



**INFLUENCE OF SUPPLIER MOTIVATION PRACTICES ON PROCUREMENT PERFORMANCE OF WEST KENYA AND
BUTALI SUGAR FACTORIES IN KAKAMEGA COUNTY, KENYA**

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ABSTRACT

The study was carried out to establish the influence of Supplier motivation programs on procurement performance of Butali and West Kenya Sugar factories in Kakamega County. The study evaluated supplier motivation programs that were in place and how they had influenced procurement performance of the study firms. The target population was made up of 283 Butali and Western Kenya sugar companies. A sample size of 166 employees was used out of which 137 employees responded to the research questions. Questionnaire was used as the principal instruments for data collection. The study was grounded on theoretical foundations of Resource Demand Theory, Theory of constraint and Social exchange Theory. Cross-Section Survey research design was adopted for the study. The study found out that the study institutions had embraced a number of incentives in their supplier development. The study further established that supplier motivation was highly positive (61%) and significantly related to procurement performance of the variability in procurement performance in West Kenya and Butali sugar factories. The study therefore upheld the hypothesis that postulated that there was no significant difference between the influence of supplier motivation and procurement Performance. The study therefore recommended that for superior procurement performance for sugar manufacturing factories, management need to prioritize on supplier motivation as a way of building competitive advantage.

Key Words: Development Programs; Supplier Motivation; Procurement Performance

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INTRODUCTION

The increasing globalization has triggered intense competition among different firms for resources needed by the firms for their operations. AS such, some firms have been unable to withstand competition, a situation that has led to their collapse due to inability to procure the needed supplies needed for their operation (Chakravarty, 2014). The ability for an organization to survive and successfully undertake its operations depends on its ability to put up sustaining affairs with accomplished suppliers and realizing the value through such associations (Carr&Sheltzer, 2012; Lukhoba & Muturi, 2015). Effective Procurement for in any organization is critical as it plays a great role ensuring that an organization enjoys steady supply materials needed for its operation timely in qualitative and quantitative terms and at minimal cost possible.

Acknowledging the role of suppliers in performance of any organization, Njeri (2017) observes that an organization depends mainly on external resources to undertake its operation to the tune of 70 percent of its operation's needs. This revelation implies that survival and growth of an organization depends on how it manages its dealings with its suppliers. Knudsen, (2003) states that worthy supplier association and development activities enable a firm to advance their operation without any difficulties due to smoothness in their operations. Ahmed and Hendry (2012) observe that challenges that an organization may face in meeting its strategic growth objective can be traced to problems in supply chain such as inability for the suppliers to sustain their supply in view of organization needs. This situation may be due to and not limited to; non-competitive seller base; inability of suppliers to support firm's strategic growth and accomplished suppliers not being accessible in a particular market. Supplier development programs have gained prominence in recent years as one of the strategies that organizations embrace as a reaction to competition

for resources in operational environment (Kivite, 2015). Similarly, Krause (1999), defines supplier development as "any determination by a purchasing organization to advance a seller's performance competences to meet the both short term and long term goals of purchaser organization.

As way of ensuring effective supply of resources to the organization, various studies have affirmed that an organization can initiate and maintain supplier development programs among them being supplier motivation programs. Bosibori (2014) define development as a situation where the buying organization of identify and work with particular suppliers directly through activities that are aimed at boosting supplier capacity to enhance their performance in terms ability to produce and supply adequate quality resources timely to match buyers demands without diverting the same resources to competitors. This situation can be achieved by It involves embracing buyer -supplier expertise and aligning them to the need of the two parties.

Effective supplier performance is manifested through product improvement, quality, timely delivery of product and competitive pricing, a strategic objective of improving operational efficiency. Gonzalez and Quesada (2004) in their study titled "Determining the Importance of the Supplier Selection Process in Manufacturing: A Case" states that supplier development is the greatest persuasive strategy in organization development as it promotes attainment of product superiority and client gratification, a root of competitive advantage of a firm. Niraj *et al*(2001) observes that there has been an increasing acknowledgement of building association with the supplier for enhancements in profitability, serviceability and containment of costs in the supply chain after years of neglect, a situation that is linked to increase in competition.

In Kenya, some sugar factories such as Mumias and Nzoia which started their operations over 40 years

ago have totally closed down their operations due to inability to sustain their operations. This situation has been traced to lack of raw materials to sustain their operations. However despite closure of such factories, other factories such as West Kenya and Butali which are less than 20 years, lying within same geographical region continue registering good business resulting from steady supply of materials. The steadiness of the supply of materials to later firms was likely to be traced to effective supplier development plans such as supplier motivation. This study therefore aimed at establishing supplier Motivation programs adopted by West Kenya and Butali Sugar factories in Kakamega County and how they were influencing procurement performance.

