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# INFLUENCE OF SUPPLIER RELATIONSHIP MANAGEMENT ON PROCUREMENT PERFORMANCE IN FAST MOVING CONSUMER GOODS MANUFACTURING FIRMS IN NAIROBI CITY COUNTY, KENYA

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***ABSTRACT***

*The purpose of the study was to establish the influence of supplier relationship management on procurement performance in fast moving consumer goods manufacturing firms in Nairobi City County. The study applied descriptive research design. The target population of the study was 225 supply chain officers of the fast moving consumer goods firms in Nairobi City County. Data was collected using Stratified Random Sampling by answering of questionnaires both quantitatively and qualitatively. The findings were analyzed using both descriptive and inferential statistics. This was by using statistical package for social sciences version for presentation of the processed data. The inferential statistics (correlation and regression analysis) was used to show the relationship of the independent variables and dependent variable at 5% level of significance. It was notable that there exists a relationship between independent variables and dependent variable with a correlation coefficient of 0.833. The coefficient of determination was between zero and one. The data showed that the high R square was 0.694. It showed that the independent variables in the study were able to explain 69.40% variation in the procurement performance in the fast moving consumer goods manufacturing firms while the remaining 30.60% was explained by the variables or other aspects outside the model. This implied that these variables were very significant and they therefore need to be considered in any effort to boost procurement performance in the fast moving consumer goods manufacturing firms. The study recommended that there was need to have supplier collaboration integrated with the service providers, strategic alliances and partnership with the suppliers as it frees management time and reduces staff costs as well as giving organization flexibility.The firms should embrace supplier contracting with flexible contracting period for reduction of costs in the organization.There was need to have manufacturer/supplier relationship and have strong structural bonds with the suppliers for cost reduction and timely delivery of goods. The firms should have adequate technical support to the suppliers to increase order fulfilment. The firms should have a check for a training program to enhance quality of procured goods. The firms should use an approved list that can enable improvement in cost reduction. The firms need to enhance the use of supplier incentives and supplier trainings for a continuous improvement program to enhance order fulfillment.*

***Key Words:*** *Supplier Contracting, Supplier Collaboration, Manufacturer / Supplier Integration, Supplier Development, Procurement Performance*

## INTRODUCTION

Supplier Relationship Management has been established to enhance procurement performance of an organization through strategically planning for, and managing, all interactions with key third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions with the suppliers. The supplier relationship management encompasses creating closer, strategic alliances, collaborative relationships with the organization suppliers to reduce costs, enhance profits and comply with the rules and regulations (Njagi & Shalle, 2016). According to Leftwich, Leftwich and Moore, (2014), the SRM can be used to streamline and make more efficient and effective the procurement processes between the organizations and its suppliers. It is covers a wide perspective from creating a multi long-term, multi-functional, dynamic approach to selecting suppliers of goods and services and managing them. Supplier relationship management starts from sourcing raw materials to final customer use and disposal to continually reduce total ownership costs, manage risks, and improve performance that enhance quality, innovations, responsiveness, reliability and flexibility(Njagi & Shalle, 2016) in fast moving consumer goods manufacturing firms.

Hughes and Jonathan (2010), defined supplier relationship management (SRM) as a discipline and a process involved in managing preferred suppliers and finding new ones whilst reducing costs, making procurement predictable and repeatable, pooling buyer experience and extracting the benefits of supplier partnerships. While for certain transactions self-centred or discrete relationships, typically characterized as arm's length, may be appropriate, for others, more collaborative relationships may be appropriate (the shift of the relationship spectrum is towards co-destiny).

The fast moving consumer goods sector has lost immensely due to inadequate supplier relationship management development initiatives (Muhia & Afande, 2015). The supplier relationship management requires an enterprise-wide analysis of what activities to engage in with each supplier of the firm. According to Hughes and Jonathan (2010), poor SRM affects the organizations to from enhancing the the differing capabilities and strengths of its suppliers and can stretch resources and limit the potential value that can be derived from strategic supplier relationships. Most companies have concentrated on short terms goals where pricing has been their area of interest. This has encouraged poor SRM affecting the procurement performance in these firms. Most of the FMCG have adopted outsourcing and volatility in commodities has enhanced supplier relationship management (SRM) as forefront of organizational strategy to enhance their profitability and growth. Therefore, the SRM has led to many FMCG firms spending increased time on their selection criteria and determining clear best practices to manage partner relationships for their improved procurement performance.

The issues related to the SRM in many firms in the developed countries worldwide are common. According to Burt, Petcavage & Pinkerton (2010), in America, there has been a relative decline in procurement performance of the manufacturing industry and this has affected its contribution to the total GDP as it was less than half what it was two decades ago. This was attributed to poor relationship between suppliers and manufacturing sectors leading to increased cost of production, resulting to the gross operating profit margin to fall from 10.5% in the year 2012 to 3.6% in the year 2013(KPMG, 2015). The weakening global economic conditions are forcing organisations to reinvent their relations with customers and suppliers alike in an effort to stay afloat and competitive. Thus, costs must be lowered throughout the procurement process while improving quality and service levels or without

diluting quality and service levels by focusing on value addition especially for the FMCG firms. This notion has been widely accepted among the U.S firms and other established markets such as West Europe and Japan. As a result, the leading products makers for different items have reduced their supplier base in recent years and reportedly developed closer relationships with a selected few in the form of strategic alliances or partnerships (McCutcheon & Stuart 2000; Johnston et al. 2004; Narayandas & Rangan 2004; The Economist 2006). Outsourcing has become a competing factor whereby non core works and services are outsourced to specialists. This calls for collaborative relationship to be cultivated to ensure successful, cost effective, quality and consistent delivery of outputs in these firms. Li et al. (2006) revealed that strategic partnerships with suppliers have enabled organizations to work more effectively with a few important suppliers who are willing to share responsibility for the success of the products to enhance procurement performance in these firms. This has led to the implementation of this SCM practice which has led to the enhanced competitive advantage and improved organizational performance.

On the regional perspective, it has been established that some of the Ugandan private manufacturing firms have attempted to collaborate with their suppliers to ensure relationship continuity with the major objectives of supplier retention, relationship loyalty, customer satisfaction and meeting future expectations and intentions (Union Consulting ltd, 2009). However, relationship continuity has not significantly improved since these firms still have rarely adopted the SRM as such the experience low levels of supplier retention, loss of relationship loyalty, customer dissatisfaction and failure to meet future expectations and intentions (Union Consulting ltd, 2009). According to Basheka (2007), Ntayi and Eyaa (2010) buyer-supplier collaborations in Uganda are often characterized by late deliveries, lack of concern for end customer, partial supply of items, supply of substandard items, failure or refusal to supply, rejection of products and delayed payments. In addition, Muhwezi (2009) suggests that in Uganda, partners do not devote energy to sustaining the relationship, even when there are inconveniences and costs, relationships often break since every party in a relationship suspects the other of betrayal, dishonesty and trickery. These deviate from the buyer and supplier firms future expectations and intentions, reduced supplier retention, promote relationship disloyalty and customer dissatisfaction which always lead to relationship discontinuity.

