



**LEVERAGING PROCUREMENT PERFORMANCE THROUGH EFFECTIVE SUPPLIER RELATIONSHIP
MANAGEMENT: A CRITICAL REVIEW OF LITERATURE**

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MANAGEMENT: A CRITICAL REVIEW OF LITERATURE**

Mogere, K. M.,¹ & Otuyah, W.²

¹ PhD Candidate, Masinde Muliro University of Science and Technology [MMUST], Kakamega, Kenya

² PhD, Senior Lecturer, Masinde Muliro University of Science and Technology [MMUST], Kakamega, Kenya

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ABSTRACT

The competitive nature of the market place is prompting firms to develop strategies that can make them achieve a competitive edge over their competitors. Procurement therefore plays a critical role in competitive positioning. Supplier relationship management is an important aspect in improving procurement performance as it reduces costs, enhances faster delivery and increases efficiency and effectiveness in procurement. This study therefore aimed at reviewing literature concerning supplier relationship management and procurement performance by looking at researches done by various scholars, and how they corroborate or contradict in their findings.

Key words: *Procurement Performance, Supplier Relationship Management*

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INTRODUCTION

Business operations are increasingly becoming dynamic, competitive and very uncertain. To be able to sustain the competitive nature of the environment, it is important to be able to use supply chain practices like supplier relationship management that aim to optimize supply chains by ensuring reliability of supplies and faster and frequent deliveries to the buying organizations. Supplier relationship management refers to a detailed undertaking towards a firm's management linkage with its suppliers (Kleinbaum, Kupper and Miller, 2008). According to Mentzer, DeWitt, Keeble & Zacharia (2012), supplier relationship management is the comprehensive management of enterprises interactions with the organizations that supply goods and services that it uses.

The objectives of supplier relationship management are to streamline the interactions between the buyer and supplier while ensuring customer relationship management and information flow both upstream and downstream of the supply chains. On the other hand, procurement performance is a means to identify the means by which the procurement function achieves the set objectives while minimizing costs (Van Weele, 2002). For any procurement department to be efficient and effective to its tasks, it should put into consideration the aspect of professionalism, customer service, cost performance, supplier performance and future setting of direction. According to Van Weele (2002), procurement performance centers on effectiveness and efficiency.

LITERATURE REVIEW

Supplier Relationship Management and Performance

Wambani (2017) conducted a research on supplier relationship management and operational performance of sugar manufacturing firms in Kakamega County, Kenya. The study employed a descriptive cross sectional research design. Interview guides and questionnaires were used to

gather primary information for the study. The study established that supplier relationship management practices are embraced by the sugar manufacturing firms in Kakamega County, Kenya. The study further indicated that information sharing results to a higher operational performance and recommended that sugar manufacturing firms in Kakamega County should invest resources (financial, physical and human) in facilitating information sharing between the companies and suppliers so as to improve operational performance.

Muema (2016) investigated the contributions of supplier relationship strategies on procurement performance of sports Kenya. The study employed a descriptive survey design and used both qualitative and quantitative data to make inferences. The target population was 25 procurement officers of sports Kenya. The study established a comprehensive approach to supplier management that sports Kenya uses. Supplier segmentation strategy contributed highly to procurement performance which was followed by supplier performance management strategy. The study further recommended that sport Kenya needed to train their staffs on SRM strategies and their implementation so as to achieve maximum benefits.

To assess the influence of supplier relationship management on operational performance of sugar firms in Kenya, Mwangi (2017) conducted the research. The study employed a descriptive research design and targeted all employees of the 13 sugar manufacturing companies in Kenya. The study found out that supplier collaboration, information sharing and trust based relationship positively impacted operational efficiency of sugar manufacturing firms in Kenya and most of the operations in the sugar manufacturing firms were founded on trust. The study recommended that sugar firms should make sure that a buyer supplier information relationship structure should be implemented and suppliers to be encouraged to participate in product development. Operational systems within the organization should also be well

streamlined and reliable to ensure operational performance.

Fatema (2017) sought to find out the effect of supplier relationship management on operational performance of beach Hotels in Mombasa County, Kenya. The study adopted a census survey and targeted 42 beach hotels in Mombasa County. The study established that the most commonly applied supplier relationship management practice was vendor buyer trust relationship. The study recommended that a comparative study be carried out on all hotels in Mombasa County and not necessarily beach hotels. The study also recommended that for hotels to achieve operational efficiency and competitiveness, they should adopt supplier relationship management practices.

Wachira (2013) investigated the contributions of supplier relationship management on supply chain performance of alcoholic beverage industry in Kenya. The study adopted a descriptive research design and targeted 38 respondents from the alcoholic beverage industries in Kenya. The study established that supply chains gained competitive advantages and enhanced value creation if they adopted collaborative relationships. This in turn enhances supply chain performance.

