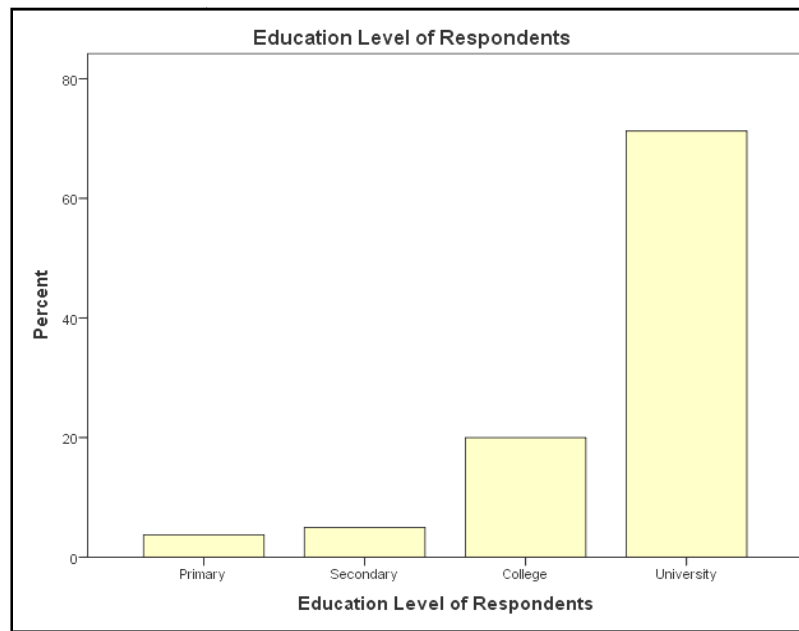
*Figure 4: Education Levels of Respondents*

*4.3. Factors Influencing Supplier Relationship Management of County Government*
In the research analysis the researcher used a tool rating scale of yes and no. The analysis for mean, standard deviation and coefficient of variation were based on this rating scale.

4.3 1. Information Technology

| Information Technology | N | Mean | Std. Deviation |
|---|---|---|---|
| Do you know what Information Technology is? | 80 | 1.09 | .284 |
| Do you think Information Technology is vital in improving supplier relations in the county government? | 80 | 1.05 | .219 |
| Has the county government adopted Information Technology in its procurement activities? | 80 | 1.29 | .455 |
| Do you think there are factors that influence the county government's adoption of E-procurement | 80 | 1.22 | .420 |
| Valid N (listwise) | 80 | | |

*Table 4: Information Technology*

The first objective of the study was to establish the effects of information technology on supplier relationship management of county government. Respondents were required to respond to set questions related to information technology and give their opinions.The opinion in agreement that respondents knew what information technology is had a mean score of 1.09 and a standard deviation of 0.284 indicating a high level of significance. The opinion that do you think information technology is vital in improving supplier relations in the county government had a mean score of 1.05 and a standard deviation of 0.219 indicating a high level of agreement. According to Talluri, (2008), information technology is vital in helping an organization to maintain data of suppliers. The opinion that has the county government adopted information technology in its procurement activities had a mean score of 1.29 and standard deviation of 0.455 indicating a high level of agreement that county governments are attempting to embrace information technology in their procurement processes as stated by Arende (2015). The opinions that do you think there are factors that influence the county government's adoption of E-procurement had a mean score of 1.22 with a standard deviation of 0.420 indicating that there are some factors that influence county government's adoption of the same as stated by Mahinda (2015).

4.3.2. Ethics

| Ethics | N | Mean | Std. Deviation |
|---|---|---|---|
| Do you know what ethics is? | 80 | 1.32 | .471 |
| Do you think it's important for the county government employees to embrace ethics in their dealings with supplier? | 80 | 1.34 | .476 |
| Do the county government's employees observe work ethics when dealing with suppliers? | 80 | 1.20 | .403 |
| Do you think there are factors that influence work ethics in the county government? | 80 | 1.37 | .487 |
| Valid N (listwise) | 80 | | |

*Table 5: Ethics*

The second objective of the study was to establish the effects of ethics on supplier relationship management of county government. Respondents were required to respond to set questions related to ethics and give their opinions. The opinion in agreement that county staffs are aware what ethics is had a mean score of 1.32 with a standard deviation of 0.471. Do you think it's important for the county government employees to embrace ethics in their dealings with suppliers had a mean score of 1.34 and standard deviation of 0.476. The opinion that county government employees observe work ethics when dealing with suppliers had a mean score of 1.20 with a standard deviation of 0.403. The opinion that you think there are factors that influence work ethics in the county government had a mean score of 1.37 and a standard deviation of 0.487 signifying a high level of agreement.