In Kenya, the Supply Relationship Management has gained attention since the early 2000 (Macharia, 2010). It has been established that many manufacturing firms have embraced that having good suppliers is important. Most of the surveys show that Kenyan FMCG firms continue to struggle with buyer-supplier management issues. A study on the Ministry of Special Programs showed that it has not achieved high levels of supplier's performance necessary for delivering competitive market advantage (G.o.K, 2006) because it did not have one system to periodically evaluate the performance of its suppliers. The identification of when relationships are appropriate, the dimensions of effective relationships and how relationships can be a source of competitive advantage have received considerable attention in the literature (Ellram, 2005).

**Statement of the Problem**

According to KPMG (2015) the total household expenditure on fast moving consumer goods in 2015 was $ 240 billion for a sample of 39 African countries. The leading in terms of revenue from the top to the bottom are Nigeria, South Africa, Morocco, Ethiopia, Kenya, DRC, Ivory Coast and Tanzania. The total market share for fast moving consumer goods industry for the consumers earning less than $3 per day (BOP) was 59% on the total consumption. In Kenya, the FMCG

market stands at approximately 57% of the total population (Tetra Pak Ltd in 2013).The findings of the Tetra Pak Ltd in 2013 research also showed that the Kenyan FMCG firms are on the slowing down due to the ever-rising procurement cost of goods and services in Kenya.

In Kenya, over seventy per cent (70%) of manufacturing sector organizations experience supply chain management challenges and this negatively affects effective delivery of goods and services (Edward, 2008); most these challenges are attributable to improper relationship management along a supply chain. Facing up to the challenge of stiffer competition and having to supply the global markets, manufacturers have quickly learned the importance of improving productivity and quality through the adoption of the supplier relationship management (Erasmus, 2006). Suppliers play a very vital role in the production value chain. They indirectly and directly determine the quality, competiveness, cost, availability and sustainability of the final products. Despite the accrued benefits from the manufacturing sector in Kenya, they are yet to account 20 percent of the GDP as stipulated in the Kenya Vision 2030 (Bolo & Wainaina, 2011; KNBS, 2013; Waiganjo, 2013). The fast moving consumer manufacturing sector's contribution to GDP has remained at an average of 5 percent for more than ten years (KNBS, 2015).

Studies have been done in regards to this area of supplier relationship management, for instance, Hoyt and Huq (2000) reviewed on how buyer-supplier relationships have evolved from transaction processes based on arms-length agreements to collaborative processes based on trust and information sharing. Ondieki and Oteki, (2015) in their research looks at effect of supplier relationship management on the effectiveness of supply chain management in the manufacturing sector. Owuor et al, (2015), studied effect of strategic supplier relationship management on internal operational performance of manufacturing firms: A Case of East African Breweries Limited, Kenya. More studies however need to be done in developing countries such as Kenya, to further explain the discordance in results of the relationship between manufacturing firms' procurement performance and supplier relationship management practices (Tangus, Oyugi & Rombo, 2015) and especially for the local manufacturing firms (local start-ups). Despite the number of studies done none of the studies have drawn much emphasis on how FMCG manufacturing organizations should improve the procurement performance management practices by harnessing supplier relationships. Hence this has created a knowledge gap amongst procurement and logistics practitioners in manufacturing sector in Kenya, especially in FMCG.

**Objectives of the Study**

The purpose of the study was to establish the influence of supplier relationship management on procurement performance in fast moving consumer goods manufacturing firms in Nairobi City County, Kenya. Specific objectives were:

- To determine the influence of supplier contracting on procurement performance in fast moving consumer goods manufacturing firms in Nairobi City County, Kenya.
- To establish the effects of supplier collaboration on procurement performance in fast moving consumer goods manufacturing firms in Nairobi City County, Kenya.
- To determine the influence of manufacturer/supplier integration on procurement performance in fast moving consumer goods manufacturing firms in Nairobi City County, Kenya.
- To establish the influence of supplier development on procurement performance in fast moving consumer goods manufacturing firms in Nairobi City County, Kenya.

## LITERATURE REVIEW

### Theoretical Review

### Social Capita Theory

In sociology, social capital is the expected collective or economic benefits derived from the preferential treatment and cooperation between individuals and groups. Although different social sciences emphasize different aspects of social capital, they tend to share the core idea that social networks have value. Just as a screwdriver (physical capital) or a university education (cultural capital or human capital) can increase productivity (both individual and collective), so do social contacts affect the productivity of individuals and groups (Putnam, Robert; 2000). Hence social capita theory suggests that collaboration and in this case buyer supplier collaborations may result in added value. Sustenance of collaborative buyer-supplier relationship is therefore supported by the social capital theory, and leads to mutual gains.

### Network Governance theory

The terms "network organization" (Miles & Snow, 1986), "networks forms of organization" (Powell, 1990), "interfirm networks", "organization networks" (Uzzi, 1996a, 1996b), "flexible specialization" (Piore & Sable, 1984), and "quasi-firms" (Eccles, 1981) have been used frequently and somewhat metaphorically to refer to interfirm coordination that is characterized by organic or informal social systems, in contrast to bureaucratic structures within firms and formal contractual relationships between them (Gerlach, 1992:64; Nohria, 1992). Network governance constitutes a "distinct form of coordinating economic activity" (Powell, 1990:301) which contrasts (and competes) with markets and hierarchies. Network governance involves a select, persistent and structured set of autonomous firms (as well as non-profit agencies) engaged in creating products or services based on implicit and open-ended contracts to adapt to environmental contingencies and to coordinate and safeguard exchanges (Jones, Hesterly & Borgatti 1997). Environmental uncertainty (also called state uncertainty) refers to an inability to predict future events (Milliken, 1987). The source of this uncertainty can come from suppliers, customers, competitors, regulatory agencies, unions, or financial markets (Miles & Snow, 1978). Understanding the sources of uncertainty is important since these influences what governance form is used to coordinate and safeguard exchanges. Research on environmental uncertainty and governance form shows that even modest levels of supply uncertainty combined with predictable product demand entice firms to vertically integrate (Helfat & Teece, 1987).

### Resource Dependence Theory

Resource Dependence Theory (RDT) promoted by Pfeffer and Salancikin (1978), is the study of how the external resources of organizations affects the performance of the organization. The procurement of external resources is an important tenet of both the strategic and tactical management of any company. Nevertheless, a theory of the consequences of this importance was not formalized until the 1970s, with the publication of The External Control of Organizations: A Resource Dependence Perspective (Pfeffer and Salancik 1978). Resource Dependence Theory has implications in the procurement effectiveness of the buying firms especially in tapping into the relationship with suppliers as their important and dependable partners. Thus this theory props up the notion of supplier development. RDT proposes that actors lacking in essential resources will seek to establish relationships with (i.e., be dependent upon) others in order to obtain needed resources. Just like buyer will depend on suppliers for external resources and sellers on buyers for precious markets. Also, organizations attempt to alter their dependence relationships by minimizing their own dependence or by increasing the dependence of other organizations on them. Within this perspective, organizations are viewed

as coalitions alerting their structure and patterns of behaviour to acquire and maintain needed external resources. Acquiring the external resources needed by an organization comes by decreasing the organization's dependence on others and/or by increasing other's dependency on it, that is, modifying an organization's power with other organizations.