Oduro et. al. (2020) studied about supplier relationship management and organizational performance of hospitals in an emerging economy. The study used a comparative research design and the target respondents were 205 respondents from private and public hospitals in Ghana. From the study it was evident that adaptation, atmosphere, trust, cooperation and trust had a positive and significant contribution to performance of private hospitals in Ghana. The study recommended that the study should be conducted in other emerging economies so as to enhance supply chain relationship management.

To establish the link between supplier relationship management and vendor performance evaluation in the rivers state bureau for public procurement

(RSBOPP) Nigeria, Nkpee and Tamunomiebi (2020) conducted a quantitative study. It employed the use of a cross sectional survey design while targeting 40 top and middle level management staffs drawn from the 8 departments of river state bureau for public procurement (RSBOPP) Nigeria. The study found out a positive relationship between supplier relationship management and vendor performance evaluation and it resulted to quality and cost performance. The study recommended that the management of rivers state bureau for public procurement should incorporate ERP systems so as to streamline vendor relationship management systems while enhancing cost performance.

Mumelo et. al. (2017) investigated the influence of supplier relationship on performance of small scale enterprises in Bungoma Town, Kenya. the study used a co relational research design and the population of study comprised of a sample of 287 respondents. Primary and secondary data was used for the purposes of study. The study revealed sharing information between suppliers was significant for performance. Reduction in lead time was also important in avoiding uncertainty and reducing the likely problem of shifting inventory of the small scale enterprises. The study further recommended that small scale enterprises should be encouraged to embrace information technology and information sharing so as to promote reduction in lead time in the supply chain.

Tangus et. al. (2015) studied the effect of supplier relationship management practices on performance of manufacturing firms in Kisumu County, Kenya. The study targeted 82 respondents from the 31 manufacturing firms in Kenya. The study concluded that when information sharing with suppliers is increased, performance would as well increase. It goes ahead to recommend increased information sharing, strategic management of supply base and introduction of supplier development programmes.

Kiarie (2017) also contributed to supplier relationship management studies by looking at the influence of supplier relationship management practices on operational performance of large

manufacturing firms in Kenya, it adopted a descriptive co relational research design and targeted all manufacturing firms in the Kenya Association of Manufacturers. The study revealed that a big portion of variations in operational performance could be attributed to supplier relationship management practices. It recommended formation of strategies to align the supplier relationship management practices to operational performance so as to improve the operational performance.

Hillsdorf and Romano (2013) sought to find the relationship between adopted practices (supplier relationship management) and performance in the auto parts supply chain. The study employed a survey research design and it targeted 100 auto parts manufacturing firms in Brazil. It found out that supplier relationship management practices impacted supplier performance positively. However, the research data was not probabilistic since it was collected by convenience. This in turn creates a limitation to this study. Manufacturing companies seeking to achieve improved results when supplying goods and services should embrace supplier relationship management practices.

In the pursuit to contribute to supplier relationship management, Maraka et. al. (2015) conducted a research on the effects of supplier relationship management on the performance of organizations in selected sugar companies in western Kenya. The study employed a survey design and targeted 25 procurement staffs and management from 3 select sugar companies in western Kenya. The study established that supplier relationship positively impacted organizational performance and recommended that they should adopt supplier optimization strategies so as to be able to select suppliers based on their capabilities.

Thanh (2015) finds that there is urgent need to create a model of supplier relationship management process as it will solve the issues that revolve around lack of harmonization in

information, lack of standardization and lack of strategic overview of the organization. Njogu and Moronge (2018) looked at the influence of SRM on performance of grain milling firms in Nairobi City County, Kenya and concluded that supplier collaboration, supplier development, supplier relationships and supplier contracting increased performance. It recommended the study to be conducted in other sectors of the economy.

Nyamasege and Oteki (2015) conducted a research on the effect of supplier relationship management on the effectiveness of supply chain management in the Kenya public sector. The study used a descriptive case research design and used 60 management staffs from the ministry of finances' procurement, administration and finance departments. The findings of the study indicated that lack of supplier relationship management strategies decreased the efficiency of supply chain management functions and recommended that supplier collaboration strategies should be embraced.

Al-abdallah et. al. (2014) looked at the impact of supplier relationship management on competitive performance of manufacturing firms. The study indicated that supplier development and supplier partnership led to significant decrease in lead time and positively impacted the competitiveness of manufacturing firms.

CONCLUSION

From the literature review, it is evident that supplier relationship management is a concept of supply chain management widely adopted by many firms. From the researches' conducted above its evident that its contribution towards performance is positive and significant. This review of literature concludes by encouraging many business firms, institutions, government and parastatals to put more emphasis on supplier relationship management because of its contributions towards performance

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