Statement of the Problem

The manufacturing sector in Kenya grew at 3.5% in 2015 and 3.2% in 2014, contributing 10.3% to gross domestic product (GDP) (KNBS, 2016). On average, however, manufacturing has been growing slowly than the economy, which expanded by 5.6% in 2015. This implies that the share of manufacturing in GDP has been reducing over time. As a result, it can be argued that Kenya is going through premature industrialization in a context where manufacturing and industry are still relatively under-developed. Kenya seems to have 'peaked' at a point much lower than in much of Asia.

Manufacturing sector is lost immensely due to lack of benefit from the research and development initiatives carried out by the suppliers concerning the supplies (Muhia & Afande, 2015). Effective supplier relationship management requires an enterprise-wide evaluation of what activities to engage in with each supplier. The common practice of implementing a "one size fits all" approach to managing suppliers can stretch resources and limit the potential value that can be derived from strategic supplier relationships. Managing supplier relationships used to be a zero-sum game (0%). Most companies focused on temporary goals where price was the main focus.

Bullying suppliers were commonplace in some organizations. Employees took great pride in "facing down suppliers" and relationships were viewed on "how much money we will make". However, with the increase in outsourcing and fluctuation in commodities, Supplier Development has moved to the frontline of organizational strategy. Companies are spending increased time on their selection criteria and determining clear best practices to manage partner relationships. However, few companies have mastered supplier relationship management. SRM is in its infancy.

The 2013 Kenya overview report from the World Bank confirms that an effective supplier relationship can contribute immensely to procurement performance and particularly be the cornerstone of attaining the Vision 2030 Strategy. There is very limited research on the role of supplier relationship management on procurement performance. Studies carried out in Kenya focused on other areas of procurement and logistics. Muhia and Afande (2015) studied the role of adoption of e-procurement strategy on procurement performance of state corporations in Kenya by focusing on Kenya Revenue Authority. Maraka, Kibet and Iravo (2015) studied the effect of SRM on the performance of organisations in selected sugar companies in Western Kenya. Owuor, Muma, Kiruri and Karanja (2015) studied the effects of strategic SRM on internal operational performance of manufacturing firms by focusing on EABL. Nyamasege and Biraori (2015) studied the effect of SRM on the effectiveness of Supply Chain Management in Kenya Public Sector – Ministry of Finance. Oyando, Kibet and Musiega (2014) analysed the factors that affect performance of procurement department in public sector by considering County Government of Kakamega. Chimwani, Iravo and Tirimba (2014) studied the factors influencing procurement performance in the Kenyan Public Sector with a special focus on State Law Office. Cheruiyot (2013) studied the impact of integrated supply chain on

performance at Kenya Tea Development Agency. None of the above studies has specifically addressed the role of supplier development on procurement performance. This study filled the existing gap by evaluating the influence of supplier development on procurement performance of West Kenya and Butali Sugar factories in Kakamega County.

Study Objectives

The specific objectives of the study in relation to West Kenya and Butali Sugar factories were to;

- Establish types of motivation programs adopted by West Kenya and Butali Sugar factories as part of their supplier development programs
- The extent to which supplier development programs had influenced procurement

LITERATURE REVIEW

Theory of Constraints

A constraint is defined as an obstacle that stands as a hindrance or a barrier in accomplishment of a particular pre-determined goal (Goldratt, 2004). Therefore accomplishment of the goal can only be attained if the constraint is identified and mitigation measures initiated for the removal of the constraint. It inhibits operational efficiency of an organization thereby limiting its ability to offer timely, adequate and quality services including management of supplier deficiencies. When applied, constraints are barriers in supply chain management that interfere with timely delivery of quality supplies thereby hindering companies operations. Therefore, supplier development practices are measures that are initiated to ensure timely flow of supplies to ensure continuous operation of the industries for example supplier motivation. Lack of funds, certificate awards, timely payments can fail an institution therefore, failure to effectively manage constraints may lead to huge losses and eventual organization closure. The TOC has been tested and proven to be workable in enhancing of organization throughput, quality and reliability (Mwesigwa & Nondi, 2018).

However, management of constraints as a way of promotion of Supplier management performance depends on policy of the organization as well as financial base of the organization.

METHODOLOGY

The study engaged a descriptive research design where information is collected without influencing the variables under examination. This design is usually used in studies that seek to create associations between different phenomena (Monsen and Van Horn, 2008). Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution (Mitchell and Jolley, 2013). By making use of a descriptive design, the study was able to establish whether supplier motivation as a supplier development strategy had led to improved procurement performance of study institutions. A total of 166 respondents from general administration, finance, procurement and production departments were selected from a total population of 283 respondents using proportionate and Simple Random Sampling techniques. Data was captured with the use of questionnaire.

A total of 166 questionnaires were distributed to various respondents. The number of respondents who responded were 131 making response rate to be 82 percent. The response rate showed that the data was adequate to be used for further statistical analysis. Bebbie (2004) rates rate of 70% and above to be very good.