**Systems Theory**

Systems theory describes the interrelatedness of all parts of an organization and how one change in one area can affect multiple other parts (Li & Geiser, 2009). According to Walker & Brammer, (2009) organization act as systems interacting with their environment. Any equilibrium is constantly changing as the organization adapts to its changing environment. The foundation of systems theory is that all the components of an organization are interrelated, and that changing one variable might impact many others (Maignan *et al.,* 2012). Organizations are viewed as open systems, continually interacting with their environment. They are in a state of dynamic equilibrium as they adapt to environmental changes. According to Lozano and Valles, (2013) system theory views organizational structure as the established pattern of relationships among the parts of the organization. Of particular importance are the patterns in relationships and duties. These include themes of 1) integration (the way activities are coordinated), 2) differentiation (the way tasks are divided), 3) the structure of the hierarchical relationships (authority systems), and 4) the formalized policies, procedures, and controls that guide the organization (administrative systems) (Maignan *et al.,* 2012). Organizations are open systems and depend on their environment for support. The relationship between an organization and its environment is characterized by a two-way flow of information and energy (Marron, 2013). Most organizations attempt to influence their environment. While Stafford and Harthman, (2010) were among the first to explain the adoption of practices within the environmental context, several scholars have subsequently investigated the positive impact of these institutional pressures on green procurement (Zhu *et al.,* 2009).

**Conceptual framework**

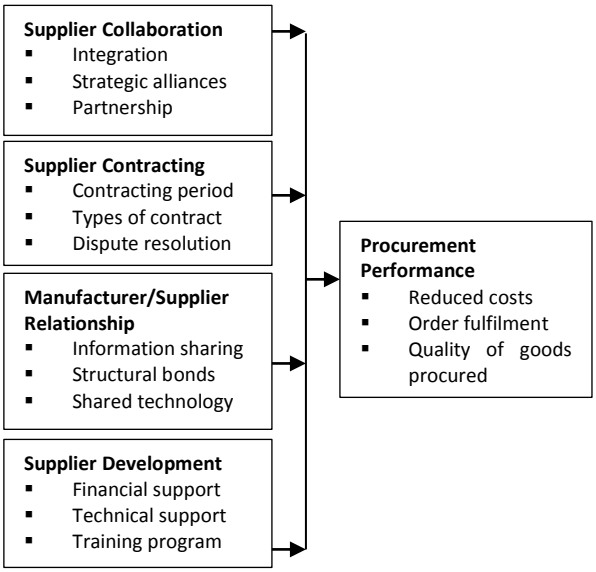


**Figure 1: Conceptual Framework**

**Supplier Collaboration**

The strategic focused outcomes model (SFOM) categorizes collaboration into three. These are market collaboration which includes activities such as shared merchandising, co-branding, joint selling and distribution channel management. Operational collaboration which includes shared operational planning information, developing and sharing of forecasts, link order management system and joint capacity management system. Strategic collaboration includes aligning customer requirements, sharing basic technologies, shared production engineering, developing joint market entry strategies and develop joint capital expenditures. (Tan Leong, 2009).

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). Also, integration of suppliers beyond the first tier of the supply chain may increase firm performance (Lambert, 2008a, b; Kannan and Tan, 2010). Supplier integration can range from a simple consultation for a specific feature in a product to making the supplier fully responsible for the development of the component, process or system that will be delivered to the buyer (Ragatz et al., 2002). Supplier integration can range from a simple consultation for a specific feature in a product to making the supplier fully responsible for the development of the component, process or system that will be delivered to the buyer (Ragatz et al., 2002). Collaborating with suppliers has generally been seen as highly positive for the firm's ability to innovate, partly because of the resources and information the firm could extract from the supplier.

According to Un et al. (2010), collaboration with suppliers offer only limited new knowledge, because these often act in the same market as the firm. The information of the supplier and the buyer might therefore be the same, or at least similar. Nevertheless, the supplier's knowledge and expertise is something that can be very important for the firm. As the supplier has another set of skills, this might be a resource for the firm to use, through collaboration. Un et al. (2010) also state that even if the knowledge of the suppliers is limited, it is easier to access this knowledge than the knowledge of other actors in the supply chain. The supplier also supports innovations more than other actors, due to the combination of common goals and complementary capabilities between the supplier and the firm.

Long-term strategic alliances are developed with a small core group of suppliers (Lambert & Cooper, 2000). Secondly, supplier contracts have increasingly become long-term, and more and more suppliers must provide customers with information regarding their processes, quality performance, and even cost structure. Through close relationships, supply chain partners are more willing to share risks and reward and maintain the relationship over a longer period of time (Chen & Paulraj, 2003). Supply chain relationships are typically long-term and are required to achieve strategic coordination. The anticipation of sharing risks and rewards across the chain affects long-term commitment of channel members (Lambert & Cooper, 2000). There is need for two-way inter-organizational communication for successful supplier relationship. In order to jointly find solutions to material problems and design issues, buyers and suppliers must commit a greater amount of information and be willing to share sensitive design information (Chen & Paulraj, 2003). With recent advances in communications and information technology, firms have an opportunity for significant savings in logistics costs by coordinating the planning of the various stages of SCM. Cross-functional teams have been identified as important contributors to the success of such efforts as supplier selection and product design.

**Supplier Contracting**

According to report produced by EU (2008) in their survey on supplier contracting in enhances a competitive supplier sourcing process carried out in an open, objective and transparent manner can achieve best value for money in an organization. Essential principles that should be observed in conducting the contracts include supplier financial capacity, capability and readiness to embrace new technology among other factors. In addition to the above indicators, the findings of study conducted by Mwikali & Kavale (2012) revealed that cost factors, technical capability, quality assessment, organizational profile, service levels and risk factors, in that order of relative importance, are key factors affecting supplier contracting in procurement management.

According Pamela (2013) supplier contracting enhances procurement performance indicating a need for strategic alliances for improved performance of the parties.

The need for a defined contracting period is crucial as the performance is considered satisfactory by the contracting firm the fixed fee is payable at the expiration of the agreed-upon period, upon contractor statement that the level of effort specified in the contract has been expended in performing the contract work. Renewal for further periods of performance is a new acquisition that involves new cost and fee arrangements (Abosag *et al*., 2008). Key materials or service suppliers are motivated by long term contractual arrangements that assure them long term business and as such are able to invest in satisfying the buyers' needs as they would recover and make earnings over the contract period.

According to Gyau and Spiller (2010), the type of supplier contracts with a manufacturing firm can either be Fixed Price Contracts, Variations of fixed price contracts, Cost Reimbursement Contracts, Time and Material Contracts, Letter Contracts, Indefinite Delivery Contracts, Agreements, Purchase Orders and lastly Government Commercial Purchase Card (Credit Card) have to outline the long-term benefits: quality products with lower cost information flow improved between the two parties. The purpose is to continue the relationship and improve in the procurement performance (Somogyi & Gyau, 2010).

