EFFECTS OF SUPPLIER RELATIONSHIP MANAGEMENT ON THE TIMELY DELIVERY AND QUALITY OF PRODUCTS IN COMMERCIAL BANKS IN ETHIOPIA

A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY; COLLEGE OF BUSINESS AND ECONOMICS – SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF ART IN LOGISTICS AND SUPPLIES CHAIN MANAGEMENT

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I the undersigned, hereby declare that this thesis paper represents my own original work, except where due acknowledgement is made and has not been previously submitted for any Degree qualification in this or any other University or Institution for academic credit.

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TABLE OF CONTENTS

ACKNOWLEDGEMENTS

LIST OF ACRONYMS

SRM: Supplier Relationship Management

NBE   National Bank Of Ethiopia

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

This study was concerned on Supplier Relationship Management and its effect on timely delivery and quality of goods and services acquired by commercial Bank's Operating in Ethiopia. The main objective of the study is to examine the level of the supplier relationship management practice of Commercial Banks on their procurement activities and its effect on the quality and timely delivery of goods and services procured. The study was designed to be conducted on all the Seventeen Commercial Banks Operating in Ethiopia focusing on their procurement units. From these populations, a total sample of 385 participant size was determined using Cochran equation for determining the proportionate sample size then a stratified random sampling was employed as a sampling technique. Each Bank's procurement unit was considered as a stratum. The study has also used both primary and secondary sources. A Likert scale questionnaire was used to collect the primary data. The collected data then has been inserted in to a computer program and processed with the help of SPSS version 20.00 software packages and was analyzed using descriptive statistics, Pearson correlation and multiple regression analysis to detect whether the stated variables are related or not. The major findings of the study indicate that the level of the supplier relationship management in most commercial Banks is very low and the major aspects of supplier relationship management are not yet institutionalized and practiced in the Banking industry in general in that attributes constituting to supplier relationship management and its manifestations are missing in their supplier identification, selection, development, measurement and risk management. The study also reveals that Supplier Relationship Management has a significant positive relationship with quality and timely delivery of goods and services procured by those commercial Bank's studied in this research, however the regression result of supplier relationship management on timely delivery is not as strong as it has been observed on quality indicating existence of other factors explaining timely delivery of goods and services for which suggestion is provided for future researches in this regard. The researcher finally recommends the need for adapting the concept of supplier relationship management by identifying and institutionalizing the concepts of SRM in all the procurement process and thereby improves timely delivery and quality.

Keywords: *supplier Relationship Management, Quality, Timely Delivery.*

CHAPTER ONE

INTRODUCTION

This introductory part of the research paper will discuss the background information regarding SRM, quality and timely delivery of goods or services. It also describes motivation of the research, the research problem, objective and the research questions.

1.1   BACKGROUND OF THE STUDY

Quality and timely delivery of products or services are the most sought aspects by any rational buyers while dealing with procurement of goods and services. Yet, these aspects are not easily met despite different process of buyer and supplier dealings which ultimately affect customer satisfaction and loyalty in the buyer – supplier relationship. Moreover, various additional costs are born by buyers when the quality and timely delivery of goods and services is compromised by suppliers (Asghar *et al.*, 2011).

Cognizant of the enormous costs and negative consequences resulting from poor quality and late delivery of goods and services which in turn affects company performance and competitiveness, scholars have written different articles regarding quality and timely delivery of products along with relationships between buyers and suppliers. On the other hand, competitive forces are putting firms under pressure to improve quality, delivery performance, and responsiveness while simultaneously reducing costs. In response, firms are increasingly exploring ways to leverage their supply chains, and in particular, to systematically evaluating the role of suppliers in their activities (Kannan and Tan 2006).

Nonetheless, the traditional evaluation of supplier is still applied to get the required level of quality and timely delivery of goods and services which mainly focus on: Price Offered by the supplier which usually tend to the list price offers of supplier, Quality as prescribed by the supplier and subsequently appraised through technical evaluation of the buyer, Delivery time as described on the supplier offer, Previous experience and performance as per agreed terms and conditions and etc. Although these aspects are pretty important points that need to be well considered in evaluation of suppliers, they may not necessarily guarantee for the required features, as the type and level of relationship established with suppliers of goods and services has much impacts on the true quality and timely delivery (Imeleny Imo Samuel 2014).

As (Kannan *et al.*,(2006) described; the benefit to a buyer of developing close relationships with key suppliers comes in the form of improved quality or delivery service, reduced cost, or some combination thereof. At a strategic level, it should lead to sustainable improvements in product quality and innovation, enhanced competitiveness, and increased market share.

A study conducted by Yonas Dubale, (2014) indicates that, more than two third of the organizations" annual budget is spend through procurement. Every activity of the organization, either service or goods provider, is highly attached with the procured product.

Today, Banks in Ethiopia spend a substantial amount of money on procurement of goods and services that are essential and/or supportive to their business which range from Banking Software solutions and support services which is a central aspect to their main business to vital equipment, furniture, fixture and stationary materials etc.

1.1.1 SUPPLIER RELATIONSHIP MANAGEMENT

Supplier relationship management is the business process that provides the structure for how relationships with suppliers are developed and maintained. It 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,

Supplier relationship management represents an opportunity to build on the success of strategic sourcing and traditional procurement initiatives. It involves developing partnership relationships with key suppliers to reduce costs, innovate with new products and create value for both parties based on a mutual commitment to long-term collaboration and shared success. (M. Lambert and A. Schwieterman, 2012)

In this kind of close relationships, the use of a formal contract with supplier regarding quality, quantity, price, delivery and payment terms, is quite often (Ragatz *et al.*, 1997). Buyer and supplier responsibilities are delegated with clarity and according to joint agreement. Buyer pursuits a close, regular contact with suppliers so that he can be kept well

informed about supplier's problems and plans (Tan *et al*., 1999). Buyer handles the feedback received from day to day contacts with suppliers including complaints, in order to identify improvement areas (Handfield and Nichols, 1999). For the same purpose, buyer must be willing to accept and implement improvement suggestions made by the supplier.

1.1.2 THE ETHIOPIAN BANKING INDUSTRY PROFILE

Ethiopia's banking industry has witnessed growth especially since the liberalization of the industry to local private Banks in 1994 where 16 private banks has joined the industry since then. And currently the are a total of 18 Banks in which 1 is Development bank while 17 are commercial banks having various market shares as shown in the following table.

Table 6: List of Commercial Bank's Operating in Ethiopia

NO.	Bank Name	Year Est.	No of Branches	MKT. SHARE ON PFT. 2013/14
1	Commercial Bank of Ethiopia	1963	909	67.24%
2	Awash International Bank	1994	191	5.97%
3	Bank of Abyssinia	1996	111	2.44%
4	Wegagaen Bank	1997	98	2.73%
5	United Bank	1998	108	2.43%
6	Nib International Bank	1999	98	2.91%
7	Dashen Bank	2003	146	6.43%
8	Cooperative Bank of Oromia(s.c.)	2005	190	3.36%
9	Lion International Bank	2006	67	0.89%
10	Oromia International Bank	2008	115	1.42%
11	Bunna International Bank	2009	72	0.76%
12	Zemen Bank	2009	1	0.91%
13	Abay Bank S.C.	2010	79	0.52%
14	Berhan International Bank	2010	46	0.91%
15	Addis International Bank	2011	18	0.42%
16	Debub Global Bank	2012	32	0.13%
17	Enat Bank	2013	7	0.27%
	Total		2357	100.00%

Source : NBE Quarterly Report December 2015.

Ethiopia's financial system is still small and largely dominated by the state. Currently public banks account for 67% of total deposits and 55% of loans and advances. The financial services industry is one of the least developed in the Eastern Africa region. The banking sector is heavily regulated. As at October 2013, pan-African financial services provider Eco bank estimated Ethiopia"s unbanked population to be around 80 million people. This implies that financial inclusion still remains low even by East African standards.

The private banks operate under Proclamation No. 592/2008. Most private banks are under the age of 20. Out of the 16 private banks, 9 are younger than 10 years. Thus, it is a sector at its infancy stage but growing fast with expansion and the need for its supplies and procurements are increasing accordingly.

The scale of operation and volume is increasing from time to time. The data obtained on this study revealed that the 17 commercial Banks on average has a combined yearly procurement amount ranging from 50,000,000.00 – 100,000,000.00 and deals with more than 50 suppliers every year.

1.2   STATEMENT OF THE PROBLEM

The main focus while procuring goods and services by an organization shall be selecting the one that fulfil the required quality and delivered within a reasonable time frame or deadline set for the delivery. To this effect, there are different policies and procedures developed to guide the way for the acquisition of goods and services are carried out. Most of the policies and procedures developed in this regard however largely define the broad aspects how procurement of goods and services can be carried out and procedures required to follow while dealing with purchase of goods and services. However, little or nothing is stated on the type and level of relationship that must be established with the supplier while it has substantial importance and benefits in this regard.

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).

To the level of the researcher understanding no research works are done that directly relates with the level and practice of supplier relationship management in the Banking sector procurement practices and other organizations in Ethiopia.

Supplier relationship management process provides the structure for how relationships with suppliers will be developed and managed and is comprised of : reviewing corporate, marketing, and sourcing strategies; identify criteria for categorizing suppliers; provide guidelines for the degree of customization in the product/service agreement; develop framework of metrics; and develop guidelines for sharing process improvement benefits with suppliers. Hence, Management identifies those suppliers and supplier groups to be targeted as part of the firm"s business mission (Douglas Flynn *et al.,* 2012).

This study therefore, sought to find out the level of understanding on supplier relationship management and its alignment with the organizational vision along with to what extent the procurement practice in Ethiopian Banking industry is adopting best practices in managing suppliers relationship to bring about the required quality and timely delivery of procured items both from the perspectives of procurement unit personnel and final users of procured items in selected banks.

Supplier Relationship Management which entails determining how buyers interact with suppliers and is a mirror image of customers relationship management which helps to ensure quality of goods and services, timely and assured deliveries and information flows to assist both organizations in planning.(Ondieki John, *et al*; 2015).

From experience and an informal survey in work places at the Banking industry, there are complaints on quality and timely delivery of goods and services. This paper is aimed at finding and measuring the relationship between supplier relationship management and timely delivery and quality of products.

1.3 THE RESEARCH QUESTIONS

To guide the research under study, the following research questions were poised and formulated as a research question to be addressed on the study:

1. Which aspects of SRM are well understood and practiced in the Banking industry procurement practice?
2. How SRM is being practiced in banking industry?
3. To what extents are components of SRM are practiced?
4. How SRM will affect the quality and timely delivery of goods and services procured?
5. What effects observed or benefits are obtained in SRM practices of Banks?

1.4   OBJECTIVE OF THE STUDY

The main objective of the study is to examine the level of the supplier relationship management practice of Banks" on their procurement activities and its effect on the quality and timely delivery of goods and services procured.

The study specifically tries:

- To assess the level of understanding on supplier relationship management among procurement unit personnel,
- To identify the components of supplier relationship management which are being well practiced or are missing in banks,
- To assess the level of SRM practices of banks,
- To examine the effects of SRM on the quality and timely delivery of goods and services procured,
- To measure the perception of procurement personnel,

1.5   SIGNIFICANCE OF THE STUDY

The study can be a valuable document to anyone interested to find out what supplier relationship management is about along with its benefit and impact. In specific terms it will help to see the impact of supplier relationship management on timely delivery and quality of products upon dealing with the procurement of goods and service. The results of this study will help to comprehend the realities on the ground in some parts of the Ethiopian banking industry actual practices on supplier relationship management or part of its components and the benefit acquired in practicing such components in their procurement practices.

The level of supplier relationship management on the selected banking industry businesses is also envisaged on the study which may serve as a reference for future assessment and recommendation on the subject. It is also believed that, the study will reveal the current practice on supplier relationship management on the part of key procurement unit personnel along with its relationship with quality and timely delivery in the some part of banking industry. At micro level the paper may serve to see what the real components of supplier relationship management are and how each of the components can be practiced to bring about the required integration with the supplier.

At a strategic level however, this document will be a helpful document to see how a supplier relationship management will benefit in attaining organizational vision creating a strategic partnership alliance with key suppliers that will understand and help the realization of corporate vision making the procurement practice as one of a winning strategy among other things for the achievement of major organizational objectives.

1.6   SCOPE AND DELIMITATION OF THE STUDY

The study is conducted on all Seventeen (17) commercial banks operating in Ethiopia However; the survey is conducted only at the Banks" Head Office procurement units located at the Addis Ababa City. Moreover, it is carried out from April 03 to May 16,2017 which then only reflects respondents perception and Bank"s situations in the stated period.

 Although there are different methods that can be applied to conduct such type of study, the researcher has applied a survey methodology using a stratified sampling technique among other methodologies and technics like interview were not applied which may help to gather additional data. The research does not also include price and other factors which may have effects on quality and timely delivery. Supplier and other perception on the procurement practices, the timely delivery and quality of goods and services procured were not included.

1.7   ORGANIZATION OF THE RESEARCH REPORT

The research has five chapters, excluding the pre-pages and annexes. Chapter one is entitled as introduction which constitute and describes the background of the study, statement of the problem, basic research questions, objectives of the study, definition of terms, significance of the study and scope and delimitation of the study.

Chapter two is dedicated to and deal with concepts, theoretical and empirical literatures that are believed to aid in the attainment of the objectives of the study, a survey of the available literature that was undertaken are presented in this chapter. The literatures are believed to provides the theoretical grounding that forms the foundation of the study, concerning the process of public procurement.

Chapter three describes methods used for the study and provide discussion of the research methodology used to investigate the research problem. The type and design of the research, conceptual framework adapted from previous studies, participants of the study, the source of

data, the data collection tolls or instruments employed, the procedure of data collection and the method of data analysis will be described and discussed in this chapter.

Chapter four presents the results of the data from the research study summarizing the findings of the study with a detailed discussion and interpretation.

Finally, chapter five sets summary of findings, conclusions, limitation of the study and recommendations forwarded based on the analysis, findings, interpretation and implications.

1.8   DEFINITION OF TERMS

Terms used in the study has the following meaning and definitions:

Supplier/Vendor: an organization or entity that is engaged in providing products or service that an organizations wants to procure/buy.

Relationship: refers to connection created during dealings.

Supplier Relationship Management: is a skillful, purpose oriented administration of relationships that are established with key suppliers of goods and services to create sustainable values that go beyond supply of goods and services and yield benefits mutually.

Supplier alliances: is a relationship developed to a point where there exists a shared goal, trust, open communication, and a commitment to sharing information, continuous improvement, joint problem solving, and responding rapidly to failures to meet expectations (Frankel *et al.,* 2000).

