

Effect of Supplier Collaboration on Organizational Competitiveness of Manufacturing Firms in Kenya: Case of East African Breweries Ltd

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Abstract: The turbulent start of the new century has brought new challenges for firms, industries and countries. Success in such times is demanding new perspectives on competitiveness. Supplier development activity involves efforts undertaken by firms to improve their suppliers' capabilities and performances. It involves looking at the various strengths and weakness of a supplier who is willing to supply you with the materials/services and helping them overcome these weaknesses so that they can serve you in a more efficient way. The purpose of this study was to determine the effects of supplier collaboration on organizational competitiveness of the manufacturing sector a case of East Africa Breweries.

The study adopted a descriptive research design with the target population of 150 employees of East Africa Breweries a sample size of 60 employees were used which were selected using stratified random sampling technique. Questionnaire was used as the data collection instrument. Pilot test was carried on five respondents to determine the validity and reliability of data collection instruments.

The study concluded that supplier collaboration increases organization competitiveness to a very great extent thus the study recommends that the manufacturing firms should work closely and support their suppliers. Having long term relationships with them so that they can end up having also collaborative relationship which in turns not only leads to a win win situation but to also a win more-win more situations.

Keywords: supplier collaboration, organizational competitiveness, buyer supplier relationships.

1. INTRODUCTION

In today's competitive business climate most organizations focus on their core competencies and outsource non-core products or services to external suppliers. Companies are becoming increasingly depending on external suppliers for resources and complementary capabilities. The levels of suppliers' capabilities and willingness have a major influence on the buying company's competitive advantage in the marketplace. Effective supplier development supports the suppliers to improve its capabilities and performance, which in return helps the buying company to achieve cost reduction, productivity improvement, quality improvement, optimal resource utilization, hence organizational competitiveness.

Supplier development is concerned in assisting the actual and potential suppliers. Supplier should at all times try in meeting its present and future requirements, since no organization is capable of satisfying all its supplies requirements from its internal sources (Aghion, 2002). Schwartz, (2005) define suppliers development as "any acting effort by the buying firm with its suppliers to increase the performance and/or capability of the supplier and meet the buying firms short and/or long term supply chain efforts by the buying firms to increase the performance and/or capability of suppliers of products in order to improve the sustainability of the objectives and core function of the buying firm.

Krause *et al.* (2007) found that commitment of the buying firm to long-term relationships with major suppliers, shared goals and values with suppliers, and the involvement in supplier development initiatives were positively associated with the buying firm competitive performance. Lascelles & Dale (1990) indicated that buying firms should treat their suppliers as partners. Handfield & Bechtel (2002) argued that investments in supplier relationships will reduce risk; by involving in activities that is usually regarded in the area of the other firm. Vonderembse & Tracey (1999) indicated that supplier partnership enables both parties to improve decision making process, enhance knowledge sharing, advance communication, and improve the overall performance of both parties. MacDuffie & Helper (1997) argued that the buying firm will gain from efforts done to improve the supplier performance, as both will share the productivity benefits.

Statement of the problem:

It is widely accepted that in order to compete and survive, management must seek, build up and maintain relationships with capable suppliers and extract the maximum value through such relationships (Carr & Pearson, 1999; Dyer, 1996). With external spend accounting for up to 60 or even 70 per cent of the budget in many industries (Heberling *et al.*, 1992), management have to work through suppliers to facilitate and realize significant cost savings and can no longer limit such efforts to their firm boundaries. The specialized competencies residing with suppliers may have a substantial influence on the buying firm's innovativeness and ability to offer high-quality products (Bessant, 2004; Dyer & Nobeoka, 2000). The performance demonstrated by the supplier on a day-to-day basis (e.g. delivery time, delivery reliability, product quality) is influential (Tan *et al.*, 1998). Other challenges to buyer-supplier collaboration range from the need for coordination of operational resources to developing the necessary capabilities required for implementing successful collaboration (Thron *et al.*, 2006). Additionally, desired collaborative benefits may actually prevent supply chain collaboration from occurring. For instance some firms view one party's collaborative win (i.e. a reduction of inventory or lowering of costs) as a redistribution of these expenses to other members in the supply chain (Ireland and Bruce, 2000; Barratt, 2004). Firms need to understand how to achieve the benefits of supply chain collaboration, while mitigating the inhibitors to, and downsides of, collaborative relationships.

Sabath and Fontanella (2002) discuss the unfulfilled promise of supply chain collaboration citing an overreliance on technology, treating every customer/partner the same, and a lack of trust as barriers to successful collaborative results. Rick Jackson, Executive V.P. at Mast Logistics He noted that companies today espouse the values of collaboration, but are often not organized for it. Compensation and incentive structures do not encourage collaboration. Further performance objectives and key metrics are too often functionally based (Ellinger, 2000; Esper *et al.*, 2010).

If companies want to derive the benefits of collaboration, they have to be prepared for the work that goes into collaborating. Maintaining long-term strategic coordination between partners, poor internal communication prior to collaboration, and the speed with which to expect benefits have all lead to collaborative failures (Bowersox *et al.*, 1999; Fawcett and Magnan, 2002; Barratt, 2004; Daugherty *et al.*, 2006).