Dispute resolution in case of eventualities reflects that purchasers have many options when drafting dispute resolution clauses in their contracts. Some appear very similar but not all are suitable for every project. Whichever is most appropriate, buyers must ensure contracts set out a dispute escalation process and specify the method. If the contract is silent on this point each party will treat the other's proposals with suspicion, assuming that there is an agenda or advantage behind a recommendation to, for example, arbitrate, adjudicate, mediate or litigate. There would also be the opportunity for the party receiving the claim to stall the process by refusing to agree (Gyau & Spiller, 2010).

**Manufacturer / Supplier Relationship**

It is a without a doubt that the successful development of SCM performance has to focus on customers' needs and wants (Chandra & Kumar, 2000; Svensson, 2013). Consequently, the performance of the supply chains can affect customer satisfaction. That's why the best combination of the constituent has to be found, in order to ensure that the core objective of satisfying customer requirements at the lowest possible cost at the highest service level is achieved. No single component can be seen disjointedly from the other but they have to be viewed through both the effects of the channel system and the critical effect. Collaboration, in the context of the supply chain (Barratt, 2004), is to share the joint objections; an intelligence of commitment; trust and respect; skills and knowledge; and intellectual agility. Supplier/manufacturer collaboration provides benefits to the chain members. That is why collaboration has become one of the most talked about topics in business area (Min et al., 2005). Especially in today's complex competition business environment, collaboration is the driving force behind effective supply chain management.

Building relationships should be viewed as an investment (Bursk 2016) and established relationships should be viewed as assets that ought to be protected and safeguarded. In business-to-business relationships, structural bonds and gains from synergetic effects can commonly be found. Just-in-time production and lean production are examples in which the partners hope to gain efficiency and/or effectiveness. To make a co-operation work, all

partners, accept some degree of obligation - and therefore give some degree of assurance with respect to their future conduct (Richardson 2012). Co-operation and structural bonds in business-to-business are viewed as essential components of supplier-customer-relationships seen as a network (Anderson, Hakansson & Johansen; 2014).

Strategic alliances, just-in-time and lean production provide good examples for voluntarily bonded inter-organisational relationships. Structural bonding is analysed with respect to efficiency and effectiveness in value-creating partnerships. With structural bonds, companies are enabled to outsource strategically important activities and activities requiring specific non retrievable bonds or investments. Structural bonds can have a positive effect on a customer's quality. They can reduce the overall time-to-the-market of a business-to-business customer and raise its agility. Although structural bonds restrict the freedom to switch suppliers, joint gains in value-creating partnerships can overcompensate this loss. Structural bonds develop over time as the level of the investments, adaptations and shared technology grows until a point is reached when it may be very difficult to terminate a relationship. Firms with high levels of structural bonding were found to have a higher level of commitment to the continuance of the relationship than firms with lower levels of structural bonding (Han and Wilson, 1993). Shared technology is the degree to which one partner values the technology contributed by the other partner to the relationship. It may range from product level technology to the linking of computer systems. The creation of shared technology has been found to strain a relationship in the early stages of the development of the technology but inevitably it contributes to a stronger relationship when the technology is up and working (Vlosky & Wilson, 1994). Han and Wilson (1993) report that technology contributes to increasing the commitment to the relationship.

**Supplier Development**

Supplier development contributes the companies in terms of "creation and maintenance of appropriate suppliers, quality, technicality, cost capability and delivery with continuous improvement" (Rajput and Bakar, 2012). It is a bilateral effort by both the buying and supplying organization to jointly improve the supplier's performance or capabilities in one or more of the following areas: cost, quality, delivery, time to market, environmental responsibility, and managerial capability and financial viability (Krause & Handfield, 2011).

According to Lascelles and Dale, (2008) there are reasons why supplier development has become a key element in maintaining or improving a company's competitiveness which in turn leads to organizational improvement. Firstly, technological and competitive pressures have resulted in a greater trend towards specialisation. Secondly, the nature of competition itself has changed. Feigenbaum, among others, postulates that effective international competition is a combination of competition in its traditional and visible form (product versus product) and an equally powerful, but less visible, form of competition involving companies' skill in implementing and managing a process of total quality management – of which suppliers are vital parts.

Supplier development can include providing financial support to suppliers (Krause *et al.,* 2000; Wisner, 2003). This will result in improving supplier performance and capabilities (Dyer and Chu, 2000). Rewarding suppliers is about giving them incentives which in turn lead to motivation. Supplier incentives as a strategy encourages suppliers to improve their performance including increased business volume, priority consideration for future business, and recognition of good supplier performance in the form of awards or certificate (Monczka et al, 1993, Krause & Ellram, 1997). Some buyers focus on short-term benefits while others look at supplier development as a long-term investment. Thus suppliers have access

to different types of supplier development programs depending on their buyers. Technical support and supplier training are other ways of supplier development at the buyers' disposal, especially when dealing in a capital intensive or a specialised manufacturing set up. Machinery installation and maintenance, outsourcing of technical manufacturing need requires training of suppliers. Training of suppliers on changing market trends of final products, changes in legislation are needful for continued supply of requirements by the suppliers. This implies that the types of trainings that would most benefit suppliers could be best assessed through studies focusing on the supplier perspective (Chavhan, Mahajan & Sarang, 2012).

**Procurement Performance**

Procurement performance refers to how well an organization meets its financial goals and market criteria (Li, Rao, Ragu-Nathan & Ragu-Nathan, 2005; Koh, Demirbag, Bayraktar, Tatoglu & Zaim, 2007). In general, procurement performance can be measured from both financial and non-financial criteria (Demirbag, Koh, Tatoglu & Zaim, 2006). The measures of financial goals include profit, return on investment, sales growth, business performance, and organization effectiveness (Venkatraman & Ramanujam, 2016). On the other hand, the measures of non-financial criteria are innovation performance and market share (Demirbag et al. 2006), quality improvement, innovativeness and resource planning (York and Miree, 2004).

Supply chain innovation and efficiency has been found to be positively related to procurement performance. Besides, customer value creation such as efficient data management, reduction in medical error, and speedy processing of patient care were also found to have positive impact on organizational performance (Lee et al., 2011). In retrospect therefore, for a buying organization, such high efficiencies and effectiveness will trigger a need to establish more close relationship with such supplier. Kim, Cavusgil and Calantone (2006) stated that SCM practices should shift to integrative in order to value its performance effectiveness. Koh et al. (2007) identified that SCM practices have significant direct positive impact on small and medium enterprises' performance. Khang, Arumugam, Chong and Chan (2010) found SCM practices such as leadership, IT adoption, customer orientation and training have significant impact on service procurement performance. Lin et al. (2005) supported the view with results and indicated that SCM practices such as quality management and supplier relationship management improve organizational performance. Effective SRM practices improve organization's market performance and financial performance (Li et al., 2005).