Quality: an item/service attribute & feature which fulfil the need or requirements of the user.

Delivery: is act of bringing up and handover of the required good and services to the one who wants and set and order to be supplied.

Timely Delivery: is manner of delivery in which good and services procured and ordered to be supplied are brought to a buyer on the exact time or period they are needed to be received.

Procurement: is the process of obtaining goods and/or services in exchange for monetary value or other ways including borrowing leasing and pillage.

Effect: is a notable outcome brought through an interaction and influences resulting from such interaction.

Policies: is a set of valued principles adapted and articulated by an organization to guide its activities in general terms.

Procedure: specified way to carry out an activity or a purpose.

Bid: means a method in the procurement process extending from advertisement of or invitation to bid up to signing of contract.

Efficiency: acquiring goods and services with available: resources, organizational capabilities, personnel with planned /envisaged type and volume of procurements.

Effectiveness: refers the extent to which an entity is able to procure goods and services of quality in a timely and most economical manner.

CHAPTER TWO

RELATED LITERATURE REVIEW

In this chapter Supplier Relationship Management theoretical concepts and imperial research findings of various researchers obtained during reviewing related literature will be presented in a way that will help to synthesize them with this study.

2.1   THEORETICAL REVIEW

Procurement implies the acquisition of goods or service in return for a monetary or equivalent payment including borrowing or leasing and is a wider term than purchasing, which is a processes undertaken by the organizational unit that, either as a function or as part of an integrated supply chain, is responsible for procuring or assisting users to procure, in the most efficient manner, at the right time, quality, quantity, price and the management of suppliers, thereby contributing to the competitive advantage of the enterprise and the achievement of its corporate strategy (Lysons and Farrington 2006).

Customarily, procurement was expected to ensure the timely availability of products and services while also being responsible for accurately processing transactions. Functional competencies like negotiation skills, market analyses, and cost & risk management were perceived as the key to success (Alle rechten Voorehouden; 2013).

The role of the procurement function however, is drastically changing in today"s world. Because suppliers play an increasingly crucial role in contributing to the competitiveness of the buying firm, the relationship between buyer and supplier is of vital importance Managing supplier relationships to create an efficient supply chain can enhance the buying firm"s competitiveness and performance against other.(Narasimhan and Talluri, 2009).

2.1.1   SUPPLIER RELATIONSHIP MANAGEMENT

Supplier relationship management is a business process that deals with how relationships with suppliers are developed and maintained. It has become a critical business process as a result of: competitive pressures; the need for sustainability and risk management; the need to

achieve cost efficiency and 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).Sharing information can promote integration with suppliers(So and Sun, 2010) and key metrics can be used to drive performance (Kim *et al.,* 2010) and align perceptions(Giannakis, 2007). Higher levels of integration with suppliers results in improved performance (Frohlich and Westbrook, 2001; Rosenzweig *et al.*, 2003).

However, the appropriate level of supplier integration will depend on the relationship, and an effort should be made to identify a strategy tailored to each relationship (Lambert, 2004; Das *et al.,* 2005). Moreover, integration of suppliers beyond the first tier of the supply chain may increase firm performance (Lambert, 2008; Kannan and Tan, 2010).

In general a buying firm most capable of understanding and integrating supplier perspective into development initiatives will have the best ability to influence and motivate the supplier through development activities, thereby maximizing the performance and value potential of the relationship (Ramsay and Wagner, 2009; Schiele and Krummaker, 2011).

2.1.2   ATTRIBUTES OF BUYER AND SUPPLIER RELATIONSHIP

Attributes of buyer and suppliers relationship include :**Identification of appropriate suppliers, Attractiveness, Trust, Coordination, Communication, Interdependence** and **Conflict Resolution** Which are considered essential for the relationship. (Mikael Frödell, 2011).

A. **Identification of appropriate suppliers:** in commodity/Supplier selection process which concerns the buying company‟s identification of specific commodities for relationship development as well as formal processes for identification of appropriate suppliers, relationships not should be pursued with all suppliers. Before initiating a long-term relationship, a formal assessment of the cultural alignment between the companies should be performed as well as of the supplier‟s capability to improve and

willingness to initiate a long-term relation with the buying organization. (Monczka *et al*. 1998).

B. **Attractiveness** implies that the customer creates interest from the supplier leading to benefits such as higher commitment of resources to the customer. Attraction between the parties is needed during the entire relationship lifespan and is argued to be a way of increasing the added value of the buyer-supplier relationship. Attraction is also a prerequisite for trust (Ellegaard and Ritter,2006).

C. **Trust** is the most critical factor and is founded in reliable role performance, cultural alignment, and interaction frequency. It is concluded to be stimulated by greater task coordination and by doing what is said to be done.(McAllister, 1995).

D. **Coordination:** is also the most critical factor and is founded in reliable role performance, cultural alliance, and interaction frequency with greater task organization and synchronization (McAllister, 1995).

E. **Communication:** both the extent and depth of sharing of information play an important role in managing the relationship.(Monczka *et al*. 1998). Moreover, the quality of shared information has to be credible in order to increase trust in the relationship.(Ryu *et al*. (2007)

Buyer-supplier communication is one of the factors which is vital that enable suppliers to be provided with the necessary information in order to ensure a high level of service. In addition to formal communication, informal communication is also very important in buyer-supplier relationship.(Krause 1999).

F. **Interdependence:** which exist when one actor does not control all of the conditions necessary for achievement of a desired outcome, but a reciprocal dependence is present.(Ellegaard and Ritter 2006).

G. **Conflict resolution:** relates to the manner in which conflict in the relationship is resolved. A joint problem solving is a means for improving quality performance because it is more likely to lead to a win-win situation between the parties. (Monczka *et al*. 1998). Moreover, the buying organization would like to see some evidence of the supplier"s commitment to the relationship and that this may be fostered through the buying organization"s engagement in the supplier"s problems. If the buyer is

treating these problems as a matter of internal concern, the supplier may be encouraged to commit to a long-term relationship with the buying organization (Krause, 1999).

2.1.3 TYPES OF SUPPLIER RELATIONSHIPS

There are various views and models on how relationships with suppliers should be categorized based on the value they bring to organizations. (Trent 2005) has introduced the Four C"s of supplier relationships. In his opinion, there are four different types of buyer-supplier relationships, which consist of: **Counterproductive** (lose-lose), **Competitive** (win-lose), **Cooperative** (win-win), and **Collaborative** (win-win). The following explanation is based on both studies of (Trent 2005) and (Zamboni; 2011).

I. **Counterproductive (Lose-Lose):**is also called antagonistic relationships and Work actively against each other"s needs. Neither party takes responsibility for what happens in a relationship. Destructive conflict occurs.

Counterproductive relationships happen when parties work against each other; therefore, no profits would be generated out of this relationship. This type of relationship is obviously not recommended in business.

II. **Competitive (Win-Lose):** is also called adversarial or distributive relationships engaged in a competitive struggle to divide a fixed amount of value. It attempts to maximize value for each side. It is characterized with minimal sharing of information.

The competitive relationship exists where members performing in their self-objective to gain a bigger value share and they do not work together to create new values.

III. **Cooperative (Win-Win):** is also called integrative relationships. It is a longer-term relationships result from mutual goals. There is an increased supplier involvement during product development. In such type of relationship, open sharing of information occurs, including sharing of cost data.

The cooperative relationships occur when suppliers are supposed to be in a longer-term strategy of a consolidated supply base. These relationships are committed by long-term contract, and discussions on how to improve cost, quality and other matters to provide a more effective supply chain.

IV. **Collaborative (Win-Win) :** is also called integrative or creative relationships. Congruence of goals and co-destiny exists. Companies in collaborative type of relationship jointly identify new market opportunities. They also jointly identify creative solutions to problems

The collaborative relationships only involve a limited number of suppliers that provide goods or services that are critical to the company. Buyers and suppliers in this case will work together to create joint development and other innovative processes. This last type of relationship is also called „strategic alliances". Strategic Alliances relationships require significant investments of both buyers and sellers to create a major market breakthrough. These alliances are major concerns to top management. (Leenders *et al.*, 2006) and (Leenders *et al.* 2006). In addition, (Cox 1999) develops a relationship model to better describe and categorize the relationships between suppliers and buyers as indicated in the table below. The model by Cox suggests that buyers and suppliers interact in two-dimensional areas of relationships.

Inequality **RELATIVE SHARE** **OF VALUE** **APPROPRIATION**	Adversarial Arm's-Length Relationship	Adversarial Collaborative Relationship
Equality	Non-Adversarial Arm's-Length Relationship	Non-Adversarial Collaborative Relationship
	Arm's-Length	**Collaborative**

WAY OF WORKING

Figure 1. Relationship portfolio (Adapted from Cox, 1999).

The lower dimension is the way of working which implies the operational interaction between two organizations. The arm's-length way of working refers to the case that buyers give suppliers basic information and suppliers deliver limited information to suppliers (Cox & Ireland, 2002).

The other aspect of the relationship is the shared business goals and value between buyers and suppliers (Cox, 2001). Based on Ha *et al.'s* study (2011), if both parties only want to optimize their share of value without taking into account the partner's benefits, it is called adversarial value appropriation. By contrast, if they want to share the value with each

other in a win-win relationship, it is called non-adversarial value appropriation (Ha et al., 2011).With these two aspects, four relationship management styles have emerged (Cox, 2004).Compared to Trent"s model, the four relationship styles are similar to the four styles in his above model.

However, it is defined more clearly with the „way of working" dimension, which brings a more concrete approach to relationship categorization. In line with Trent"s model, Cox (2004) has described the four styles as below:

I. **Adversarial arm's-length – Counterproductive (Lose – Lose)**: exchange partner aims at maximizing the share of value and it is usually short-term interaction.

II. **Non-adversarial arm's-length – Competitive (Win – Lose)**: exchange partner pays the current market price without heavy bargaining.

III. **Adversarial collaboration – Cooperative (Win – Win)**: exchange partner gives operational & relationship-related information, but wants to optimize share of value.

IV. **Non-adversarial collaboration – Collaborative (Win – Win)**: exchange partner works transparently, builds long-term relationship and shares value equally.

Peter Kraljic develops another traditional model that is well known among purchasing and supply chain professionals in 1983 (Figure 2). Differing from Trent"s model (2005), Kraljic"s model does not focus on the values generated for both suppliers and buyers from the relationships; he focuses more on the profit impact and supply risk mostly for the supplier side (Gelderman & Semeijn, 2006).

	Leverage items:	Strategic items:
High	− Standard, substitutable	− Strategically important
	− Alternative Suppliers	− Substitution difficult
	− High Volume or cost	− No alternative suppliers
PROFIT IMPACT	Non-critical items:	Bottleneck items:
	− Standard, substitutable	− Substitution difficult
	− Alternative suppliers	− Monopolistic market
Low	− Low volume or cost	− Critical items

Low ⟶ **High**

SUPPLY RISK

Figure 2. The purchasing portfolio matrix. (Kraljic, 1983).

According to the purchasing portfolio matrix of Kraljic above, products are classified into: high-supply and low-supply risk and high-profit impact and low-profit impact characteristics,

resulting in four different product groups, which are strategic, bottleneck, leverage and non-critical items (Gelderman & Van Weele, 2002).

Therefore, suppliers with items falling into these groups can also be assigned to those four different categories (Nellore & Soderquist, 2000). Among these four, the strategic and bottleneck suppliers are the most important ones that companies should pay more attention to, while the leverage and non-critical suppliers can have lower attention from sourcing managers (Gelderman & Van Weele, 2003).

It can be seen that the strategic relationship is nearly the same as collaborative(win-win) relationship in Trent‟s model, strategic alliance in Leenders et al.‟s research and non-adversarial collaboration in Cox‟s model. Even though the other three styles are not congruent to the rest of the categories in other models, Kraljic takes into account the characteristics of the products. Therefore, his model provides another aspect of classifying the relationships with suppliers. From these models, it can be concluded that the relationships cannot be the same with all suppliers. More importantly, companies should categorize their suppliers based on strategic value such as risk, profit or business objectives to decide the best relationship type and relationship management towards suppliers.

2.1.4   THE PROCESS OF SUPPLIER DEVELOPMENT

Hartley and Choi (1996) proposed a process model of supplier development consisting of five factors: Supplier‟s top management commitment; Supplier‟s team leadership; Capable joint-development team; Data driven changes; and Success of a model line.

The steps of the model are: To assess the supplier‟s readiness for change; to build commitment through collaboration; to implement system wide changes; and to transform the supplier‟s organization (Hartley and Choi; 1996).

Krause *et al.* (1998) discuss a reactive approach to supplier development versus a strategic approach. The reactive approach focuses on a supplier whose performance threatens the buying firm‟s ability to provide competitive products or service to its own customers.

A strategic approach consists of the allocation of resources to supplier development in the areas that will provide competitive advantages. Rogers *et al.* (2007) analyze two competing

views of supplier development programs based on the logic of rational efficiency and the logic of institutional symbolism, respectively.

Supplier relationship Management is focused on joint value creation based on trust, open communication and collaboration with a limited number of key suppliers. Leveraging on supplier capabilities is mentioned as the most important objective (Alle rechten Voorehouden; 2013).

2.1.5   STRATEGIC SUPPLIER RELATIONSHIP MANAGEMENT

At the strategic level, the supplier relationship management process provides the structure for how relationships with suppliers will be developed and managed. It is comprised of five sub-processes (A. Schwieterman, 2012):

- *Review corporate, marketing, manufacturing and sourcing strategies;*
- *Identify criteria for categorizing suppliers;*
- *Provide guidelines for the degree of customization in the product/service agreement;*
- *Develop framework of metrics; and*
- *Develop guidelines for sharing process improvement benefits with suppliers*

The supplier relationship management process team reviews the corporate strategy, along with the marketing, manufacturing and sourcing strategies, in order to identify supplier segments that are critical to the organization"s success now and in the future (M. Lambert, *et al*, 2012).

Identify criteria for segmenting suppliers

In order to determine which suppliers the firm will develop tailored Product and Service Agreement (PSA) as well as those to be grouped into segments with a standard PSA that meets the firm"s goals and generates a reasonable profit for the suppliers. Possible segmentation criteria include (Burt *et al*., 2003):Profitability; Growth and stability; Criticality; The service level necessary; The sophistication and/or compatibility of the supplier"s process implementation; The supplier"s technology capability and compatibility; The volume purchased from the supplier; The capacity available from the supplier; The culture of innovation at the supplier; The supplier"s anticipated quality levels, Potential to co-create value and Sustainability (environmental, social and economic)(Lee, 2010).