2. LITERATURE REVIEW

Empirical review:

Comparative studies show that supply chain firms with high levels of collaboration have greater chances of sustaining their relationship than those in less collaborative supply chains (Myhr & Spekman, 2005). In this respect, buyer-supplier collaboration refers to "two or more chain members working together to create a competitive advantage (Sridharan & Togar, 2002). It is also a form of relational exchange that requires information sharing, incentive alignment and joint decision making (Corsten & Felde, 2005; Simatupang & Sridharan, 2005). This enhances trust, commitment and adaptation between firms with their suppliers subsequently resulting in relationship continuity (Heide & John, 1992; Morgan & Hunt, 1994)

By focusing on relational exchange collaboration entails the activities that are undertaken faintly rather than unilaterally (Heide 2003; Zaheer & Zenkatraman 2004; Simatupang & Sridharan 2003) suggest that the requirements for effective collaboration are mutual objectives, integrated policies joint decision making information sharing of benefits and losses. Today, buyer-supplier relationships have become "strategic" and the process of relationship development is accelerated as firms strive to create relationships to achieve their goals. An important phenomenon related to buyer-seller relationships is that many buyers are developing single source suppliers because of the pressure to increase quality, reduce inventory, develop just-in-time systems, and decrease time to market. The ultimate goal in developing these capabilities is to reduce costs.

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

3. METHODOLOGY

The research sets out the methodology adopted in this study. The methodology includes research design, population, sample and sampling technique, instruments for data collection, data collection procedure, pilot test and data processing and analysis. The proposed study was modeled on a descriptive design. According to Cooper (1996), a descriptive study is concerned with finding out who, what, where and how of a phenomenon which is the concern of the study. The study intended to determine effects of buyer-supplier collaboration on organization in East African Breweries Ltd.

The study population was 150 employees across the ranks involved in procurement duties specifically those working in procurement, supply operations, warehousing and inventory management. This study adopted a stratified sampling design in categorizing employees on different strata's (levels) they come from, as it gave each respondent in every department an equal opportunity to be selected. A sample of 60 employees was used in this study. According to Mugenda & Mugenda (2003), a minimum ten percent of the study population is adequate to form a sample size). Data was collected from primary data which is information gathered directly from respondents, the major instrument was questionnaire that contained both closed-ended questions and few open-ended questions to encourage higher response rate.

Data Processing and analysis:

The data collected from the field was analyzed qualitatively and quantitatively. For quantitative data analysis, coding and entry was done in electronic spreadsheet with the aid of Statistical Package for Social Sciences (IBM SPSS Version 21). Pearson's correlations coefficients were run to examine the relationship among the independent and the dependent study variables which are set out in the objectives of the study. The chapter first applies descriptive statistics using statistical measures such as mean, standard deviation, graphs and charts to explore the nature of the results of the variables under study. Further it also applied regression analysis to determine the relationship between the study variables and the extent of the relationship between and among the variables.

4. CONCLUSIONS

The findings show that, EABL collaborates with a supplier which has led to on time delivery, reduced delays and increased satisfaction. It was also established that most of the respondents agreed to a great extent that the company collaborates with suppliers in design and development of new products. In addition the respondents also agreed to great extent that EABL collaborates with suppliers to ensure quality supplies and as a result, improving performance. Some of the respondents however were neutral when asked whether when in collaboration, EABL shares information with suppliers hence reduced information asymmetry concerning markets. In the contrary the respondents agreed to a very great extent that collaborating with their suppliers has resulted in quality products.

5. RECOMMENDATIONS

With the disagreement among practitioners around whether buyer-supplier collaboration could lead directly to competitiveness or if the collaboration/competitiveness relationship was indirect through some other mediators; more research is needed to fully understand these differences. Clearly articulating why buyer-supplier collaborations occur, what benefits exist from the collaboration for all parties involved, and what to expect from a successful collaboration seems important. However, can more be done? Perhaps realizing how far the collaboration is removed from the end customer changes the purpose, intent, and desired outcomes of supply chain collaboration.

This piece represents a start to the further discovery of issues in and around buyer-supplier collaboration. The literature review serves as a synthesis of previous work while the data collected provide examples of current challenges faced by practitioners. Unifying the information from both provides researchers with potential areas of further analysis to better address and increase our understanding of buyer-supplier collaborations and their potential positive benefits.

6. SUGGESTION FOR FURTHER RESEARCH

The research attempted to unveil the effect of supplier collaboration on organizational competitiveness of manufacturing firms in Kenya. The study conducted in East African Breweries Ltd on the Kenyan soil which provided the researcher with more information that was important to be used for academic reference. The researcher recommends further research on the same topic but in other organizations other than a multinational company, both within the country and outside the country. This will help to establish whether the same effects will be found when the research is done on different organizations other than well established and huge companies. This will assist in providing concrete facts upon which reliable conclusions can be made.

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