FINDINGS

Influence of Supplier Motivation on Procurement Performance of West Kenya and Butali Sugar Factories

Supplier development programs are critical in enhancing the suppliers' capacity to meet their

obligations thereby enabling an organization meet its organizations' strategic development objectives. This study sought to establish how the influence of supplier motivation as part of supplier development programs and how it had influenced procurement performance of West Kenya and Butali sugar factories. The study sought to address the following objective;

- Establish types of motivation programs adopted by West Kenya and Butali Sugar factories as part of their supplier development programs
- The extent to which supplier development programs had influenced procurement

Further above objectives, the study sought to test the following hypothesis

H₀ There is no significant difference between the impact of Supplier motivation and procurement performance

This section presented data analysis that was aimed at addressing the research objectives and analysis of the hypothesis. Items in the questionnaire were scored using a 5-point Likert Scale indicating extent of agreement of variables on supplier development practices on procurement performance, where: 5=Strongly Agree, 4=Agree, 3=Fairly Agree, 2=Disagree, and 1=Strongly Disagree. The data obtained was used to compute the mean which was interpreted on the basis of recommendations of Bryman and Bell (2011) which is given below <1.5=Strongly Disagree, >1.5-2.5=Disagree, 2.5-3.5=Fairly Agree, 3.5-4.5=Agree and >4.5=Strongly Agree.

The study sought to establish various supplier incentives used as motivation. Various Positive statements on general supplier incentives used were put to the respondents and scored. Data obtained was used to compute the means. The results of the study were shown in Table 1.

Table 1: Supplier Motivation Data

Variable for motivation	Responses(frequency)	Mean	Standard Deviation
Award of Certificate	137	3.4615	0.2480
Recognition of Best Suppliers	137	3.2308	0.2300
Giving of Financial Incentives	137	2.8846	0.3970
Giving of Financial Incentives	137	3.2692	0.4210

Table 1 showed that the respondents were fairly in agreement about the various incentives used in supplier development activities or programs as their mean score ranged between 2.8 and 3.5. However use of financial incentive was the least scored. This implied that the giving of financial incentive was the least embraced activities among the supplier incentive program.

The study sought to establish the influence of supplier motivation as part supplier development program on procurement performance of West Kenya and Butali sugar factories Kakamega County.

Data obtained on responses on positive statements was used to run Regression analysis. This was aimed at testing the hypothesis under study. The findings were presented in Tables 2 and 3.

Inferential Statistical Analysis

Table 2: Model Summary of influence of Supplier Motivation on Procurement Performance in West Kenya and Butali Sugar Factories in Kakamega County

Model	R	R Square	Model Summary^b		Durbin-Watson
			Adjusted R Square	Std. Error of the Estimate	
1	.781 ^a	.610	.594	.48056	1.409

a. Predictors: (Constant), Supplier Incentive

Table 3: Regression analysis of influence of Supplier Motivation on Procurement Performance of West Kenya and Butali sugar factories in Kakamega County

Model	Coefficients^a			T	Sig.
	Unstandardized Coefficients	Standardized Coefficients	Beta		
	B	Std. Error			
1	(Constant)	1.242	.363	3.419	.002
	Supplier Motivation	.670	.109		

a. Dependent Variable: Procurement Performance

Source: Field Data (2019)

Table 2 showed that the value of R was 0.781, a value that indicated a stronger positive correlation between Supplier motivation and procurement performance. Adjusted R Square was 0.594. This indicated that supplier incentives accounted for 59.4 Percent of procurement achievement.

Further to Regression model summary was run. The results were shown in Table 3.

The following regression equation can be derived=1.242 + aX where a=0.781; Y=Procurement performance

Therefore Y=3.65 +0.781X

From the regression equation, it can be interpreted that an increase in initial Supplier motivation by one percent would have led to increase in Procurement performance by .781 percent. In other words, initial Supplier Incentives accounts for 61 percent of procurement performance. This was further confirmed on examination of Significance column where the variable (Supplier motivation) had .000 in significance value which below .05 (5% confidence level).

Therefore on basis of Tables 2 and 3, the hypothesis stating that; there is no significant difference

between supplier motivation and procurement performance of Butali and West Kenya factories in Kakamega County was upheld.

These findings were in congruence with earlier study by Humphreys et al. (2011) and Blonska et al. (2008) who established that supplier recognition enhances organization performance.

CONCLUSION

The study conclusions were arrived based on the summary of the findings of the study. The study results revealed that supplier motivation had a very strong positive and significant relationship on procurement performance and 61% of the variability in procurement performance of Butali and West Kenya sugar factories.

RECOMMENDATIONS

The study established that motivation as a supplier development program is very critical in enhancing organizations' procurement performance thereby promoting operational efficiency through cost reduction, quality improvement and continuity in operations. The researcher recommended for

application of motivation development programs in sugar factories in order to ensure that sugar factories are able to benefit from the concept of supplier

development. Similarly, other organizations should borrow this approach in their areas of operations in order to boost their efficiency.

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