The appropriate criteria must meet the specific needs and goals of the firm. It should be determined which criteria to use and how suppliers will be evaluated on each criterion. A segmentation scheme is developed that will be used at the operational level to identify key suppliers and segments of other suppliers (Enz and Lambert, 2012).

For non-critical and leverage items, it was not necessary to have cross-functional teams interacting with the supplier. Salespeople from companies that provided these commodities called on buyers as they traditionally had done and buyers selected suppliers based on price and service. Bottleneck items were those for which was low in spending but they were very complex such as cooking oil due to the effect it has on taste, health concerns (trans fats) and difficulty of disposal.

Strategic items are both high in complexity and high in the amount spent per year. Suppliers of these commodities shall be candidates for a partnership meeting. Cross-functional teams from the supplier shall have initiatives to increase revenues and reduce costs, thereby improving the financial performance of both firms. (Lambert and Knemeyer, 2004).

The Coca-Cola Company has implemented the supplier relationship management process and it is seen that supplier segmentation matrix developed at the strategic level to guide in the segmentation of suppliers. At Coca-Cola, the strategic Supplier Relationship Management team decided that supply risk and potential to add value are used as the segmentation criteria. (M. Lambert and Matthew A. Schwieterman, 2012)

The customer relationship management (CRM) and supplier relationship management (SRM) linkage Supplier relationship management as a macro business process. However, SRM requires completely different skills like influencing, leadership and change management. Traditionally, buyers do not naturally have such skills or are not trained to develop them (Douglas M. Lambert and Matthew A. Schwieterman 2012).

2.1.6   STEPS ON SUPPLIER RELATIONSHIP MANAGEMENT ACTIVITIES

There are certain activities that Supplier Relationship Management in any organization should focus on (Trent, 2005).Those activities include: **Supplier Selection, Supplier Evaluation, Supplier Segmentation, Relationship Development, Performance Measurement, Risk Management, Supplier Development and Supplier Relationship Performance Measurement.**

1) Supplier Selection

Supplier selection is very critical in order to achieve efficient manufacturing and supply chain management (Park *et al*., 2010). The important role of buyers here is to choose from the available suppliers the best ones that can provide the best combination of value, cost and functionality (Cox, 2004).

Suppliers are first evaluated based on some standards, and then either being selected or rejected. Since this activity is highly important as it will set up the whole supplier management process later, there are some problems that buyers have to deal with.

- First is the single sourcing, where the goal is to meet the requirements with one supplier. Sourcing manager then needs to choose wisely the most suitable one.

- Another issue is the multiple sourcing, where it is impossible to satisfy the needs with only one supplier; the sourcing manger is required to choose several ones and assign the supplies reasonably among them. (Park *et al*., 2010).

When selecting suppliers, companies need to take into consideration many criteria (Handfield *et al.,* 2009). According to (Leenders *et al.* (2006,), these include: Financial health, Technological capability, Geographical location or Quality system.
The decision of choosing suppliers also depends on the relative size advantages it has over the suppliers. Accordingly, buyers can decide to select suppliers when it can have relative size advantage or not. A buyer can have bigger impact if they represent a larger share of the supplier‟s business (Handfield *et al*., 2009).
Moreover, (Lysons, 2000) also indicate other issues to be considered when selecting suppliers such as **domestic or international suppliers, low-cost sourcing, competitors as suppliers and the social perceptions towards the suppliers.**
Therefore, in order to choose the most suitable suppliers, companies need to set up clearly all these key criteria regarding their own business needs and situation.

2) Supplier Evaluation

Supplier evaluation in Supplier Relationship Management is defined as ‚the process of quantifying the efficiency and effectiveness of supplier action‟ (Neely *et al*, 1995). Supplier evaluation is designed to support the decision-making of the buying

company about evaluating suppliers (Neely *et al.* 1997). Through that, it is possible for the company to implement or encourage changes in the evaluated supplying company"s behaviors (Neely *et al.*, 1997).

Supplier evaluation is an essential task to manage the relationships between suppliers and buyers successfully. There are two phases when supplier evaluation is carried out.

▪ One can be seen in the selection task of the buying company. In this phase, evaluation plays a role in placing preference order for potential suppliers in order to select the better one.

▪ Another phase where supplier evaluation appears is in the end of supplier development activity with the purpose of controlling and evaluating the buyer-supplier relationship (Oriso *et al.*, 2014).

Furthermore, this activity is used as a means to make some effects on supplier action(Schmitz and Platts, 2003).Nonetheless, evaluation is a generic term that can refer to different individual activities in any process.

Different researchers have thought of evaluation as the act of segmenting and classifying suppliers based on certain criteria (Olsen & Ellram, 1997; Araz & Ozkarahan, 2007).Therefore, not only the performance but also the segmentation of suppliers should betaken into account in supplier evaluation.

3) **Supplier Segmentation**

Supplier Segmentation relates with supplier evaluation process (Olsen & Ellram, 1997; Araz & Ozkarahan, 2007). However, it is described separately in this section to further clarify the objectives and activities of supplier segmentation.

Segmentation is an important business activity since it can contribute to support the company"s efforts to sustain and improve its stand in the market, as well as other strategic objectives (Svensson 2004).

Segmenting suppliers in the supply base will help to guide the future direction of the buyer-supplier interaction (Day*et al.,* 2010). They also indicate that this activity is an essential input for the process of strategic sourcing.

According to Day*et al*., (2010), it is when companies can evaluate the supplier selection decision, and take consideration of the past cooperation as well as the future capabilities of value generation and potential collaboration.

Hence, supplier segmentation plays a critical part in connecting the firm‟s abilities to get the best value out of suppliers (Day *et al*., 2010). Kraljic‟s model is a major breakthrough for ranking suppliers in the purchasing history (Svensson, 2004).

In Kraljic‟s model, suppliers can be categorized based on their levels of **profit impact** and **supplier risk**. After the invention of Kraljic‟s model, there are many other models developed for this purpose such as in the research of Olsen and Ellram (1997) or Araz and Ozkarahan (2007). Most of the models have two dimensions, and suppliers are classified based on those dimensions.

- The frame work created by Olsen and Ellram (1997) places suppliers according to their performance, such as: the attractiveness of the supplier and the strength of the relationship.

- In another model by Sarkar and Mohapatra (2006), the suppliers are considered with regards to : short-term performance and long-term capabilities.

- PwC (2013) suggests a model with „competitive advantage and business fit‟ on one axis, and „performance at risk‟ on another, in which suppliers are categorized as preferred, transactional, strategic or development suppliers.

Besides ranking the suppliers based on different strategic features, Lamming (1998)specifies the term „first‟, „second‟ or „third‟tiers, which are „used to indicate the degree of influence the supplier exerts in the supply chain rather than some fixed position in a hierarchy‟.

According to Lamming (1998):

- First tier suppliers are the ones with integrated systems to supply directly to buyers or the ones who have significant technical impact on the buying companies if they supply indirectly.

- Second tier suppliers are the ones who provide support service or provide inputs for the first tiers.

Due to the fact that there are many ways to segment the supply base, an organization should take into account the most important aspects to the corporate strategy (industry, specific requirements, etc.) and choose the best fit for its segmentation process (PwC, 2013).

4) Relationship Development

Relationship development is different from supplier development, which involves two-way interaction, and focuses on the relationship rather than the delivery of products(Fogg"s study 2009).

Relationship Development begins with the current good relationship between members, while supplier development process is tactical and mostly tries to solve problems (Fogg"s study 2009).

Relationship development is defined as „a two-way process between buyers and sellers where activities jointly undertaken bring the organizations and the people working within them progressively closer towards a more trusting and mutually beneficial state"(Fogg, 2009).

To be able to handle relationship management, it is beneficial to have human investment from the beginning of the relationship (Ford, 1980). There should be inter-organizational communication between buyers and suppliers (Paulraj *et al.*, 2008) and suppliers should be invited to contribute ideas in the process (Trent, 2005).

Besides, employees from the buying company need to understand people from the supplying company, where they want to lead their organizations, and what they are aspired to do (Fogg, 2009). Moreover, regular meetings should be held to have frequent updates and further engage people from two organizations to each other (Fogg, 2009).

In addition, Mentzer et al. (2007) and Ford (1980) specify that in order to develop good relationships between buyers and suppliers, both firms need to develop trust and commitment in the long term, pursue mutual benefits with support from top management, have constant sharing of information, as well as strong and open communication.

5) Performance measurement

According to Handfield et al. (2009), purchasing performance measurement is a standardized and systematic way to control and review purchasing or supplier performance. Cousins *et al*. (2008) added that performance measurement gives companies useful information to plan and manage different activities of the organization. Besides,

Performance measurements can include: Delivery Performance, Quality Performance, Cost Reduction or Other Qualitative factors, (Handfield *et al*. 2009).

There are different ways to conduct supplier performance measurement such as using a balanced scorecard (Kaplan & Norton, 1996) or the performance pyramid (Cross &Lynch, 1992). Companies always need to measure the performance is to support better managerial decisions, and effectively adjust the relationship to the goals of the companies (Olsen and Ellram, 1997).

Moreover, performance measurement also underlines the needs for personnel training and helps to provide suppliers with feedback in order to prevent or correct any problems that might arise (Leenders *et al.,* 2006).

Most importantly, the measurement results can stimulate and direct action as well as behavior of suppliers (Leenders *et al.,*2006). Purchasing organizations measure because they want to make sure the performance goes in line with what has been agreed, to identify any possibility for process improvements as well as to indicate any drawbacks from both sides(Fogg 2009).

What to measure is another question in this activity, Companies should measure what is important to them, especially taking strategic goods or services into consideration (Fogg 2009).

There are various categories of measurement; however, according to Handfield *et al*. (2009) the most common topics are: Price performance/Cost-Effectiveness, Quality performance, Time/Delivery/Responsiveness, Sustainability and environmental safety, Technological innovation and Strategic performance.

And for each of these categories, there should be certain measures for it, either subjective or objective such as :

- *Defective parts per million can be used to measure quality performance (Benton, 2010);*
- *On-time delivery data can be used to review delivery precision (Beamon, 1999).*
- *Moreover, for quality management, different audits can be carried out to see how suppliers are performing, and these results play a great impact on the performance measurement results in general (Lysons, 2000).*

Therefore, it is critical that firms should develop performance measurement system with objectives, clarity, use of accurate and available data and particularly with joint participation between suppliers and buyers (Neely*et al*., 1997, Globerson, 1985).

It is also suggested by PwC (2013) that companies should adopt two-way measurement strategy where both buyers and sellers measure the performance of the other. This action will stimulate the collaboration and the measurement will be more effective because both members are committed to the performance indicators (PwC, 2013).

In addition, the use of a balanced scorecard to keep track of the whole process of performance measurement over time is useful. Balanced scorecard utilizes value drives as a base for performance control and enhancement (Kaplan and Norton 1996),

The elements that usually appear in a scorecard often cover financial, operational, and innovation aspects as well as internal and external perspectives (Handfield *et al*., 2009). Organizations should incorporate development capabilities along with performance indicators into the scorecard, so that it can drive better performance in the future (PwC, 2013).

6) Risk Management

The occurrence of many unexpected events has shaped the view on the continuous flow of supply chain management (Handfield *et al,* 2009). The event of Hurricane Katrina in 2005, which has proven clearly the impact of interruption on the overall supply chain operations is one to mention in this regard. Even though these events are hard to predict, and their impacts are difficult to measure, the damage of those disruptions can be costly(Handfield *et al*., 2009).

Supply networks have been more complicated and sensitive to different risks. Accordingly, these characters are driven by global sourcing, the increasing complexity of products or services, and higher customer demand. Due to the tendencies, companies are more exposed to risks coming from external partners hence; companies should focus on the risk aspects of supply chain management or purchasing management (Hallikas *et al.,* 2005).

Risks can vary in many different areas. Johnson (2001) has categorized the supply chain risks into two different types:

i.   *Risks related to product demand such as seasonality, and*

ii. *Product supply such as supply disruptions, etc.*

Besides, Chopra and Sodhi (2004)classify risks as: delays, forecasts, intellectual property, inventories, systems, and capacity. Moreover, the type of business relationship also defines the benefits and risks in any industry (Hallikas *et al*., 2005).

In response to these risks, different models of risk management have been derived (Fogg, 2009; Hallikas *et al*., 2004). A typical risk management process comprises risk identification, risk assessment, implementation of risk management actions, and risk monitoring (Hallikas *et al*., 2004).

In more detail, the company should identify risks by first taking into account different aspects such as quality errors, late delivery, etc., and then assess the risk impact if it is minor, medium or serious, and based on that to develop plans for actions (Hallikas *et al*., 2004).

Furthermore, it is suggested that each company should control the risks itself and it is useful to share the risk management process to some extent with suppliers, and collaborate to mitigate the risks.

7) Supplier Development

Supplier development tasks are mostly reactive and aiming at solving problems. It relates with the provision of finance, technology or other forms of assistance by the buyer to the supplier to enable the supplier to offer a product or service which meets the buyer"s needs, or to interface with the buying organization in a mutually

appropriate way(Fogg, 2009). In short, it is a way to improve the performance of suppliers (Park *et al.*, 2010).

Based on Wagner's study (2006), supplier development is one important activity of Supplier Relationship Management. Purchasing companies should carry out supplier development in order to enhance the current state, achieve the business goals and maintain their competitiveness (Dyer,1996).

Among the various reasons leading to supplier development phase, as pointed out by Fogg (2009,) and Wagner (2006) includes:

- *Realization that products and services account for a larger amount of total cost since sourcing is common,*
- *Suppliers are not capable of delivering required products*
- *Suppliers are not performing as expected*
- *Need to further develop the supply base to bring better goods and services, and improve the interactions between buyer-supplier,*
- *Technology has been improved quickly, and suppliers should be encouraged to specialize on specific technologies,*
- *And companies always need to pursue new ideas and chances, since they cannot know everything.*

Supplier development shall be proactive before problems arises (Fogg, 2009), but it can also be tactical when the suppliers have not met the buyer's needs (Handfield *etal.*, 2009).

Additionally, in order to improve supplier performance, organizations need to be concerned about sharing technology, stimulating suppliers for development, providing resources and direct participation of its employees to suppliers' activities (Liker & Choi, 2004). Krause and Ellram (1997) acknowledge that involving directly in the operation of supplier is very challenging; hence, for successful supplier development, there should exist mutual understanding, great involvement, frequent communication and constant implementation over time between buyers and suppliers.