**Empirical review**

**Supplier Collaboration**

Njagi and Shalle (2016) did a study on the Role of Supplier Relationship Management on Procurement Performance in Manufacturing Sector in Kenya. The study used the case of East African Breweries Ltd and focused on employees working in different departments at the Company. It adopted a descriptive research design which was appropriate because it involved collecting data in order to answer pertinent questions concerning the current status of subjects under study. The target population was 450 employees working in different departments who were directly involved in managing manufacturing activities in the Organization. The sampling frame was the Human Resource register at EABL. The sample size of 80 respondents was selected using stratified sampling technique. Data collected was analyzed using SPSS version 23. Analysis of variance (ANOVA), correlation and regression analysis was done. Descriptive analyses such as frequencies and percentages were used to present quantitative data in form of frequency distribution tables and pie charts on major research questions while open ended questions were analyzed qualitatively, arranged thematically and presented on narrative form to draw

conclusions and recommendations. The results indicated that supplier integration contributed significantly to the procurement performance.

Wafula and Ochiri (2016) sought to establish the effect of Strategic Supplier Partnership on firm performance in the energy sector. The study was limited to Kenya Pipeline Company Limited which is a key player in the energy sector in Kenya. The study adopted descriptive research design. The target population was 50 staff in the procurement department in Kenya Pipeline Company. Since the population was small; the study adopted a census study; thus all the 50 procurement staff formed the sample size for the study. The study collected primary data through a questionnaire. Both descriptive and inferential statistics were adopted for the study. Descriptive statistics included use of frequency distribution tables and measures of central tendency, measures of variability and measures of relative frequencies while inferential statistics included use of a regression model. Data was presented using tables, charts and graphs. The study found that SSP has improved communication and networking between the firm and suppliers, further they were neutral that SSP has led to computerization of all inventory management systems and improved supply chain innovations in KPC. The study further found that strategic supplier partnership has improved the time it takes for petroleum products to get to the market. In addition respondents agreed that strategic supplier partnership has improved the demand forecast by KPC. The study concludes that SSP has improved communication and networking between the firm and suppliers. The study also concludes that the organization had a joint inventory plan with their suppliers. Further strategic supplier partnership had not improved storage of petroleum products. The study recommends that Companies should emphasize greater attention to the continuous improvement of the strategic supplier partnership as well as management support in strategic supplier partnership programs.

**Supplier Contracting**

According to study by Mirawati *et al* (2015) on Supplier-Contractor Partnering Impact on Construction Performance: A Study on Malaysian Construction Industry, they state that for effective contracting a long-term commitment between two or more organizations for the purposes of achieving specific business objectives by maximizing the effectiveness of each participant resources. This requires changing traditional relationships to a shared culture without regard to organizational boundaries. The relationship is based on trust, dedication to common goals, and an understanding of each other's individual expectations and values.

Weston and Gibson (2012), in their study on Partnering-Project Performance in U.S. Army Corps of Engineers, Journal of Management Engineering, revealed that partnering project performs better than those projects managed in an adversarial manner. Moreover, partnering enhance better risk management within both upstream and downstream relationships which in turn help to improve user satisfaction. Client-main contractor relationship is upstream while main contractor-subcontractor relationships are downstream.

According to a study conducted by Saad, Jones and James (2012), they highlight that project underperformance is caused by the main contractor tendency to focus on dyadic relationships between themselves and clients; neglecting the importance of subcontractors and suppliers. This is due to the financial funding and workload provided by the client. Furthermore, changes in client demands from just price to criteria like innovations, sustainability and speed require the main contractor to build a closer relationship with the subcontractors, thus emphasizing the importance and significance of managing suppliers

**Manufacturer / Supplier Relationship**

Mbaisi and Chirchir (2016) did a study on the Factors affecting supply chain integration in large manufacturing firms in Kenya. The objectives of this study was to determine the extent of supply chain integration in large manufacturing firms in Kenya, to establish the factors affecting supply chain integration on large manufacturing firms in Kenya, and to determine the effect of the identified factors on the implementation of supply chain integration on large manufacturing firms in Kenya. The study was based on cooperative game theory and systems theory. The study adopted a descriptive research design. A survey method was used to collect primary data. The survey approach was proposed because it provides a quick, inexpensive, efficient and accurate means of assigning information about the population. This study targeted all large manufacturing firms in Kenya that were members of KAM. Data collection was done through the use of closed-ended questionnaires. The data were summarized and tabulated using descriptive measures. Factor analysis was used to identify the underlying factors.

Mbaisi and Chirchir (2016) used descriptive statistics to summarize the results for each of the main variables. The study concludes that there exists strategic partnerships between large manufacturing firms and their suppliers and that they consult their suppliers when values of their firm are being developed. In addition, the study concludes that manufacturing firms provide their suppliers with information so that they can improve their quality and responsiveness, they maintain long term relationships between their firm and their suppliers, and that their firm seeks assurance of quality from suppliers. In addition, the study concludes that cross-functional integration is very significant for all supply chain initiatives. The study also concludes that supplier integration reduces the materials total costs, SCM integration has provided the organization ability to quickly and easily relate with suppliers. Further, SCM integration has assisted in improving the quality of goods, works and services offered to the beneficiary. The study recommends that there is need to establish independent compliant units within the firms to ensure that rules and regulations are adhered to in order to curb malpractices that reduce effectiveness of supply chain performance. The study also recommends there is need for establishment of stronger networking and collaboration platform that facilitates sharing of real-time information between supply chain partners

**Supplier Development**

A study which was carried out by Humphreys (2003) on the impact of supplier development on buyer–supplier performance found out that indeed there is evidence of that and influential factors related to buyer – supplier performance within the context of Hong Kong's electronics industry identified. Humphreys (2003) also says this finding is consistent with previous studies which indicated that supplier development efforts did improve buyer–supplier performance. He also says that companies have to establish strong collaborative relationships with suppliers and put significant efforts into developing competent supply networks. A study done by Rotich, Aburi & Kihara (2014) on the influence of specific supplier development practices on a firm's competitive advantage: A case study of Safaricom Limited found out that use of supplier development programs enabled the firm to have a competitive edge over its rivals and that improving a supplier's capability helped the firm to achieve high levels of quality, cost delivery and cycle times thereby providing a competitive advantage.

**RESEARCH METHODOLOGY**

The study employed descriptive research design. The target population for this research study was 225 supply chain managers drawn from the different departments of the FMCG manufacturing firms in Nairobi City County, Kenya. The Procurement Performance was regressed against four independent variables. The equation was expressed as follows:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$, Where;
Y= Procurement performance;
β0= constant (coefficient of intercept),
$X_1$= Supplier Collaboration;
$X_2$= Supplier Contracting;
$X_3$= Supplier Integration
$X_4$= Supplier Development;
ε = Error term;
$\beta_1 \ldots \beta_4$= regression coefficient of four variables.