### 4.3.3. Partnership Approach

| Partnership Approach | N | Mean | Std. Deviation |
|---|---|---|---|
| Have you heard about partnership approach? | 80 | 1.14 | .347 |
| Do you think it's important for the county government to embrace partnership approach? | 80 | 1.12 | .333 |
| Do you think there are factors that influence the county government's adoption of partnership approach? | 80 | 1.29 | .455 |
| Has the county government embraced partnership approach when dealing with its suppliers? | 80 | 1.19 | .393 |
| Valid N (listwise) | 80 | | |

*Table 6: Partnership Approach*

The third objective of the study was to establish the effects of partnership approach on supplier relationship management of county governments. Respondents were required to respond to set questions related to partnership approach and give their opinions. The opinion that county staffs have about partnership approach had a mean score of 1.14 and a standard deviation of 0.347 signifying a high level of agreement. Do you think it's important for the county government to embrace partnership approach hand a mean score of 1.12 with a standard deviation of 0.333. Has county government embraced partnership approach when dealing with its suppliers had a mean score of 1.29 with a standard deviation of 0.455 signifying a high level of agreement. The opinion that there are factors that influence the county government's adoption of partnership approach had a mean score of 1.19 with a standard deviation of 0.393

### 4.3.4. Organizational Structure

| Organizational Structure | N | Mean | Std. Deviation |
|---|---|---|---|
| Are you aware of the county government's organizational structure? | 80 | 1.15 | .359 |
| Do you think an organizational structure has an effect on supplier relations? | 80 | 1.10 | .302 |
| Does the county government's organizational structure affect its relations with suppliers? | 80 | 1.13 | .333 |
| Do you think the county government should adopt a new organizational structure? | 80 | 1.06 | .244 |
| Valid N (listwise) | 80 | | |

*Table 7: Organizational Structure*

The fourth objective of the study was to establish the effects of organizational structure on supplier relationship management of county governments. Respondents were required to respond to set questions related to organizational structure and give their opinions.The opinion that county government staffs are aware of the organizational structure had a mean score of 1.15 and a standard deviation of 0.359 signifying a high level of agreement. The statement that do you think an organizational structure has an effect on supplier relations had a mean score of 1.10 with a standard deviation of 0.302. Does the county government's organizational structure affect its relations with suppliers had a mean of 1.13 and standard deviation of 0.333 signifying that organizational structure affects relations with suppliers. The opinion that county government should adopt a new organizational structure so as to influence positively supplier relationship management had a mean score of 1.06 with a standard deviation of 0.244.

### 4.3.5. Factors Influencing Supplier Relationship Management

| | N | Mean | Std. Deviation |
|---|---|---|---|
| Are you aware of supplier relationship management? | 80 | 1.09 | .284 |
| Do you think it's important for the county to embrace supplier relationship management? | 80 | 1.10 | .302 |
| Has the county government adopted supplier relationship management? | 80 | 1.21 | .412 |
| Has supplier relationship management benefited the county government? | 80 | 1.19 | .393 |
| Valid N (listwise) | 80 | | |

*Table 8: Factors Influencing Supplier Relationship management*

On supplier relationship management of county government respondents were required to respond to some items related to the same. Respondent's opinions indicate county governments adoption of supplier relationship management affect positively supplier relationship management of county government. Awareness of supplier relationship management had a mean score of 1.09 with a standard deviation of 0.284. The opinion that it's important for the county to embrace supplier relationship management had a mean of

1.10 with a standard deviation of 0.302.The study concluded that supplier relationship management has benefited the county government with a mean score of 1.19 and standard deviation of 0.393.

*4.4. Correlation Analysis*
To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

4.4.1. Coefficient of Correlation
In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 9 below. According to the findings, it was clear that there was a positive correlation between information technology and supplier relationship management shown by a correlation figure of 0.966; Ethics and supplier relationship management shown by a correlation figure of 0.955; Partnership approach and supplier relationship management shown by a correlation figure of 0.881; Organizational structure and supplier relationship management; shown by a correlation figure of 0.943. This showed that there was a strong positive correlation highest being noted in information technology and lowest in partnership approach with a positive correlation.

| | Supplier Relations | Information Technology | Ethics | Partnership Approach | Organizational Structure |
|---|---|---|---|---|---|
| Supplier Relations | 1 | | | | |
| Information Technology | .966 | 1 | | | |
| Ethics | .955 | .965 | 1 | | |
| Partnership Approach | .881 | .894 | .941 | 1 | |
| Organizational Structure | .943 | .944 | .931 | .809 | 1 |

*Table 9: Pearson's Correlations*

4.4.2. Coefficient of Determination (R2)
Table 10 showed that the coefficient of determination was 0.947. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (supplier relationship management) that is explained by all independent variables. From the findings this meant that 94.7% of supplier relationship management is attributed to combination of the four independent factors investigated in this study**.**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .973[a] | .947 | .943 | .190 |

*Table 10: Coefficient of Determination ($R^2$)*

*4.5. Regression Analysis*

4.5.1. ANOVA
The study used ANOVA to establish the significance of the regression model. The significance value is 0.000 which was less than 0.05 thus the model is statistically significance in predicting how information technology, ethics, partnership approach and organizational structure affect supplier relationship management of county government. This therefore means that the regression model had a confidence level of above 95% hence high reliability of the results obtained.