There are different models developed to carry out Supplier Development step. The activities for supplier development listed by Gocke *et al.* (2011)and Handfield *et al.*

(2009) consist of: Target a certain number of suppliers needed to implement development activities; Put efforts on what is most important; Establish a cross-functional development team from different departments; Engage and encourage suppliers; Clarify opportunities and probabilities for development; Define key metrics and goals; Measure and track results and Establish effective report-back system to keep the right focus of development.

Hence, efficient supplier development needs to have the commitment from sides, buyer and supplier, in financial investments, resources, timely and precise information sharing, as well as performance measurement (Handfield *et al.*, 2009).

8) **Supplier Relationship Performance Measurement**

Different from measuring the performance of supplier, measuring the performance of the relationship aims at understanding how both buyers and suppliers feel in a purchasing and supply relationship, rather than only through data metrics (Fogg, 2009).

The main purpose of measuring the relationship performance is to develop the relationship, and further develop trust, commitment and loyalty from both buyers and suppliers (Fogg, 2009).

Performance, especially performance of a relationship is rather abstract and hard to measure. This is due to the active and complicated supplier relationships" behaviors (Giannakis, 2007).

In cases where the targets are met, the results can be analyzed using any performance measurement tool (balanced scorecard, etc.) (Cousins *et al.*, 2008). On the contrary, outcomes of a relationship, such as the level of trust between parties are hard to define and measure (Laaeequddin *et al.*, 2010).

However, Giannakis (2007) suggests a model based on the gap analysis. The model measures the relationship performance by the differences between two parties" perception of the actual performance of their own and of the other in the relationship.

These perceptions can be collected from different managers of both companies to be integrated as organization"s perceptions; and when the gaps are small, it means that

the relationship performance is high. On the other hand, taking slightly different approach, Leenders *et al.* (2006) have developed a model based on the satisfaction towards the relationship of both parties.

The model measures the satisfaction by both buyer and supplier on a scale of 0-10, resulting in four different quadrants of relationship situation. It implies that using this framework, both parties want to move to the best position, and wish to develop the relationship together. By measuring the relationship performance, it helps company to understand the perception of the other partner towards their relationship. It also gives the chance to discuss constructively, build up trust and develop the relationship further in the long run. (Leenders *et al.*, 2006).

Besides, it also identifies the benefits of sending supplier satisfaction survey periodically in order to understand how satisfied suppliers are with the relationship and receive feedback from them for improvement(Van Weele, 2014).

2.1.7 BENEFITS OF SUPPLIER RELATIONSHIP MANAGEMENT

Many studies have proven the link between successful SRM and financial performance (Carr & Pearson, 1999; Johnston et al., 2004). Stronger relationships also enhance supplier performance such as lead-time execution (Larson & Kulchitsky, 2000), enhanced responsiveness and loyalty (Martin & Grbac, 2003).

One advantage was also raised by Gartner Consulting (2001). In their research, it is pointed out that SRM will optimize the supplier relationships, as well as strengthen the relationships since each supplier will receive different treatment strategy based on their strategic value. Most importantly, SRM will initiate the developments that go beyond the contractual agreement, and maximize value across the ecosystem (Schuh *et al.,* 2014). Monczka *et al.* (PwC research, 2013) demonstrate that SRM emphasizes on value creation, as it will take into account all elements that affect stakeholder value by raising market competitiveness.

It is also stated by Schuh *et al.* (2014) that SRM brings the chance for a given company to make the best use of the supply base"s energy for its competitive advantages. In a larger sense, the goal of SRM is to collaborate with suppliers to build

a competitive advantaged ecosystem, and to pursue a value of growth and innovation beyond cost optimization (Schuh *et al*., 2014; Johnston *et al*., 2004).

Mostly in line with that objective, Gartner Consulting‟s research (2001) points out that SRM will create competitive advantages and drive revenue by bringing innovative solutions to market faster together with suppliers, and drive profits by reducing the costs of supply chain and operations while still maintaining the quality.

In addition, Monczka *et al.* (PwC research, 2013) highly value the benefits of shared developments, profits and investments in SRM by having united goals, efforts, and resource commitments, which will provide a good culture for constant advancement.

According to them, it will affect the supplier capabilities because suppliers have beneficial position through early involvement in the product and process development. From that, both parties will have a mutual commitment and share the same success (Lambert & Schwieterman, 2012). Hence, the advantages lead to the fact that the buyer will become the „customer of choice‟ with priority access in terms of costs, technology or availability of suppliers (Monczka *et al*., PwC research, 2013). Ultimately, strong relationships with suppliers through SRM will further increase the future relationship prospects (Duffy and Fearne, 2004) and develop the supply chain performance. Through all this research, it is evident that SRM plays an important part in the strategic sourcing function of the company in terms of profit improvement, cost reduction, as well as attaining good supplier relationships**.**(Narasimhan & Nair, 2005; Benton & Maloni, 2005).

2.1.8 QUALITY

Quality has been defined as fitness for use, or the extent to which a product successfully serves the purposes of consumers (Beverly *et al.,* 2002).

It is the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs (Winder, 1996 and Chavan, 2003). If a product fulfils the customer‟s expectations, the customer will be pleased and consider that the product is of acceptable or even high quality. While studies on the way in which quality affects customer satisfaction have been going for more than two decades, most of the research on how quality affect satisfaction and loyalty in the past has focused

largely in pure product (e.g. Garvin 1988, Gronroos 1983, Steenkamp 1990) or pure service settings (e.g. Brady and Cronin 2001).

A. PRODUCT QUALITY

Product Quality is defined as the collection of features and characteristics of a product that contribute to its ability to meet given requirements. It is recommended that products offering value for money not only influence customer's choice behavior at the pre purchase phase but also affect their satisfaction, intention to recommend and return behavior at the post purchase phase (Dodds, Monroe and Grewal 1991; Parasuraman and Grewal 2000; Petrick2001).

Perceived product quality is often defined as the perceived ability of a product to provide satisfaction relative to the available alternatives (Monroe and Krishnan, 1985). More broadly, perceived product quality can be defined as 'the customer's perception of the overall quality or superiority of a product with respect to its intended purpose, relative to alternatives' (Aaker, 1991).

Generally, product quality is defined as the degree of how well the product specification fits the customer's expectation. If people think the product specification fits their need, they will be more likely to think the transaction is worthy. (Fitzmaurice, J. 2005).

B. SERVICE QUALITY

Service quality is the gap between what the customers want and what they actually get or perceive they are getting (Berry *et al.*, 1988). Consequently, many companies would attempt to offer a high service quality in order to retain their customers. It has been empirically proved that high service quality motivates positive customer behavioral intention to repurchase, and in turn, promotes customer retention (Zeithaml *et al.*, 1996). This implies that service quality is linked positively to customer loyalty. Actually, many studies have shown that quality is indirectly linked to repurchase intention and customer loyalty through customer perceived value (i.e. Yu *et al.*, 2005)

A theory to customer satisfaction that has been adapted by Bartlett and Han (2007) describes that there are five dimensions used in measuring customer service quality.

Which specifically refers to : Tangibles, Reliability, Responsiveness, Empathy and Assurance.

The tangibles include the physical appearance of the facilities, equipment, personnel and materials used to communicate with customers. Elements within the tangibles dimension are cleanliness, space, atmosphere, appearance of server and location. Measuring element of responsibility and reliability are speed, willingness to respond, accuracy and dependability. The dimension of assurance and empathy may be measured using elements of knowledge, trained professional, communications and caring (Stevens *et al* 1995).

2.1.9   TIMELY DELIVERY

Getting products to market faster than competitors is a worrisome problem for many suppliers. Firms that are able to compress the time it takes from conceptualizing a new product to distributing it will have a scant advantage within their industries. Impediments to the timely delivery of products shall be properly identified, so that it provides an objective indication of those technological and managerial characteristics that present obstacles to timely development and delivery of products. This information is vital for firms attempting to reduce their product development lead times and thereby, compete more effectively in global markets.(Barry E. King, and Richard J. Penlesky 1992).

Product introduction to the market requires accurate knowledge of resources and a high degree of co-ordination. A survey conducted by Udell, O'Neill and Cooper at Harvard Business Review in 1983 demonstrates that: There are too much paper-chasing and too many time consuming process; Functional organization, information flow, and timeliness of communication can have pronounced effect on the decision-making process and a parallel design process will assist managing on time as well as on cost.

However, surprisingly, much of the current literature which examined Japanese automobile development attempts to separate elements that are unique to the Japanese culture from those that are not, in that: Their approach is scientific rather than subjective and supports the conventional wisdom that Japanese designers do indeed spend significantly less time on design projects. Moreover, good supplier

relationships, overlap of work, non-specialized design engineers and a project manager who champions the cause are reported to contribute to the Japanese advantage (Udell, O'Neill and Cooper, 1983).

The concept of overlapped activities is well-described as analogous to a rugby team working in harmony to move the ball downfield. This analogy is reiterated by Supplier relationships also contribute to shortened development lead times. Working with suppliers early on transfers some of the engineering effort to them and guarantees on-time delivery of products (Udell, O'Neill and Cooper, 1983).

2.1.10 CUSTOMER SATISFACTION

Customer satisfaction has been defined in various ways, but the conceptualization, which appears to have achieved the widest acceptance, is that satisfaction is a post-choice evaluative judgment of a specific transaction (Bastos and Gallego, 2008). Customer satisfaction is the result of a customer"s perception of the value received in a transaction or relationship – where value equals perceived service quality relative to price and customer acquisition costs (Hallowell, 1996; Heskett et al., 1990; Blanchard and Galloway, 1994).

When examined as a whole, there are three general components can be identified with Customer Satisfaction,

- *Consumer satisfaction is a response (emotional or cognitive);*

- *The response pertains to a particular focus (expectations, product, consumption experience, etc.);*

- *The response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc). And all the definitions share some common elements (Giese and Cote, 2002)*

2.1.11 CUSTOMER LOYALTY

As suggested by several researchers (Kumar and Shah, 2004; Blak and Parks, 2003; Bell et al, 2005 and Dean, 2007) there are two types of loyalty; behavioral and attitudinal loyalty. The behavioral aspects of the customer loyalty were characterized in terms of repurchase

intentions, word-of-mouth communication, and recommendations of the organization (Nadiri, et al. 2008; Karatepe and Ekiz, 2004; Yi, 1990; Zeithaml *et al*., 1996).

Attitudinal loyalty as a favorable evaluation that is held with sufficient strength and stability to promote a repeatedly favorable response towards a product/brand or a store. (Liu-Thompkins, *et al* 2010)

According to Kumar and Shah (2004) Consumer loyalty seems to be based on a collection of factors: The first is trust: Consumers must trust the vendor or product they encounter; second, the transaction or relationship must have a positive perceived value greater than that supplied by competitors and third, if marketers build on the first two factors, they may be able to create a level of positive customer emotional attachment. That emotional response may be commitment to their brands that is resistant to change (Pitta, *et al*, 2006).

Today, every industry offers a variety of loyalty schemes aiming at differentiating one competitor from another (Butscher, 1999). Each time a customer buys, he progresses through a buying cycle (Griffin, 2002).

Customer loyalty is built over time after passing through all the purchase cycle as indicated below:
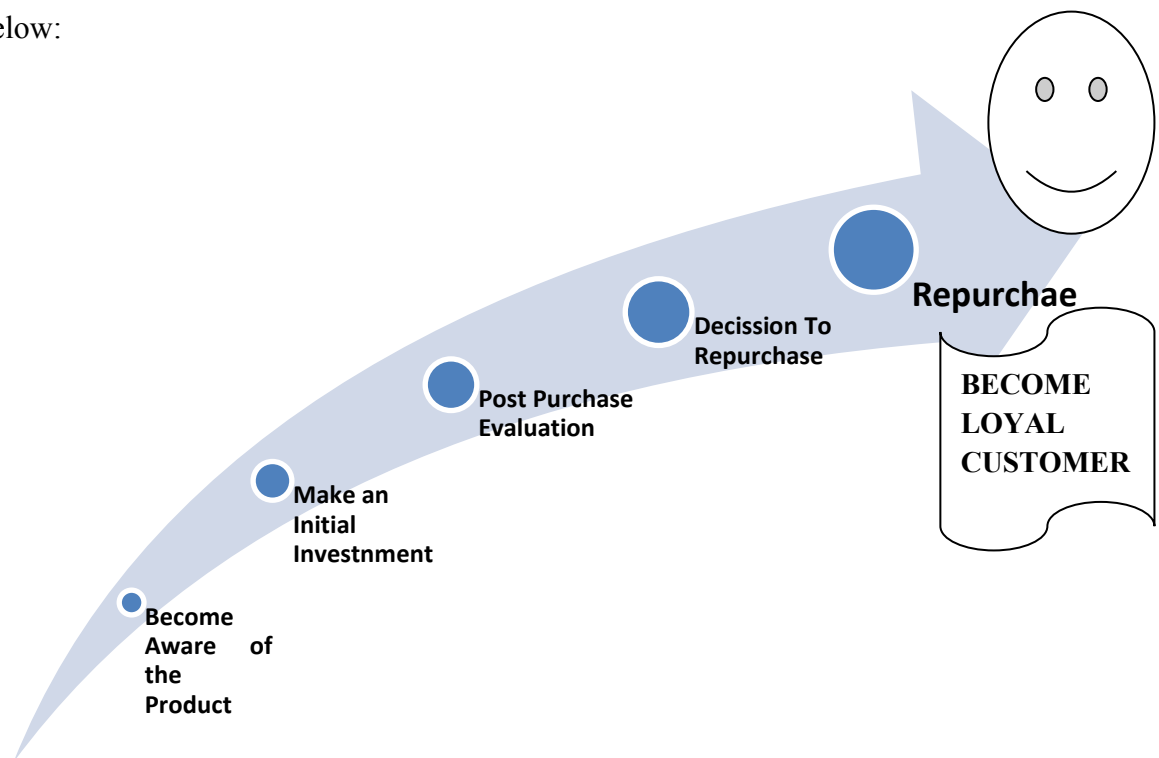
Figure 3. The Process of Customer loyalty. (**Asghar Jahanshahi** *et al*.; **2011**)

2.2   EMPIRICAL REVIEW

2.2.1   SUPPLIER RELATIONSHIP MANAGEMENT PROCESS

Supplier Relationship Management is one of the eight key processes of supply chain management process namely (Customer relationship management, Customer service management, Demand management, Order fulfilment, Manufacturing flow management, Supplier relationship management, Product development and commercialization and Returns management)based on Lambert"s research (2004). According to him, „SRM process provides the structure for how relationships with suppliers are developed and maintained.