**FINDINGS AND PRESENTATION**

**Supplier Collaboration**

The study sought to assess the influence of supplier collaboration on procurement performance in the fast moving consumer goods in the manufacturing firms in Nairobi City County, Kenya. This section presented findings to statements posed in this regard with responses given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). Table 1 presented the findings. The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. A majority of respondents were found to be neutral that the firm has integrated with the service providers who are always ready to offer a competitive cost thus cost reduction in the organization (2.875). The strategic alliances frees up cash thus allowing investments on core activities and improves organization reduction of costs (2.365); The firm partnership with the suppliers frees management time and reduces staff costs as well as giving organization flexibility (2.908); The supplier integration provides an improved quality by utilizing a service provider who has more knowledge, experience and expertise (3.210); The strategic alliances helps management and in still confidence in them to take up more risk in core areas which have more value addition (2.560). The study results imply that supplier collaboration influence procurement performance in the fast moving consumer goods in the manufacturing firms in Kenya. The study findings are in tandem with literature review by Frohlich and Westbrook, 2011; Rosenzweig et al., 2013 who stated that the higher levels of integration with suppliers results in improved performance 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). Also, integration of suppliers beyond the first tier of the supply chain may increase firm performance (Lambert, 2008a, b; Kannan and Tan, 2010).

**Table 1: Influence of Supplier Collaboration on Procurement Performance**

| Description | Mean | Std. Dev |
|---|---|---|
| The firm has integrated with the service providers who are always ready to offer a competitive cost thus cost reduction in the organization | 2.875 | 1.876 |
| The strategic alliances frees up cash thus allowing investments on core activities and improves organization reduction of costs | 2.365 | 1.560 |
| The firm partnership with the suppliers frees management time and reduces staff costs as well as giving organization flexibility | 2.908 | 1.460 |

| | | |
|---|---|---|
| The supplier integration provides an improved quality by utilizing a service provider who has more knowledge, experience and expertise | 3.210 | 1.543 |
| The strategic alliances helps management and in still confidence in them to take up more risk in core areas which have more value addition | 2.560 | 1.093 |

**Supplier Contracting**

The study sought to assess the influence of supplier contracting on procurement performance in the fast moving consumer goods in the manufacturing firms in Nairobi City County, Kenya. This section presented the findings to statements posed in this regard with responses given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). Table 2 presented the findings. The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. A majority of respondents were found to be neutral that the firm had the flexible contracting period for reduction of costs in the organization (2.765); The firm had a friendly types of contracts to enhance order fulfilment (2.908); The firm had a dispute resolution mechanism to enhance order fulfilment and reduction of costs (2.568); The firm had a provision on a vague or conflicting requirements to enhance quality of procured goods (3.098); The firm used contracting period review systems in the procurement process to enhance quality of procured goods (2.165).The firm had a dispute resolution mechanism for a continuous improvement program to enhance order fulfilment (2.780).

The study results implied that supplier contracting influenced procurement performance in the fast moving consumer goods in the manufacturing firms in Kenya. The study findings corroborated with literature review by Pamela (2013) supplier contracting enhanced procurement performance indicating a need for strategic alliances for improved performance of the parties.The need for a defined contracting period was crucial as the performance was considered satisfactory by the contracting firm the fixed fee was payable at the expiration of the agreed-upon period, upon contractor statement that the level of effort specified in the contract had been expended in performing the contract work. Renewal for further periods of performance is a new acquisition that involves new cost and fee arrangements (Abosag *et al*., 2008).

**Table 2: Influence of Supplier Contracting on Procurement Performance**

| Description | Mean | Std. Dev |
|---|---|---|
| The firm has the flexible contracting period for reduction of costs in the organization | 2.765 | .985 |
| The firm has a friendly types of contracts to enhance order fulfilment | 2.908 | 1.753 |
| The firm has a dispute resolution mechanism to enhance order fulfilment and reduction of costs | 2.568 | .096 |
| The firm has a provision on a vague or conflicting requirements to enhance quality of procured goods | 3.098 | 1.943 |

| | | |
|---|---|---|
| The firm uses contracting period review systems in the procurement process to enhance quality of procured goods | 2.165 | 1.459 |
| The firm has a dispute resolution mechanism for a continuous improvement program to enhance order fulfilment | 2.780 | 1.532 |

**Manufacturer/Supplier Relationship**

The study sought to assess the influence of manufacturer/supplier on procurement performance in the fast moving consumer goods in the manufacturing firms in Nairobi City County, Kenya. This section presented findings to statements posed in this regard with responses given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). Table 3 presented the findings. The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. A majority of respondents were found to be neutral that the collaborated with the manufacturers and suppliers to deliver goods in time (2.569); The firm has strong structural bonds with the suppliers for cost reduction and timely delivery of goods (3.129); The firm had a shared technology with the suppliers for order fulfilment (2.763); The organization shared technology ensured that suppliers did not fail to honour the orders issued (2.911); The structural bonding enhanced cost reduction and order fulfilment (2.542). The shared technology with the suppliers promoted profitability of the firms (2.180). The study findings indicated that manufacturer/supplier relationship influenced procurement performance in the fast moving consumer goods in the manufacturing firms in Kenya. The study findings were in line with literature review by Bursk (2016) who established that Supplier/manufacturer collaboration provides benefits to the chain members. That is why collaboration has become one of the most talked about topics in business area Especially in today's complex competition business environment, collaboration is the driving force behind effective supply chain management. Building relationships should be viewed as an investment and established relationships should be viewed as assets that ought to be protected and safeguarded. In business-to-business relationships, structural bonds and gains from synergetic effects can commonly be found.

**Table 3: Influence of Manufacturer/Supplier Relationship on Procurement Performance**

| Description | Mean | Std. Dev |
|---|---|---|
| The collaborated with the manufacturers and suppliers to deliver goods in time | 2.569 | 1.653 |
| The firm has strong structural bonds with the suppliers for cost reduction and timely delivery of goods | 3.129 | 1.370 |
| The firm has a shared technology with the suppliers for order fulfilment | 2.763 | 1.268 |
| The organization shared technology ensures that suppliers do not fail to honour the orders issued | 2.911 | 1.560 |
| The structural bonding enhances cost reduction and order fulfilment | 2.542 | 1.328 |
| The shared technology with the suppliers promotes profitability of the firms | 2.180 | 1.228 |

**Supplier Development**

The study sought to assess the influence of supplier development on procurement performance in the fast moving consumer goods in the manufacturing firms in Nairobi City County, Kenya. This section presented findings to statements posed in this regard with responses given on a five-point likert scale (where 1 = Strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5= Strongly Agree). Table 4 presented the findings. The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'Neutral' has been taken to represent a statement equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.0. A majority of respondents were found to be neutral that the firm offers adequate financial support for reduction of costs in the organization (3.128); The firm offered adequate technical support to the suppliers to increase order fulfilment (2.904); The firm check for a training program to enhance quality of procured goods (2.549); The firm uses an approved list that can enable improvement in cost reduction (2.882); The firm uses a supplier incentives to enhance quality of procured goods (2.780). The firm offers supplier trainings for supplier offers a continuous improvement program to enhance order fulfilment (3.206). The study findings are in line with literature review by Chavhan, Mahajan and Saranga (2012) who states that supplier development for example training of suppliers on needful for continued supply of requirements by the suppliers enhances procurement performance in an organization. This implies that the types of supplier development that would most benefit suppliers could be best assessed through studies focusing on the supplier perspective.