| **ANOVA[a]** | | | | | | |
|---|---|---|---|---|---|---|
| | Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 10.159 | 4 | 2.540 | 11.056 | .000[b] |
| | Residual | 17.229 | 75 | .230 | | |
| | Total | 27.387 | 79 | | | |
| a. Dependent Variable: Supplier Relationship Management | | | | | | |
| b. Predictors: (Constant), Organizational Structure, Partnership Approach, Ethics, Information Technology | | | | | | |

*Table 11*

4.5.2. Multiple Regressions
The researcher conducted a multiple regression analysis as shown in Table 12 so as to determine the relationship between investment decision making and the four variables investigated in this study.

| Coefficients[a] | | | | | |
|---|---|---|---|---|---|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1   (Constant) | .251 | .214 | | 1.169 | .247 |
| Information Tech. | .465 | .132 | .474 | 3.530 | .001 |
| Ethics | .144 | .155 | .172 | .934 | .354 |
| Partnership Approach | .062 | .097 | .070 | .645 | .022 |
| Organizational Structure | .344 | .139 | .279 | 2.485 | .016 |
| a. Dependent Variable: Supplier Relationship Management | | | | | |

*Table 12: Multiple Regression Analysis*

The regression equation was:

$Y = 0.251 + 0.465X_1 + 0.144X_2 + 0.062X_3 + 0.344X_4$

Where

Y: the dependent variable (supplier relationship management).

$X_1$: information technology.

$X_2$: ethics.

$X_3$: partnership approach.

$X_4$: organizational structure.

The regression equation above has established that taking all factors into account (supplier relationship management as a result of information technology, ethics, partnership approach and organizational structure) constant at zero supplier relationship management among county governments will be 0.251. The findings presented also shows that taking all other independent variables at zero, a unit increase in information technology will lead to a 0.465 increase in the scores of supplier relationship management of county government; a unit increase in ethics will lead to a 0.144 increase in supplier relation management of county government, a unit increase in partnership approach will lead to a 0.062 increase in the scores of supplier relationship management of county government; and a unit increase in organizational structure will lead to a 0.344 in supplier relationship management of county government.

This therefore implies that all the four variables have a positive relationship with supplier relationship management with information technology contributing most to the dependent variable. However the p-values for sources of information used is greater than the common alpha level of 0.05, which indicates that it is not statistically significant. From the table we can see that the predictor variables of information technology, ethics, partnership approach and organizational structure got variables coefficients statistically significantly since their p-values are less than the common alpha level of 0.05.

## 5. Summary of the Findings, Conclusions and Recommendations

### 5.1. Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The chapter finally presents the limitations of the study and suggestions for further studies and research.

### 5.2. Summary of Findings

The objective of this study was to assess the factors influencing supplier relationship management of county governments. The study was conducted on the 80 employees out of 100 employees that constituted the sample size. To collect data the researcher used a structured questionnaire that was personally administered to the respondents. The questionnaire constituted 24 items. The respondents were the employees of county government of Taita Taveta County. In this study, data was analyzed using frequencies, mean scores, standard deviations, percentage, Correlation and Regression analysis.

From the study findings, on gender issues male respondents were the dominant group than their female counterparts and most of them were aged below 40 years. On the education, majority of respondents were college and university graduates. The study revealed that information technology positively affects supplier relationship management and that respondents were fully aware of the ethical issues in procurement at the county governments. Further the study showed that partnership approach and organizational structure have a positive impact on supplier relationship management.

According to the findings, it was clear that there was a positive correlation between information technology and supplier relationship management shown by a correlation figure of 0.966; Ethics and supplier relationship management shown by a correlation figure of 0.955; Partnership approach and supplier relationship management shown by a correlation figure of 0.881; Organizational structure and supplier relationship management; shown by a correlation figure of 0.943. This showed that there was a strong positive correlation highest being noted in information technology and lowest in partnership approach with a positive correlation.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (supplier relationship management) that is explained by all independent variables. From the findings this meant that 94.7% of supplier relationship management is attributed to combination of the four independent factors investigated in this study**.**

### 5.3. Conclusion

From the research findings, the study concluded all the independent variables studied have significant effect on supplier relationship management of county government as indicated by the strong coefficient of correlation and a p-value which is less than 0.05.The overall effect of the analyzed factors was very high as indicated by the coefficient of determination. The overall P-value of 0.00 which is less than 0.05 (5%) is an indication of relevance of the studied variables, significant at the calculated 95% level of significance. This implies that the studied independent variables namely information technology, ethics, partnership approach and organizational structure have significant effect on supplier relationship management of county governments.

### 5.4. Recommendation

The study recommended the following;
1.  That county governments should embrace information technology in their procurement processes
2.  That county governments should adopt e-procurement processes that will champion supplier relationship management
3.  That county government should have a clear partnership approach with suppliers that will be beneficial to all stakeholders concerned in procurement processes
4.  That county organizational structure should be lean to reduce bureaucracy in procurement processes

### 5.5 .Suggestion for Further Studies

The study indicates information technology, ethics, partnership approach and organizational structure have significant effect on supplier relationship management of county governments a public entity. The researcher further recommends research in related areas in the private sector.

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