It has become clear that the Supplier Relation Management process is an essential process as a consequence of rising competition, and the need to bring more innovative and better solutions to end customers (Lambert & Schwieterman, 2012). As their research shows that many benefits can be achieved through better managing the relationships with suppliers. As Park *et al.*(2010) have mentioned, there are many more studies focusing on SRM, but not the holistic view of the process.

However, a few previously developed models of SRM or SRM processes have been found and they will be demonstrated in this section. Since there is a lack of models of the SRM process, it was challenging to find relevant literature and the researcher started with general descriptive model of the SRM activities. The overall model of what are done in SRM is presented in the study of Trent (2005).

Figure 4. List of activities in SRM. (Adapted from Trent, 2005).

This model lists similar activities to the last steps in the sourcing process developed by Handfield *et al*. (2009) and Mentzer *et al.* (2007). The main elements consist of assigning supplier relationship manager, carrying out performance measurement, practicing regular meetings, creating joint development and long-term planning.

Moreover, it is critical to develop trust-based relationships between parties and suppliers should indicate how satisfied they are with the customers through surveys or questionnaires. From those standing points, other models have been developed to illustrate the process flow with different steps in SRM process. One is the supplier-partnering hierarchy by Liker & Choi (2004). This process covers the whole elements of both sourcing process and SRM activities. It was said to be implemented successfully by Toyota and Honda as far back as the 1980s.

Conduct joint improvement activities

- Exchange best practices with suppliers.

- Initiate Kaizen projects at suppliers' facilities.

- Set up supplier study groups.

Share information intensively but selectively

- Set specific times, places, and agendas for meetings.

- Use rigid formats for sharing information.

- Insist on accurate data collection.

- Share information in a structured fashion.

Develop suppliers' technical capabilities

- Build suppliers' problem-solving skills.

- Develop a common lexicon.

- Hone core suppliers' innovation capabilities.

Supervise your suppliers

- Send monthly report cards to core suppliers.

- Provide immediate and constant feedback.

- Get senior managers involved in solving problems.

Turn supplier rivalry into opportunity

- Source each component from two or three vendors.

- Create compatible production philosophies and systems.

- Set up joint ventures with existing suppliers to transfer knowledge and maintain control.

Understand how your suppliers work

- Learn about suppliers' businesses.
- Go see how suppliers work.
- Respect suppliers' capabilities.
- Commit to co-prosperity

The Supplier-Partnering Hierarchy

Figure 5. The supplier-partnering hierarchy. (Adapted from Liker & Choi, 2004).

Taking a broader view of the SRM process, this hierarchy goes from understanding the suppliers, selecting suitable suppliers by turning supplier competition into opportunity, supervising the suppliers, to the steps of developing the suppliers" capabilities, sharing information and carrying out improvement together.

These steps support each other in the process, and if all are handled skillfully, the company can achieve great success due to better relationships. This process also re-emphasizes the importance of communication, supplier development as well as joint commitment in any supplier relationship process. Moreover, Charles Noland (2015) has concluded that „SRM process is a continuous dynamic and iterative process and similar to the Deming"s Plan-Do-Check-Act framework".

This argument is also supported by Mintzberg (1978) and Wasner (1999),who stated that „supply relationship is a complex and iterative process with overlapping stages". In coherence with this opinion, Park *et al*. (2010) have developed an SRM process that all elements are integrated and continuously moving (Figure 6).
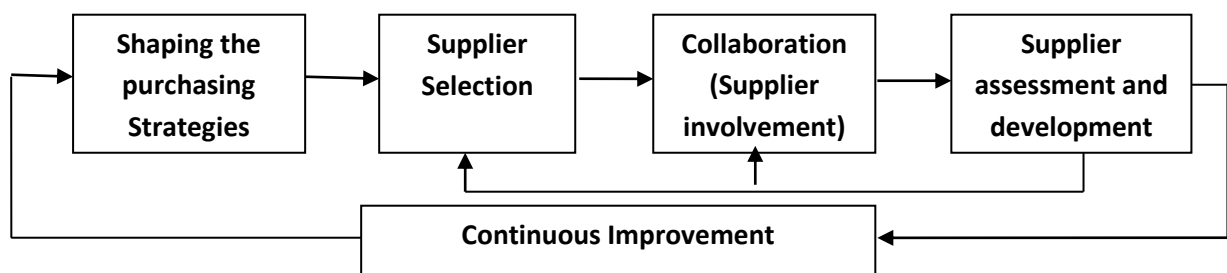
Figure 6. The integrated SRM framework. (Park et al., 2010).

The process above also contains the main steps similarly to the strategic sourcing processes discussed above, with purchasing strategies, supplier selection, collaboration, evaluation and development. However, instead of ending with SRM activities, this has a continuous improvement step running back and forth in a loop so that the process always takes into account of any changes during the relationship period and as a result, reshaping the purchasing strategies. Moreover, the selection, collaboration and development are also iterative processes, meaning they can run over and over again, from development back to selection or from development to collaboration, and so on(Park *et al*., 2010).

This is a very thorough framework since it concerns the real-life practice of companies when not every step is moving horizontally following a straight process flow. Another more modern concept developed by PwC (2013) also focuses on the iterative course of the SRM process.

According to PwC"s research (2013), many respondent companies stated that they have initiated SRM programs, but there is no standard way of working as well as a lack of supporting tools and templates.

Therefore, it is essential to implement across organization a harmonized and standardized SRM business process, consisting of suitable tools and templates, such as supplier segmentation tool, balanced scorecard, meeting templates, and customer/supplier perception survey.

The process also runs from supplier selection, segmentation, to further defining strategy, building relationship, developing and managing the performance and risk.

The research also stresses that a modern SRM system should incorporate the participation of different stakeholders, along with sourcing or procurement. Those stakeholders can include logistics, operations, research & development, marketing, finance, and information technology. Most importantly, the model strongly highlights the continuous value creation from the SRM process. The research pinpoints the fact that *"SRM should also deliver value for the* supplier; otherwise you will never become a *customer of choice"*.

2.3   SUMMARY OF LITERATURE REVIEW

In this literature review part, related and relevant concepts regarding Supplier Relationship Management were presented both from theoretical and empirical research point of view. The review has outlined concepts surrounding Supplier Relationship management and its benefit in relation with quality and timely delivery of goods and services.

Supplier relationship management is a business process that deals with how relationships with suppliers are developed and maintained. The role of the procurement function is drastically changing in today"s world. Because suppliers play an increasingly crucial role in contributing to the competitiveness of the buying firm, the relationship between buyer and supplier is of vital importance Managing supplier relationships.

Attributes of buyer and suppliers relationship include :Identification of appropriate suppliers, Attractiveness, Trust, Coordination, Communication, Interdependence and Conflict Resolution Which are considered essential for the relationship.

According to Trent (2005) there are four different types of buyer-supplier relationships, which consist of: Counterproductive (lose-lose), Competitive (win-lose), Cooperative (win-win), and Collaborative (win-win). Both Cooperative and Collaborative type of relationships significantly contribute firms performance which ultimately lead to strategic alliance. Strategic Alliances relationships require significant investments of both buyers and sellers to create a major market breakthrough. These alliances are major concerns to top management. It can be seen that the strategic relationship is nearly the same as collaborative (win-win) relationship in Trent"s model.

Supplier relationship management shall also lead to supplier development. The process of supplier development consists of five factors: Supplier"s top management commitment; Supplier"s team leadership; Capable joint-development team; Data driven changes; and Success of a model line.

There are certain activities that Supplier Relationship Management in any organization should focus on (Trent, 2005).Those activities include: Supplier Selection, Supplier Evaluation, Supplier Segmentation, Relationship Development, Performance Measurement, Risk Management, Supplier Development and Supplier Relationship Performance Measurement. Firms shall also develop performance measurement system with objectives, clarity, use of accurate and available data and particularly with joint participation between suppliers and buyers.

 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. Many studies have proven the link between successful SRM and financial performance (Carr & Pearson, 1999; Johnston et al., 2004). Stronger relationships also enhance supplier performance such as lead-time execution (Larson & Kulchitsky,2000), enhanced responsiveness and loyalty (Martin & Grbac, 2003).

One advantage was also raised by Gartner Consulting (2001). In their research, it is pointed out that SRM will optimize the supplier relationships, as well as strengthen the relationships since each supplier will receive different treatment strategy based on their strategic value. Most importantly, SRM will initiate the developments that go beyond the contractual agreement, and maximize value across the ecosystem (Schuh *et al.,* 2014). Monczka *et al*.

(PwC research, 2013) demonstrate that SRM emphasizes on value creation, as it will take into account all elements that affect stakeholder value by raising market competitiveness.

2.4   GAPS ON LITERATURE REVIEW

Overall, we can see that the SRM process models in literature research have been developed to a certain extent. These processes take most or all of the important elements of the strategic sourcing process models described in the earlier section, from supplier selection, to following up performance and development activities. Moreover, they all indicate that SRM activities should be iterative and cyclical with certain inevitable steps.

However, during review of related literature, quality and timely delivery of goods and services are not boldly presented and discussed in view of SRM.

CONCEPTUAL FRAMEWORK OF THE STUDY
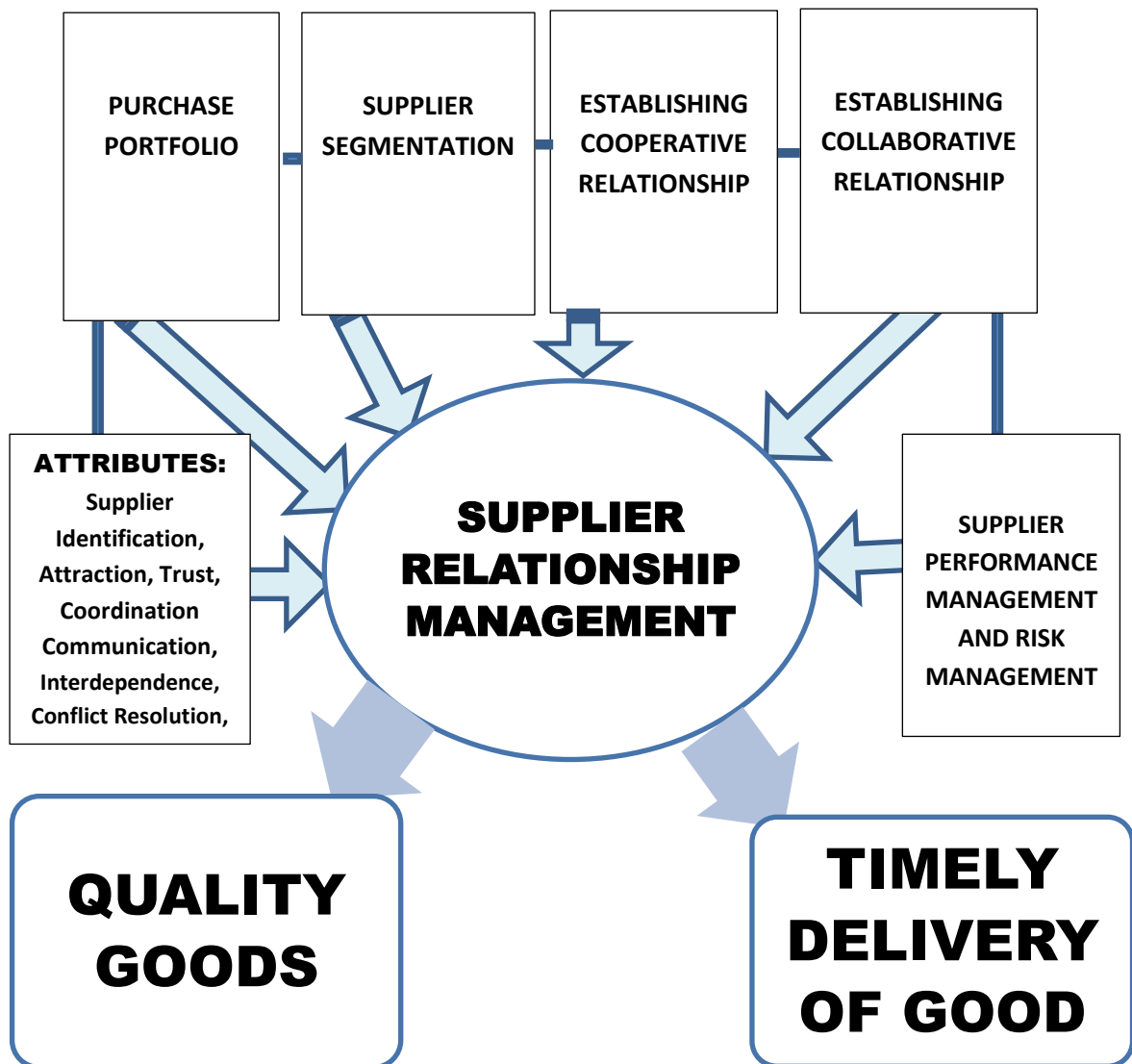
Figure 7. Conceptual Framework of the research paper. (Constructed From Concepts Of The Literature Review).

2.5 DESCRIPTION OF THE CONCEPTUAL FRAMEWORK OF THE STUDY

Institutionalization of attributes of SRM, establishing a purchase portfolio with Cooperative and collaborative type of relationship along with supplier and Risk management will lead and constitute to SRM which ultimately result in getting goods and services procured timely with their required quality.

CHAPTER THREE

THE RESEARCH DESIGN AND METHODOLOGY

This part of the research describes and explains the procedures and techniques that were used during data collection, processing and analysis.

3.1 THE RESEARCH DESIGN

The study has employed a descriptive survey design. It is carried out by conducting an assessment through a survey using pre-designed questionnaires that are used during the survey. The study gathered quantitative and qualitative data that described the attributes of SRM, quality and timely delivery. Hence, respondents were provided a questioner consisting both a structured and unstructured questions with a brief description of the research problem, along with definitions of the key terms. The question possesses both open and closed ended questions in which much of the question were closed question type. Few open ended questions that were especially designed for the key personnel and heads in the procurement department were presented to provide them a chance to give more elaborated answers and get additional viewpoints of their stand on the subject under study.

3.2 THE POPULATION

The population studied in this research is comprised of Seventeen (17) Commercial banks from which a sample is selected using the scientific formula. The Seventeen Commercial Banks are listed in National Bank Of Ethiopia are indicated in Table 7.

3.3 SAMPLE AND SAMPLING TECHNIQUES

The sample is selected in such a way that the knowledge gained from the study is representative of the targeted population. Since the numbers of the total populations were not precisely known ahead of the study, Cochran (1963) Equation for determining the proportionate sample size is applied in order to determine the appropriate sample size. Accordingly a **95%** confidence level, **P = .5** and ±5% precision is assumed to calculate the sample size which is formed in the equation as:

$$n_0 = \frac{Z^2 \rho q}{e^2}$$

Where: n_0 is the sample size,

Z^2 is the abscissa of the normal curve that cuts off an area α at the tails (1 −α), equals the desired confidence level

e is the desired level of precision.