**Table 4: Influence of Supplier Development on Procurement Performance**

| Description | Mean | Std. Dev |
|---|---|---|
| The firm offers adequate financial support for reduction of costs in the organization | 3.128 | 1.432 |
| The firm offer a adequate technical support to the suppliers to increase order fulfilment | 2.904 | 1.280 |
| The firm check for a training program to enhance quality of procured goods | 2.549 | 1.328 |
| The firm uses an approved list that can enable improvement in cost reduction | 2.882 | 1.228 |
| The firm uses a supplier incentives to enhance quality of procured goods | 2.780 | 1.356 |
| The firm offers supplier trainings for supplier offers a continuous improvement program to enhance order fulfilment | 3.206 | 1.220 |

**Procurement Performance**

The study sought to examine the influence of supplier relationship management on the procurement performance in the fast moving consumer goods manufacturing firms in Nairobi City County, Kenya attributed to the influence of supplier collaboration, supplier contracting, supplier development and manufacturer/supplier relationship. The study was particularly interested in three key indicators, namely reduction of costs, turnaround time and quality of procured goods, with all the three studied over a 5 year period, running from 2013 to 2017. Findings in Table 5 revealed improved procurement performance in the fast moving consumer goods manufacturing firms in Kenya across the 5 year period running from the year 2013 to 2017. Reduction of costs

recorded positive improvement with a majority affirming to less than 10% in 2013 (38%) and 2014(36%), to 10% in 2015 (36%) then more than 10% in 2016(40%) and 2017 (36%).A similar trend was recorded in turnaround time, as the less than 10% (40%) in 2013, to more than 10% in 2014 (35%), 2015 (36%) and 2017 (38%). The quality of goods procured recorded positive improvement with a majority affirming to less than 10% in 2013 (38%) and 2014 (36%), to 10% in 2015 (34%) and 2016(40%) then by more than 10% in 2017 (36%). It can be deduced from the findings that procurement performance in the fast moving consumer manufacturing firms indicators have considerably improved as influenced by the supplier collaboration, supplier contracting, manufacturer/supplier relationship and supplier development. The order fulfillment lead time reduction have particularly improved by at least 10 percent across most of the manufacturing firms pointing to the significance of supplier collaboration, supplier contracting, manufacturer/supplier relationship and supplier development on improving procurement performance.

**Table 5: Procurement Performance**

| **Reduction of Costs** | **2013** | **2014** | **2015** | **2016** | **2017** |
|---|---|---|---|---|---|
| Improved by less than 10% | 38 | 36 | 34 | 32 | 30 |
| Improved by 10% | 28 | 34 | 36 | 28 | 34 |
| Improved by more than 10% | 34 | 30 | 30 | 40 | 36 |
| **Turnaround Time** | **2013** | **2014** | **2015** | **2016** | **2017** |
| Improved by less than 10% | 40 | 35 | 32 | 26 | 26 |
| Improved by 10% | 36 | 34 | 32 | 34 | 36 |
| Improved by more than 10% | 24 | 32 | 36 | 40 | 38 |
| **Quality of procured goods** | **2013** | **2014** | **2015** | **2016** | **2017** |
| Improved by less than 10% | 38 | 34 | 32 | 26 | 32 |
| Improved by 10% | 36 | 30 | 34 | 34 | 32 |
| Improved by more than 10% | 26 | 36 | 34 | 40 | 36 |

**Multiple Regression Analysis**

The study adopted a multiple regression analysis so as to establish the relationship of independent variables and dependent variables. The study applied SPSS compute the measurements of the multiple regression analysis. According to the model summary Table 6, the coefficient of determination ($R^2$) is used to measure how far the regression model's ability to explain the variation of the independent variables. It is notable that there exists a relationship between independent variables and dependent variable with a correlation coefficient of 0.833. The coefficient of determination is between zero and one. The data showed that the high R square is 0.694. It shows that the independent variables in the study were able to explain 69.40% variation in the procurement performance in the fast moving consumer goods manufacturing firms while the remaining 30.60% is explained by the variables or other aspects outside the model. This shows that the model has a good fit since the value is above 60%. This concurs with Graham (2012) that R-squared is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains the variability of the response data around its mean. In general, the higher the R-squared, the better the model fits the data. The adjusted R square is slightly lower than the R square which implies that the regression model may be over fitted by

including too many independent variables. Dropping one independent variable will reduce the R square to the value of the adjusted Rsquare. This implies that these variables are very significant and they therefore need to be considered in any effort to boost procurement performance in the fast moving consumer goods manufacturing firms.

**Table 6: Model Summary**

| Model | R | $R^2$ | Adjusted $R^2$ | Std. Error of the Estimate |
|---|---|---|---|---|
| | .833 | .694 | .666 | .012 |

The results of Analysis of Variance (ANOVA) reveal that the significance of the F-test was done to test the effect of independent variables on the dependent variable simultaneously. The F-statistic test basically shows whether all the independent variables included in the model jointly influence on the dependent variable. Based on the study results of the ANOVA Test or F-test in Table 7, obtained F-count (calculated) value was 17.534 greater the F-critical value (Table) (15.324) with significance of 0.001. Since the significance level of 0.001< 0.05 we conclude that the set of independent variables affect the procurement performance in the manufacturing firms (Y-dependent variable) and this shows that the overall model was significant. Thus the four variables play a significant role in the procurement performance in the fast moving consumer goods in the manufacturing firms in Kenya.

**Table 7: ANOVA**

| Model | Sum of Squares | d.f | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 13.908 | 4 | 3.4770 | 17.534 | .001[a] |
| Residual | 12.890 | 65 | .1983 | | |
| Total | 26.798 | 69 | | | |

NB: F-critical Value = 15.324;

Table 8 presents the beta coefficients of all independent variables versus procurement performance in the fast moving consumer manufacturing firms. As can be observed from Table 8, Supplier collaboration ($X_1$) had a coefficient of 0.872 which is greater than zero. The t statistics was 6.665 which has a p-value of 0.000 which is less than 0.05 implies that the coefficient of $X_1$ is significant at 0.05 level of significance. This showed that supplier collaboration had a significant positive influence on procurement performance in the fast moving consumer manufacturing firms. The beta coefficient of supplier contracting ($X_2$) was 0.788 which was greater than zero. The t statistic of this coefficient is 6.320 with a p value of 0.002 which was less than 0.05. This implied that the coefficient 0.788 was significant. Since the coefficient of $X_2$ is significant, it showed that supplier contracting had a significant effect on procurement performance in the fast moving consumer manufacturing firms. Table 8 also showed that manufacturer/supplier relationship ($X_3$) had a coefficient of 0.780 which was greater than zero. The t statistic was 5.890 which had a p-value of 0.004 which was less than 0.05 implied that the coefficient of $X_3$ was significant at 0.05 level of significance. This showed that manufacturer/supplier relationship had a significant positive influence on procurement

performance in the fast moving consumer manufacturing firms.

Table 8 further showed that supplier development ($X_4$) had a coefficient of 0.720 with a t statistic of 5.220 which had a p-value of 0.005 which was less than 0.05. This implied that the coefficient of $X_4$ is significant at 0.05 level of significance. This showed that supplier development had a significant positive influence on procurement performance in the fast moving consumer manufacturing firm. Finally, the constant term was 11.678. The constant term was the value of the dependent variable when all the independent variables were equal to zero. The constant term had a p value of 0.000 which was less than 0.05. This implied that the constant term was significant. The multiple regression of procurement performance in the fast moving consumer manufacturing firms was thus an equation through the 11.678. If all the independent variables take on the values of zero, there would be 11.678 procurement performances in the fast moving consumer manufacturing firms.