ρ is the estimated proportion of an attribute that is present in the population

and

q is 1 – p Accordingly, when this formula is applied :

$$n_0 = \frac{(1.96)^2(.5)(.5)}{(.05)^2}$$

=385 Participants

A stratified random selection of participants from procurement and property administration departments was made without consideration of their demographic characteristics. The rational for focusing and selecting this unit as a stratum is due to the fact that personnel working in this unit are the one who shall deal with SRM and are also users of goods and services procured by the Banks. This is an acceptable and ethical procedure where the subject under study is not related with gender, location etc and is not demographical factors sensitive. The preferred employees included department heads, middle manager and supervisors as they are believed to be knowledgeable about issues discussed in this study.

3.4 DATA COLLECTION

To complement the primary data, secondary data obtained through literature review of various international journals regarding supplier relationship management and effects their on were used. Hence the study has utilized data from both primary and secondary sources to identify the how peoples working in procurement units understand the concept of supplier relationship management, its components and benefits. Moreover, the percentage of products considered defective was also requested. On the other hand employees were also questioned about their perception on the current procurement practice, timely delivery of goods and quality.

3.4.1 PROCEDURES OF DATA COLLECTION

Questionnaires were delivered physically and filled out and collected with some time interval. The questions were focused on the knowledge towards Supplier Relationship Management concept, Procurement, Steps followed during procurement, evaluation methods, setting, contract and relationship management along with the resulting quality of products and their timely delivery which are ultimately evaluated vis-à-vis the existing theoretical concepts. The survey has also outlined the challenges faced in this regard. The data collected is both quantitative and qualitative.

3.5 DATA ANALYSIS

In analysis of data, mixed analysis systems was applied since information gathered are both quantitative and qualitative in nature. After the data had been collected by coding, categorizing and keying in to statistical package for Social Sciences (SPSS) computer software for analysis to produce frequencies, descriptive and inferential statistics which are used to draw conclusions and generalizations regarding the population. The analysis on understanding of concepts on supplier relationship management was made breaking down the data in to the components of the concepts part. The information obtained is then formed in manageable ways and is synthesized with the concepts. The research findings is presented by the use of charts and tables for easier interpretation.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

The main objective of the study was to examine the level of supplier relationship management practice of commercial Banks in Ethiopia and its effect on the quality and timely delivery of goods and services. The specific objectives were to assess the level of understanding on supplier relationship management among procurement unit personnel, to identify the components of supplier relationship management which are being well practiced or are missing in banks, to assess the level of SRM practices of banks, to examine the effects of SRM on the quality and timely delivery of goods and services procured, and to measure the perception of procurement personnel.

Out of the 385 plus 10% supplementary samples target, 358 employees have responded to the question. The response rate was 92.9%. This was considered as adequate to address the objectives of this study. A greater proportion of the respondents are from Commercial Bank Of Ethiopia (CBE) which is 84 or 23.5% out of the 358 respondents. This is due to the size of the bank out of the 17 commercial Banks. The collected data is then analyzed and presented in this chapter with a relevant interpretation of the data. Findings of the study have been presented in three parts as : demographic characteristics of the respondent, assessment of level of the supplier relationship management practice of Banks" in their procurement activities and its effect on the quality and timely delivery of goods and services procured and a regression analysis of factors.

4.2 DEMOGRAPHIC CHARACTERISTIC

The Demographic characteristics of the respondents reveals that majority of the respondents i.e. 239 or 66.8 % out of the total 358 respondents are male while 119 or 33.2 % are female working in procurement and property administration department of the 17 commercial Bank"s as summarized in the table presented below:

Table 1 : The Respondents Sex

		Frequency	Percent
Valid	MALE	239	66.8
	FEMALE	119	33.2
	Total	358	100.0

Source: Own Survey Collected in 2017

On the other hand majority of the respondents (i.e. **202** out of the 358 respondents or **56.4**%) are aged below 35 while only 8 of the 358 respondents or 2.2% are aged between 50 – 56 as indicated in the table presented below.

Table 2: Age Range Category of The Respondent

		Frequency	Percent
	BELOW 35	202	56.4
	36 – 42	122	34.1
Valid	**43 – 49**	26	7.3
	50 – 56	8	2.2
	Total	358	100.0

Source : Own Survey Collected in 2017

Regarding educational level of the respondents, 281 employees out of the 358 respondents or 78.5 % have a BA/BSC degree, 60 or 16.8 % Masters Degree and 15 (4.2%) diploma while only 0.6 % or 2 respondents have PhD.

Table 3: Educational Level Of The Respondent

		Frequency	Percent
	DIPLOMA	15	4.2
V	BA/BSC DEGREE	281	78.5
ali	MASTERS DEGREE	60	16.8
d	PhD	2	.6
	Total	358	100.0

Source : Own Survey Collected in 2017

With regard to the job status, it is observed that officers take the higher turnout taking 132 or 36.9 % out of the 358 respondents followed by supervisors taking 24 % or 86 respondents as indicated in the table presented below.

Table 4: Job Status Of The Respondent

		Frequency	Percent
	JUNIOR CLERK	11	3.1
	CLERK	6	1.7
	SENIOR CLERK	10	2.8
	JUNIOR OFFICER	25	7.0
Valid	OFFICER	132	36.9
	SENIOR OFFICER	81	22.6
	SUPERVISOR	86	24.0
	OTHER	7	2.0
	Total	358	100.0

Source: Own Survey Collected in 2017

Year of work experience of the respondents range from below 1 year of service to above ten years of experience. However, most of respondents (i.e. 102 out of the 358 or 28.5%) have a work experience ranging from 5 – 10 years.

Table 5: Year Of Experience The Bank

		Frequency	Percent
	BELOW 1 YEAR	17	4.7
	1 - 3 YEAR	72	20.1
Valid	3 - 5 YEAR	95	26.5
	5 - 10 YEAR	102	28.5
	ABOVE 10 YEAR	72	20.1
	Total	358	100.0

Source : Own Survey Collected in 2017

4.3 RELIABILITY AND VALIDITY

After collecting and inserting the data on SPSS computer software program, reliability analysis was tested. The reliability test measures the internal consistency of the items or all the 47 criterion presented in the form of questions in this study. This is done through assessment of Cronbach"s Alpha Test (Nunnally, 1978).

Accordingly, the reliability test for the collected data is 0.853. This is considered as satisfactory and acceptable consistency rate for the data analysis.

Validity is the ability of the questioner to measure the research design. Kumar,(1996). Validity evaluate whether the research truly measure what intended to measures. In this regard, the principal components of the criterion were presented for assessment of their validity and confirmation and all the variables are affirmed proving that construct validity exists in this study.

4.4 MULTICOLLINEARITY TEST

In order to identify a problem that may occur due to presence of relationship between independent variables, Multicollinearity test was conducted before analysis and discussion on the collected data. It is a major problem in cross-sectional study and occurs when there is a relationship in between or among independent variables. Hence, before the result of this study was interpreted and discussed, the data had been tested for Multicollinearity using detection methods Gujarati (2004).

Table 8: Multicollinearity Test on SRM and Quality Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	SUPPLIER_ RELATIONSHIP_ MANAGEMENT	0.518	7.719

a. Dependent Variable: QUALITY OF GOODS AND SERVICES PROCURED

Source : **Own Survey Collected in 2017**

Table 9 :Multicollinearity Test On SRM and Timely Delivery Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	SUPPLIER_ RELATIONSHIP_ MANAGEMENT	0.519	7.720

a. Dependent Variable: TIMELY DELIVERY OF GOODS AND SERVICES

Source : **Own Survey Collected in 2017**

According to Field (2009), multicollinearity problem among aspects of independent variables doesn"t exist   when **VIF values are below 10** and the **Tolerance statistics are**

above 0.2. The data in table 8 and 9 shows there is no multicollinearity problem among the contents of the independent variables which is supplier relationship management based on this specific test as the Tolerance statistic is 0.518 and 0.519 which is above 0.2 and the VIF is also 7.719 and 7.720 which is below 10.

And thus, the researcher has done Multicollinearity test using pair wise correlation comparison and variance inflation factor (VIF) as shown in the above table no. 8 & 9 and the result shows that there is no Multicollinearity problem in this study.

4.5 LEVEL OF SUPPLIER RELATIONSHIP MANAGEMENT

Assessment on the level of supplier relationship management practices which is the main objective of the study is addressed through those specific objectives of : assessing the level of understanding on supplier relationship management among procurement unit personnel, identifying the components of supplier relationship management which are being well practiced or are missing in banks, assessing the level of SRM practices of banks, examining the effects of SRM on the quality and timely delivery of goods and services procured, and measuring the perception of procurement personnel.

Hence, the specific objectives are evaluated through variables included in the questioner the responses of which constitute the finding for the stated objectives. The analysis is made using statistical values generated from SPSS computer software. The data collected through a Likert type questionnaire was analyzed using mean score & standard deviations.

According to Best (1977) on a five point Likert scale with responses ranging from 1 (very disagreed/ dissatisfied) through 3 (neutral) to 5 (very agreed/ satisfied) the mean score from 1-1.8 is lowest, from 1.81 -2.61 is low, from 2.62-3.41 is average/moderate, from 3.42-4.21 is good/high, and from 4.22-5 is considered very good/ very high. On the other hand standard deviation less than 1 is considered as there were no significant variations in response while a standard deviation greater than 1 implies significant variation in responses. In addition this study has employed inferential statistics such as one way ANOVA to answer the main research question. SPSS version 20.0 was used to analyze the data. The following analysis, presentation and interpretation is presented to address the specific objectives" of the study with the aforementioned conception.

4.5.1 ATTRIBUTES OF SUPPLIER RELATIONSHIP MANAGEMENT

Attributes which are manifestation for existence of supplier relation management practices are : long-term supplier identification based on values, selection based on values and capacity, attractiveness, trust, coordination, cooperation, communication, interdependence, conflict management and performance measurements and all are analyzed using respondents mean score as presented below.

Table 10 :Mean Score value for Attributes of SRM

Descriptive Statistics		
	Mean	Std. Deviation
Suppliers are identified based on their capacity, culture alignment and their willingness to establish long term relationship.	1.75	.984
Our suppliers are selected based on evaluation of their financial health, Technological capability, geographical location or quality system coupled with other criterion.	2.03	1.060
Our supplier has high commitment of resource towards our purchase.	1.86	.837
There is cultural alliance, interaction frequency with greater task organization and synchronization with our supplier and give them frequent feedback on their sale.	2.14	.950
There is frequent sharing of information and communication with our suppliers regarding their products.	2.18	.987
There is reciprocal dependence and importance of the supplier to our Bank and our Bank to the supplier.	2.29	1.080
There is a close relationship with our supplier and have developed a manner in which conflict in the relationship is resolved.	1.95	.947
There is a higher degree of trust between our Bank and suppliers.	1.87	.968
There is purchase performance measurement at the end of budget year which is standardized and systematic way to control and review purchasing or supplier performance.	1.85	.929
Suppliers performance is measured based on: Delivery, Quality, Cost and other qualitative factors every year after finalizing yearly purchase?	1.78	1.032
OVERALL SCORE	**1.97**	**0.9774**

Source : **Own Survey Collected in 2017**

As it is shown on Table 10 above, the respondents in average disagree with the existence of attributes of supplier relationship management in their Bank as the mean score ranges between 1.75 to 2.29 and the overall mean is also ranges from 1.81 - 2.61 which is categorized as low. There were no significant variations in the response as the standard deviation is less than 1.

4.5.2 COOPERATIVE TYPE OF RELATIONSHIP

Features which express cooperative type of relationship are analyzed using respondents mean score and standard deviation as presented below.

Table 11: Mean Score value for Cooperative Type of Relationship

Descriptive Statistics	Mean	Std. Deviation
Suppliers have a long standing relationship.	2.34	1.030
The relationship with our supplier has created value for both of us.	2.07	1.062
Suppliers are involved during our purchase plan for a budget year.	1.75	.932
There is open sharing of information including sharing of cost data between our Bank and the suppliers.	1.89	.954
We have developed longer-term relationships with our supplier that has resulted for mutual goals.	1.66	.817
Our relationship with suppliers is committed by long-term contract, and discussions on how to improve cost, quality and other matters.	2.48	.903
OVERALL MEAN	**2.03**	**0.95**

Source : **Own Survey Collected in 2017**

Respondents on average disagree on the presence of cooperative type of relationship with supplier in their bank as it is shown on Table 11 above where the mean score ranges from 1.66 to 2.48. The overall mean of 2.03 is in the ranges from 1.81 - 2.61 which is categorized as low. There were no significant variations in the response as the standard deviation is less than 1.

4.5.3   COLLABORATIVE RELATIONSHIP TYPE

Characteristic which express collaborative type of relationship are analyzed using respondents mean score as presented below.

Table 12: Mean Score value for Collaborative Type of Relationship

Descriptive Statistics	Mean	Std. Deviation
There exists a goal- congruence and co-destiny between our Bank and the suppliers.	1.51	.770
Our Bank and Suppliers jointly identify new market opportunities and jointly identify creative solutions to a problem.	1.73	.935
We have a limited number of suppliers for long period of time that provide goods or services that are critical to the company.	2.09	.951
Our Bank and Suppliers work together to create joint development and other innovative processes.	1.62	.834
Our Bank and the supplier jointly make significant investment to create a major market breakthrough.	1.54	.871
There is arm's-length relationship and communication with our suppliers to exchange basic information.	1.64	.811
OVERALL MEAN	**1.68**	**0.862**

Source : **Own Survey Collected in 2017**

Respondents also disagree on the presence of collaborative type of relationship with their supplier as the mean score ranges from 1.51 to 2.09 under the low category and the overall mean score is 1.68 which is the lowest range category as it is shown on Table 12 above. There were no significant variations in the response as the standard deviation is less than 1.

4.5.4   PURCHASE PORTFOLIO AND SEGMENTATION

Practices related with having purchase portfolio and segmentation are analyzed using respondents mean score as presented below.