**Table 8: Regression Coefficient Results**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | **β** | Std. Error | **β** | | |
| (Constant) | 11.678 | 1.986 | | 5.880 | .000 |
| Supplier Collaboration | .872 | .131 | .665 | 6.665 | .000 |
| Supplier Contracting | .788 | .125 | .654 | 6.320 | .002 |
| Manufacturer/Supplier | .780 | .132 | .455 | 5.890 | .004 |
| Supplier development | .720 | .137 | .332 | 5.220 | .005 |

**CONCLUSION AND RECOMMENDATIONS**

The study established that a majority of respondents were found to be neutral that the firm had integrated with the service providers who were always ready to offer a competitive cost thus cost reduction in the organization.The strategic alliances frees up cash thus allowing investments on core activities and improves organization reduction of costs. The firm partnership with the suppliers frees management time and reduces staff costs as well as giving organization flexibility.The supplier integration provides an improved quality by utilizing a service provider who has more knowledge, experience and expertise.

On Supplier Contracting, the study results showed that a majority of respondents were found to be neutral that the firm had the flexible contracting period for reduction of costs in the organization. The firm had friendly types of contracts to enhance order fulfilment. The firm had a dispute resolution mechanism to enhance order fulfilment and reduction of costs. The firm had a provision on vague or conflicting requirements to enhance quality of procured goods. The firm used contracting period review systems in the procurement process to enhance quality of procured goods. The firm had a dispute resolution mechanism for a continuous improvement program to enhance order fulfilment.

On Manufacturer/Supplier Relationship, the study found out that a majority of respondents were

found to be neutral that the collaborated with the manufacturers and suppliers to deliver goods in time.The firm had strong structural bonds with the suppliers for cost reduction and timely delivery of goods. The firm has a shared technology with the suppliers for order fulfilment.The organization shared technology ensures that suppliers do not fail to honour the orders issued. The structural bonding enhances cost reduction and order fulfilment. The shared technology with the suppliers promotes profitability of the firms.

On Supplier Development, the study findings indicate that a majority of respondents were found to be neutral that the firm offers adequate financial support for reduction of costs in the organization. The firm offered adequate technical support to the suppliers to increase order fulfilment. The firm check for a training program to enhance quality of procured goods. The firm uses an approved list that can enable improvement in cost reduction. The firm uses supplier incentives to enhance quality of procured goods. The firm offers supplier trainings for supplier offers a continuous improvement program to enhance order fulfilment.

On Procurement Performance, the study sought to examine the influence of supplier relationship management on the procurement performance in the fast moving consumer goods manufacturing firms in Nairobi City County, Kenya, attributed to the influence of supplier collaboration, supplier contracting, manufacturer/supplier relationship and supplier development. The procurement performance recorded low improvement on the reduction of costs, turnaround time and quality of procured goods. From inferential statistics, a positive correlation is seen between each determinant variable and procurement performance in the fast moving consumer goods manufacturing firms in Nairobi City County, Kenya.. All the independent variables were found to have a statistically significant association with the dependent variable at ninety-five level of confidence.

**Conclusions of the Study**

The study concluded that supplier collaboration influence procurement performance in the fast moving consumer goods manufacturing firms in Kenya. The regression coefficients of the study show that supplier collaboration has a significant positive influence on procurement performance in the fast moving consumer goods manufacturing firms in Kenya. This implies that increasing levels of supplier collaboration would increase the levels of procurement performance in the fast moving consumer goods manufacturing firms. This shows that supplier collaboration has a strong positive influence on procurement performance in the fast moving consumer goods manufacturing firms.

The study concluded that supplier contracting influence procurement performance in the fast moving consumer goods manufacturing firms in Kenya. The regression coefficients of the study show that supplier contracting has a significant positive influence on procurement performance in the fast moving consumer goods manufacturing firms in Kenya. This implies that increasing levels of supplier contracting would increase the levels of procurement performance in the fast moving consumer goods manufacturing firms. This shows that supplier contracting has a strong positive influence on procurement performance in the fast moving consumer goods manufacturing firms.

Further, the study concluded that manufacturer/supplier collaboration influence procurement performance in the fast moving consumer goods manufacturing firms in Kenya. The regression coefficients of the study show that manufacturer/supplier collaboration has a significant positive influence on procurement performance in the fast moving consumer goods manufacturing firms in Kenya. This implies that increasing levels of manufacturer/supplier collaboration would increase the levels of procurement performance in the fast moving consumer goods manufacturing firms. This shows that manufacturer/supplier collaboration has a strong positive influence on procurement

performance in the fast moving consumer goods manufacturing firms.

Finally, the study concluded that supplier development influence procurement performance in the fast moving consumer goods manufacturing firms in Kenya. The regression coefficients of the study show that supplier development has a significant positive influence on procurement performance in the fast moving consumer goods manufacturing firms in Kenya. This implies that increasing levels of supplier development would increase the levels of procurement performance in the fast moving consumer goods manufacturing firms. This shows that supplier development has a strong positive influence on procurement performance in the fast moving consumer goods manufacturing firms.

**Recommendations of the Study**

The study recommended that there is need to have supplier collaboration integrated with the service providers, strategic alliances and partnership with the suppliers as it frees management time and reduces staff costs as well as giving organization flexibility.The supplier integration provides an improved quality by utilizing a service provider who has more knowledge, experience and expertise.

The firms should embrace supplier contracting with flexible contracting period for reduction of costs in the organization. The firm should have a dispute resolution mechanism to enhance order fulfilment and reduction of costs. The contracting period review systems in the procurement process to enhance quality of procured goods should be well used to enhance procurement performance.

There is need to have manufacturer/supplier relationship and have strong structural bonds with the suppliers for cost reduction and timely delivery of goods. The firms should have shared technology with the suppliers for order fulfilment.The organization shared technology can ensure that the suppliers do not fail to honour the orders issuedand promotes profitability of the firms.

The firms should have adequate technical support to the suppliers to increase order fulfilment. The firms should have a check for a training program to enhance quality of procured goods. The firms should use an approved list that can enable improvement in cost reduction. The firms need to enhance the use of supplier incentives and supplier trainings for a continuous improvement program to enhance order fulfilment.

**Areas for Further Research**

The study was a milestone for further research in the field of procurement performance in manufacturing firms in Africa and particularly in Kenya. The findings demonstrated the important factors to enhancement of procurement performance in the manufacturing firms to include; supplier collaboration, supplier contracting, manufacturer/supplier relationship and supplier development. The current study covered only 69.40% and the remaining 30.60% should therefore be expanded further in future in order to determine the effect of supplier relationship management on procurement performance in manufacturing firms in Africa and particularly in Kenya. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other factors which also influence procurement performance in manufacturing firms in Africa and particularly in Kenya.

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