Table 13: Mean Score value for Purchase Portfolio and Segmentation

Descriptive Statistics		
	Mean	Std. Deviation
Supplies, equipment, items etc to be purchased every budget year are well identified and categorized as Critical, none-critical, leverage and strategic item.	2.03	1.038
Our suppliers are segmented based on our annual purchase categorization and have developed a well-established relationship.	1.77	.861
There is a well-developed supplier performance measurements metrics and evaluation practices periodically.	2.01	.957
There is a well-developed a supplier risk mitigation system and mechanisms.	2.03	.997
OVERALL MEAN	**1.96**	**0.963**

Source : **Own Survey Collected in 2017**

The mean score for purchase portfolio and segmentation ranges from 1.77 to 1.03 indicating a disagreement as it is shown on Table 13 above. Moreover, the overall Mean is 1.96 which under low category range of 1.81 - 2.61. There were no significant variations in the response as the standard deviation is less than 1.

4.6 OVERALL SUPPLIER RELATIONSHIP MANAGEMENT LEVEL

The overall results extracted from total average responses variables under supplier relationship management that form SRM are summarized and is analyzed using the table presented below:

Table 14: Mean Score value for Overall Supplier Management level

Descriptive Statistics					
	Minimum	Maximum	Mean	Std. Deviation	Variance
OVERALL MEAN RESPONSES FOR SUPPLIER RELATIONSHIP PRACTICES	1	4.000	1.924	0.948	0.905

Source: **Own Survey Collected in 2017**

The Overall response to the variable forming Supplier Relationship Management and its practices is **1.924** which is under a low range of 1.81 - 2.61 as indicated in the above summary table 14. In general, there were no significant variations in the response to variables forming SRM as the standard deviation is less than 1.

4.7 QUALITY OF PRODUCTS AND SERVICES PROCURED

The level of quality of goods and services procured is assessed through various attributes that constitute quality of goods and services and is analyzed using the table presented below:

Table 15: Mean Score value for Quality Of Products and Services Procured

Descriptive Statistics	Mean	Std. Deviation
There is a predefined Standards of Quality for all goods and services procured	2.06	1.042
Predefined Quality standards are also incorporated on bid documents floated and are made to be known by suppliers.	2.18	1.045
There is an installed system to make sure that predefined quality standards are maintained while goods are delivered by a supplier	1.76	.926
There is a system to identify defective parts up on receiving and are used to measure quality performance of suppliers.	1.94	.937
The defective or non quality item are so far known per millions of goods and services received and are within the acceptable range.	1.74	.887
There are frequent reports of quality by users on goods and services procured.	2.41	.932
Reports on quality from users are well documented and communicated for suppliers	2.16	1.016
Supplier is dedicated to correct quality problems	1.80	.924
OVERALL MEAN	**2.01**	**0.963**

Source: **Own Survey Collected in 2017**

The aspects of quality on average disagreed by respondents as it is shown on Table 15 above with a mean score ranging from 1.74 (Lowest) to 2.41 (Low). Moreover, the overall mean is 2.01 indicating a low range or a disagree position of respondents about existence of quality in their goods and services procured as stated by the variables.

4.8 TIMELY DELIVERY OF GOODS AND SERVICES

Data on timely delivery of goods and services is assessed through various variables that provide information about timeliness of delivery and was also analyzed using mean score

and standard deviation a mean score of 1 - 1.8 implies lowest, from 1.81 - 2.61 implies low, from 2.62 - 3.41 implies average/moderate, from 3.42-4.21 implies good/high, and from 4.22 - 5 is considered very good/ very high. On the other hand standard deviation less than 1 is considered as there were no significant variation in response while a standard deviation greater than 1 implies significant variation in responses as indicated in the table presented below:

Table 16: Mean Score value for Timely Delivery Of Goods and Services Procured

Descriptive Statistics	Mean	Std. Deviation
All items procured/purchased during a given budget received on same budget year.	1.57	.920
There is a rollover of items budgeted or ordered to the next budget year due to supplier inability to deliver.	2.21	1.060
There is a rollover of items budgeted/ordered to next budget year due to internal problem.	1.97	.916
Purchased items are distributed and delivered to users organs up on request or in the times they are required by users.	2.30	.963
There are delays in distribution and delivery to users.	2.51	.943
Delays in distribution and delivery to users are largely accounted for suppliers delay.	2.65	.924
Delays in distribution and delivery to users are largely accounted by internal problems.	1.88	.871
Most items from suppliers are delivered beyond their actual date of delivery.	2.66	1.015
Most items from suppliers are received within the agreed delivery date	1.61	.912
OVERALL MEAN	**2.15**	**.947**

Source: **Own Survey Collected in 2017**

Respondents on average disagree on timely delivery of goods and services in their banks and their responses range from 1.57 (Lowest) to 2.66 (Low). The overall mean score regarding timely delivery of goods and services is 2.15 which is low under the category of from 1.81 - 2.61 as it is shown on Table 16 above. There were no significant variations in the response as the standard deviation is less than 1.

4.9 CORRELATION AND REGRESSION TEST AND ANALYSIS

4.9.1 NORMALITY

Before proceeding to the subsequent analysis of correlation and regression of supplier relationship management assessing its relation and level of prediction on the two dependent variables namely quality and timely delivery of goods and services, the normality test is

carried out to see the level of normality of the data which is required to test correlation and regression of variables. The result is presented and analyzed below:

Table 17: Statistical Data on Normal Distribution

Statistics		SUPPLIER_ RELATIONSHIP_ MANAGEMENT	QUALITY OF GOODS AND SERVICES PROCURED	TIMELY DELIVERY OF GOODS AND SERVICES
N	Valid	358	358	358
	Missing	0	0	0
Mean		1.9236	2.0070	2.1511
Median		1.8667	1.8750	2.1111
Mode		1.70	1.63	2.11
Variance		.143	.314	.122
Skewness		.529	.993	.677
Kurtosis		.193	.697	.669

Source: **Own Survey Collected in 2017**

The normality test result presented in the above table indicates that both the Skewness and Kurtosis which measures normality of data are below 1 implying the data being normal and the possibility to conduct both correlation and regression test.

4.9.2   CORRELATION

A correlation test is computed to see the relationship between SRM with that of quality and timely delivery of goods and services procured so as to describe the association between these variables. The data for the variables are tested for their normality and are normally distributed interval variables as indicated in the above Table 17.

A. CORRELATION OF SUPPLIER RELATIONSHIP WITH QUALITY

Table 18: Statistical Data on Correlation Of SRM with Quality

Correlations		SUPPLIER_ RELATIONSHIP_ MANAGEMENT	QUALITY OF GOODS AND SERVICES PROCURED
SUPPLIER_ RELATIONSHIP_ MANAGEMENT	Pearson Correlation	1	.628[**]
	Sig. (2-tailed)		.000
	N	358	358
QUALITY OF GOODS AND SERVICES PROCURED	Pearson Correlation	.628[**]	1
	Sig. (2-tailed)	.000	
	N	358	358

**. Correlation is significant at the 0.01 level (2-tailed).

Source: **Own Survey Collected in 2017**

From the table above the Pearson correlation result indicates that the correlation between Supplier Relationship and Quality is 0.628. Hence, quality of goods and services procured has significant correlation with a relationship with supplier and it reveals that the relationship between Supplier Relationship Management and quality of products and services is positive and based on p-value (0.000), it is possible to conclude that the relationship between supplier relationship management and quality of goods and services procured is statistically significant. Therefore we could say there is a statistically significant positive linear relationship between supplier relationship and quality.

B. **CORRELATION OF SUPPLIER RELATIONSHIP WITH TIMELY DELIVERY**

Table 19: Statistical Data on Correlation Of SRM with Timely Delivery

Correlations

		SUPPLIER_ RELATIONSHIP_ MANAGEMENT	TIMELY DELIVERY OF GOODS AND SERVICES
SUPPLIER_ RELATIONSHIP_ MANAGEMENT	Pearson Correlation	1	.396**
	Sig. (2-tailed)		.000
	N	358	358
TIMELY DELIVERY OF GOODS AND SERVICES	Pearson Correlation	.396**	1
	Sig. (2-tailed)	.000	
	N	358	358

**. Correlation is significant at the 0.01 level (2-tailed).

Source: **Own Survey Collected in 2017**

The correlation between Supplier Relationship and Timely delivery of goods and services is 0.396. Hence, timely delivery of goods and services has positive but a relationship that is not strong as seen on quality.

4.9.3 REGRESSION ANALYSIS

A multivariate regression analysis is carried out in order to assess the effect of supplier relationship management practice on quality and timely delivery of goods and services procured which is the main objective of this study and the data inputted into SPSS software is presented below: The regression test and analysis would enable to see the linear relationship between one normally distributed interval predictor which is supplier relationship management in this case and a normally distributed interval outcome variable which are expresses as quality and timely delivery of goods and services procured. The normality of data is already tested in table 17.

A. REGRESSION ANALYSIS ON RELATIONSHIP AND QUALITY

In order to see how the dependent variable is explained by the independent variable through its relationship and the level of relationship between predictor and the outcome variable, a regression model was computed for the independent variable (Supplier Relationship) and the dependent variable which is quality and is presented and analyzed below:

Table 20: Statistical Data on Regression Model Summary for SRM and Quality

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628[a]	.395	.393	.43663

a. Predictors: (Constant), SUPPLIER_ RELATIONSHIP_ MANAGEMENT

Source: Own Survey Collected in 2017

The regression model summary in the above table 20 indicates that the R square value is 0.395 which implies 39.5 % of the variance in the dependent variable or quality in this case has been explained by variables in the supplier relationship management which is the independent variable.

Table 21: Statistical Data on ANOVA For SRM and Quality

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	44.300	1	44.300	232.367	.000[b]
	Residual	67.870	356	.191		
	Total	112.170	357			

a. Dependent Variable: QUALITY OF GOODS AND SERVICES PROCURED

b. Predictors: (Constant), SUPPLIER_ RELATIONSHIP_ MANAGEMENT

Source: Own Survey Collected in 2017

The model in this study has statistical significance of 0.000 which is less than 0.01 at 99 % confidence level.

Table 22: Statistical Data on Coefficients For SRM and Quality

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.217	.120		1.810	.071
	SUPPLIER_ RELATIONSHIP_ MANAGEMENT	.931	.061	.628	15.244	.000

a. Dependent Variable: QUALITY OF GOODS AND SERVICES PROCURED

Source: Own Survey Collected in 2017

The Beta value of .931 implies that supplier relationship management has significant effect on quality of goods and services as the p value appears to be .000 which is less than 0.01.

B. REGRESSION ANALYSIS ON RELATIONSHIP & TIMELY DELIVERY

Table 23: Statistical Data on Regression Model Summary of SRM and Timely Delivery

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.396[a]	.157	.154	.32104

a. Predictors: (Constant), SUPPLIER_ RELATIONSHIP_ MANAGEMENT

Source: Own Survey Collected in 2017

The regression analysis Model Summary for supplier relationship management and timely delivery as indicated in table 23 above reveals that the R Square value is 0.154 which is 15.4 % implying that only 15.45 % of the variance in the dependent variable or timely delivery of goods and services are explained by the of supplier relationship management or the independent variable. In other word there are other variables which can explain the dependent variable or timely delivery of goods and services.

Table 24: Statistical Data Regression Model Summary of SRM and Timely Delivery

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.820	1	6.820	66.166	.000[b]
	Residual	36.693	356	.103		
	Total	43.513	357			

a. Dependent Variable: TIMELY DELIVERY OF GOODS AND SERVICES

b. Predictors: (Constant), SUPPLIER_ RELATIONSHIP_ MANAGEMENT

Source: Own Survey Collected in 2017

Table 25: Statistical Data Coefficients of Regression Model for SRM and Timely Delivery

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.449	.088		16.461	.000
	SUPPLIER_ RELATIONSHIP_ MANAGEMENT	.365	.045	.396	8.134	.000

a. Dependent Variable: TIMELY DELIVERY OF GOODS AND SERVICES

Source: Own Survey Collected in 2017

The model in this study reaches statistically significance of 0.000 (i.e. P<0.01) which is of 99% confidence level.

4.10 LEVEL OF UNDERSTANDING ON CONCEPTS OF SRM

In order to assess the level of understanding on the concepts surrounding supplier relationship management, an open ended question was conveyed to respondents asking their familiarity with the concept of SRM. The resulting response is summarized and presented in a descriptive table presented below:

Table 26: Statistical Data Level Of Understanding on SRM Concepts

Q : Are you familiar with the concept Supplier Relationship Management?

		Frequency	Percent
	YES	128	35.8
Valid	**NO**	230	64.2
	Total	358	100.0

Source: Own Survey Collected in 2017

From the table it can be understood that out of the 358 respondents included in this study only 138 or 35.8 % have responded as being familiar with the concept of supplier relationship management while majority of the respondents or 64.2 % are not familiar with the concept. The total summary of the response towards understanding the concept of SRM is also depicted in the following pie chart.

Are you familiar with the concept Supplier Relationship Management?

YES
NO

YES !

35.8 %

NO !

64.2 %
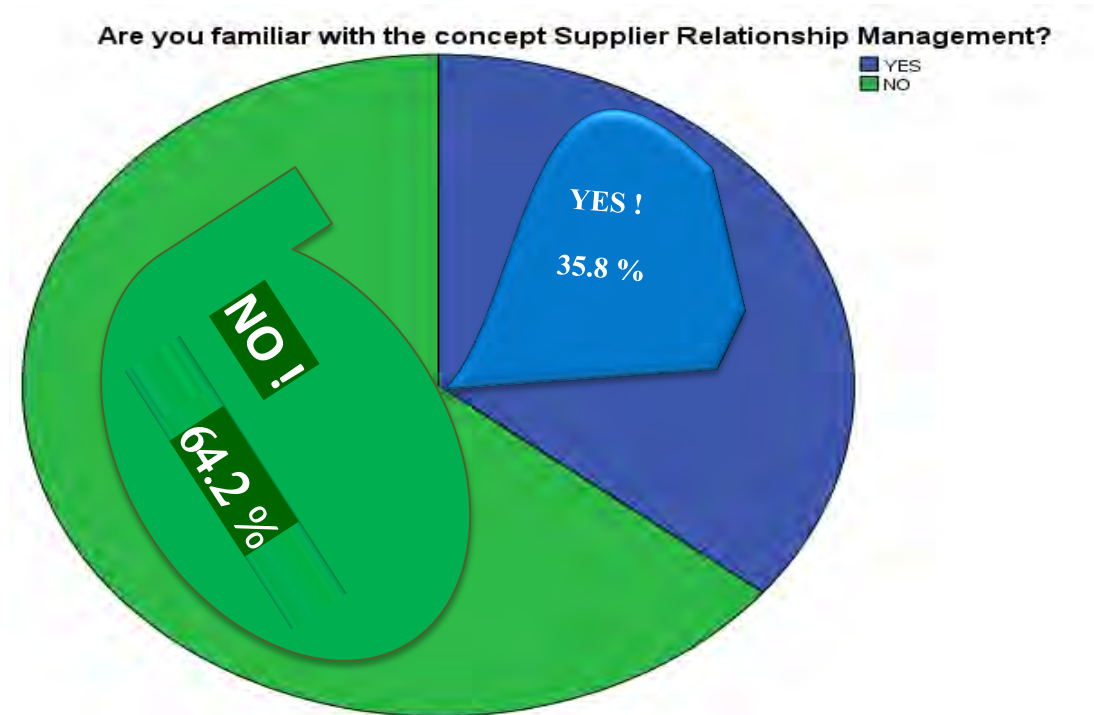
Figure 8 : Pie chart representation of responses on understanding of SRM concepts

As it is depicted on the pie chart herein above, the majority of the response to the question raised regarding familiarity with the concepts of Supplier Relationship Management appear to be "No" which is indicated with a green color from the total part of the pie chart covering 64.2% of the chart area and implying non familiarity of majority of procurement and property administration personnel to concepts and principles surrounding SRM. Only 35.8% of the respondents are familiar with the concepts of SRM as indicated in the pie chart above in a blue color portion of the chart.

CHAPTER FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1 INTRODUCTION

This chapter summarizes and draws conclusions and recommendations on the findings of the main objectives of the study which was to examine the level of the supplier relationship management practice of Commercial Banks in Ethiopia and its effect on the quality and timely delivery of goods and services procured. The research findings to the problem under study are also included in this chapter with conclusions which are made in line with the objectives of the research.

5.2 SUMMARY

The effect of Supplier Relationship Management on Quality and Timely Delivery of goods and services procured by Banks with reference to Procurement and Property administration department staff of each 17 Commercial Banks operating in Ethiopia has been assessed in this research paper. This correlational research has been carried out using primary and secondary sources and analyzed using different statistical tools, descriptive statistics and inferential statistics.

In reference to the collected data; presentation of items and detailed analysis, along with findings and discussions has been made in the previous chapter (Chapter Four) and the major findings are summarized as follows.

1) Majority of the respondents who are employees of procurement and property administration department in those 17 commercial Banks in Ethiopia studied in this research, perceive their Supplier Relationship Management Practice which is expressed through its components as: Attributes of SRM, existence of purchase portfolio and supplier segmentation along with establishment of a Cooperative and collaborative type of relationship with supplier in the range between "Lowest" to "Low". In other word, the perception and position of respondents towards their supplier relationship management practice ranges from "Strongly Disagree" to

Disagree" position.

2) All the three categorical SRM features are perceived as "Low" and Collaborative type of relationship as "Lowest". Moreover, the overall supplier relationship management is perceived as "Low". Similarly, respondents have a "Low" or "Disagree" position on attributes constituting for quality and timely delivery of goods and services procured by those commercial banks.

3) The correlation analysis of the study reveals that, supplier relationship management practice have a significant positive relationship with quality of goods and services procured; nonetheless timely delivery of goods and services has positive but a relationship that is not strong as seen on quality but has significant correlation with supplier relationship management.

4) The regression analysis indicates that, supplier relationship has significant association and effects on Quality of goods and services procured by the Banks as it is discovered by a higher Beta value. The Regression analysis implies that supplier relationship management is a predictor and in this regard it has a higher degree of effect on quality of goods and services procured as it explain 39 % of the variables in quality while its effect on timely delivery is less as seen at 15% regression result suggesting existence of other variables which can explain the dependent variable or timely delivery of goods and services.

5) The response obtained through a discrete question on the overall understanding and familiarity to concepts of SRM which is presented in a "Yes" or "No" revealed that majority of the respondents are not familiar with the concepts of SRM.

5.3 CONCLUSIONS

The main objective of this study was to assess the effect of SRM on Quality and Timely Delivery of goods and services procured by those 17 commercial Banks studied in this research as manifested by major categorical features of : SRM attributes, establishment of purchase portfolio and supplier segmentation along with having a cooperative and collaborative type of relationship with suppliers. The following are conclusion of this research based on the objective stated on this study:

- The level of understanding on concepts and principles of SRM as exhibited in this study is low. Hence, there is low level of familiarity and understanding on the concept of SRM among procurement unit personnel.

- The responses obtained through this study and subsequent descriptive analysis conducted in this research on the components constituting SRM shows that, the concept and components defining SRM are missing in the procurement practice of those commercial Banks studied in this research.

- The response obtained in this study and the descriptive analysis indicates that, there is a low level of SRM practices in those 17 commercial Banks studied in this research as all concepts and practices attributable to SRM are rated as low.

- SRM has a positive significant effect on quality of goods and services procured. Timely delivery of gods and services also have a positive relationship with SRM but less effect than the perception on quality.

- The descriptive analysis revealed that there is association and relationship between SRM and level of quality as well as timely delivery of goods and services procured. SRM is confirmed to be the dominant variance in the dependent variable or quality and has been explained by variables in the supplier relationship management which is the independent variable. On the other hand, SRM on timely delivery of goods and services procured indicates that there are other factors which explain timely delivery of goods and services.

- Employees of procurement and property administration departments in the 17 Commercial Banks studied in this research perceive that concepts and theories surrounding supplier relationship management are not practiced in the procurement activities of their banks and majority of them are not familiar with the concept.

5.4 RECOMMENDATIONS

In reference to conclusions drawn from the finding on study conducted on the 17 commercial Banks studied in this research, the following recommendations are forwarded:

- The understanding and level of SRM which is manifested through its attributes presented in this study shall be institutionalized and practiced in order to improve the current low level of supplier relationship management practice and harness the benefits that can be obtained on quality and timely delivery.

- The pursuit for quality of goods and services can be achieved through SRM as it has an association and greater impact in explaining factors attributing to quality implying the need for SRM focus. Hence, efforts shall be made to maintain quality through SRM by identifying and practicing the components of SRM.

- There should be a continuous training and awareness creation panels regarding concepts and principles surrounding SRM and the benefits thereon as the level of understanding and familiarity with the concept of SRM is very low including personnel working in procurement areas as described in the study so as to enhance understanding and increase the benefit that can be obtained from SRM.

- The researcher finally recommends the need for adapting the concept of supplier relationship management by identifying and institutionalizing the concept of SRM in all the procurement process of Supplier identification, selection, measurement, and risk management and thereby improves timely delivery and quality. Banks shall also build a cooperative and collaborative type of relationship with their supplier which also shall reach to a point where strategic alliance is created between the supplier and the Bank which greatly contribute to mutual growth and achievement corporate mission.

5.5 THE RESEARCH LIMITATION AND SUGGESTION FOR FUTURE STUDY

5.5.1 LIMITATION OF THE STUDY

There is a low level of understanding and familiarity with the concepts and principles of SRM including those personnel working in procurement areas as demonstrated on the study. The presence of understanding could help more prudent responses towards the study questions. Moreover, there are other variables which explain timely delivery of goods and service as indicated on the study through a regression analysis.

Furthermore, the participant in this study might respond to all or partial items on the survey dishonestly.

Thus, any conclusions of the study emanating from the research finding may need to be interpreted with some caution due to the limitations of the study.

5.5.2 SUGGESTION FOR FUTURE STUDIES

The study has revealed that there are other variables which explain timely delivery of goods and service as indicated on the study through a regression analysis. Hence, future studies shall involve other variables that may be important predictors of timely delivery of goods and services than SRM.

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APPENDIX

QUESTIONNAIRE

"EFFECTS OF SUPPLIER RELATIONSHIP MANAGEMENT ON THE TIMELY DELIVERY AND QUALITY OF PRODUCTS"

(BUYER PERSPECTIVE)
(A CASE OF ETHIOPIAN COMMERCIAL BANKS)

Dear Respondent;

I am conducting a study on "Effects of Supplier Relationship Management on The Timely Delivery and Quality of Products" in selected Commercial Banks in Ethiopia as part of my MA study in Logistics and Supplies Chain Management at Addis Ababa University.

The main objective of this study is to assess and examine the level of Supplier Relationship Management and its impact on timely delivery and quality of products/services procured. The information you provide will be treated in strict confidence and anonymity and will be used for academic purposes only.

Part I : INQUIRY ON BACKGROUND INFORMATION

Please give information for the following inquiry (tick (✔) as appropriate)

1. **Your Bank**_____

2. **Gender : Male** ☐   **Female** ☐

3. **Age : Below 35** ☐   **36 – 42** ☐   **43 – 49** ☐   **50 – 56** ☐

   Above 56 ☐

4. **Level of education : Diploma** ☐   **BA/BSC Degree** ☐   **Masters Degree** ☐

   PhD ☐

5. **Status : Junior Clerk** ☐   **Clerk** ☐   **Senior Clerk** ☐

   Junior Officer ☐   **Officer** ☐   **Senior Officer** ☐

   Supervisor ☐

   Area (Please Specify) :_____

6. **Year of Experience in Banking :** Below 1 Year   1 – 3 Year

   3 – 5 year   5 – 10 year   Above 10 Year

Part II : RATING QUESTIONS WITH A SCALE OF 1 – To - 5.

Please put your opinion by ticking (✔) on the corresponding scale number that best describes your view as per the following scale description.

SCALE:

1 = **Strongly Disagree**;   **2** = **Disagree**;   **3** = **Neutral**;

4 = **Agree** and   **5** = **Strongly Agree**

2.1 SUPPLIER RELATIONSHIP MANAGEMENT

NO.	SUPPLIER RELATIONSHIP	1	2	3	4	5
1	Suppliers are identified based on their capacity, culture alignment and their willingness to establish long term relationship.					
2	Our suppliers are selected based on evaluation of their financial health, Technological capability, geographical location or quality system coupled with other criterion.					
3	Our supplier has high commitment of resource towards our purchase.					
4	There is cultural alliance, interaction frequency with greater task organization and synchronization with our supplier and give them frequent feedback on their sale.					
5	There is frequent sharing of information and communication with our suppliers regarding their products.					
6	There is reciprocal dependence and importance of the supplier to our Bank and our Bank to the supplier.					
7	There is a close relationship with our supplier and have developed a manner in which conflict in the relationship is resolved.					
8	Suppliers have a long standing relationship.					

9.	Our supplier would not take responsibility for what happens after sale.					
10.	The relationship with our supplier has created value for both of us.					
11.	Our supplier only thinks to win the bid and make profit.					
12.	Suppliers are involved during our purchase plan for a budget year.					
13.	There is open sharing of information including sharing of cost data between our Bank and the suppliers.					
14.	We have developed longer-term relationships with our supplier that has resulted for mutual goals.					
15.	Our relationship with suppliers is committed by long-term contract, and discussions on how to improve cost, quality and other matters.					
16.	There exists a goal- congruence and co-destiny between our Bank and the suppliers.					
17.	Our Bank and Suppliers jointly identify new market opportunities and jointly identify creative solutions to a problem.					
18.	We have a limited number of suppliers for long period of time that provide goods or services that are critical to the company.					
19.	Our Bank and Suppliers work together to create joint development and other innovative processes.					
20.	Our Bank and the supplier jointly make significant investment to create a major market breakthrough.					
21.	There is arm‟s-length relationship and communication with our suppliers to exchange basic information.					
22.	There is limited communication and exchange of basic information with our suppliers.					
23.	Our suppliers always tend to maximize their benefits and our relationships usually are short-term interactions.					

No.		1	2	3	4	5
24.	Supplies, equipment, items etc to be purchased every budget year are well identified and categorized as Critical, none-critical, leverage and strategic item.					
25.	Our suppliers are segmented based on our annual purchase categorization and have developed a well-established relationship.					
26.	There is a well-developed supplier performance measurements metrics and evaluation practices periodically.					
27.	There is a well-developed a supplier risk mitigation system and mechanisms.					
28.	There is a higher degree of trust between our Bank and suppliers.					
29.	There is purchase performance measurement at the end of budget year which is standardized and systematic way to control and review purchasing or supplier performance.					
30.	Suppliers performance is measured based on: Delivery, Quality, Cost and other qualitative factors every year after finalizing yearly purchase?					

2.2 TIMELY DELIVERY

NO.	TIMELY DELIVERY	1	2	3	4	5
1	All items procured/purchased during a given budget received on same budget year.					
2	There is a rollover of items budgeted or ordered to the next budget year due to supplier inability to deliver.					
3	There is a rollover of items budgeted/ordered to next budget year due to internal problem.					
4	Purchased items are distributed and delivered to users organs up on request or in the times they are required by users.					

NO.		1	2	3	4	5
5	There are delays in distribution and delivery to users.					
6	Delays in distribution and delivery to users are largely accounted for suppliers delay.					
7	Delays in distribution and delivery to users are largely accounted by internal problems.					
8	Most items from suppliers are delivered beyond their actual date of delivery.					
9	Most items from suppliers are received within the agreed delivery date					

2.3 QUALITY

NO.	QUALITY	1	2	3	4	5
1	There is a predefined Standards of Quality for all goods and services procured					
2	Predefined Quality standards are also incorporated on bid documents floated and are made to be known by suppliers.					
3	There is an installed system to make sure that predefined quality standards are maintained while goods are delivered by a supplier.					
4	There is a system to identify defective parts up on receiving and are used to measure quality performance of suppliers.					
5	The defective or non quality item are so far known per millions of goods and services received and are within the acceptable range.					
6	There are frequent reports of quality by users on goods and services procured.					
7	Reports on quality from users are well documented and communicated for suppliers					
8	Supplier is dedicated to correct quality problems					

Part III: DISCRETE AND OPEN ENDED QUESTIONS

Please Tick (✔) & Put Your Thoughts to the Best of Your Knowledge for Following Open Ended Questions

1. **Information regarding Annual procurement Turnover.**

   Below 1,000,000; ☐   1,000,001 – 5,000,000; ☐   5,000,001 – 10,000,000; ☐

   10,000,001 – 20,000,000; ☐ 20,000,001 – 50,000,000 ☐ 50,000,001 – ☐

   100,000,000; Above 100☐,000.00;

2. **With how many supplier does your organization deals with in a year?**

   1 – 5; ☐   6 – 10; ☐   11 – 15; ☐ 16 – 20 ☐ 21 – 25; ☐ 26 – 30; ☐   31 – 40, ☐

   41 – 50; ☐   Above 50 ☐

3. **Are you familiar with the concept Supplier Relationship Management?** ☐

   Yes   **No**

4. **Could you briefly describe your view on Supplier Relationship Management**_____

   ___

   _____

   ___

5. **What components do you believe to be part of supplier relationship management**_____

   ___

   _____

   __

6. **Which Part of Supplier Relationship are being practiced ?**

   _____

   _____

   _____

7. What benefit have you obtained from supplier relationship management?