# SUPPLIER DEVELOPMENT AND EXPORT PERFORMANCE OF OIL-SEED AGRO-PROCESSING FIRMS IN UGANDA

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**Abstract**

The study sought to examine the relationship between supplier development and export performance of oil-seed agro processing firms in Uganda. Specific objectives were to examine the structure of supplier development activities, to establish the relationship between supplier development activities and export performance, the relationship between supplier development and opportunism, and the relationship between opportunism and export performance of agro-processing firms in Uganda. A cross sectional quantitative survey approach was adopted to undertake the study. A field study using proportionate stratified approach was used, involving a sample size of 50. Analysis of data involved the use of statistical package for social sciences (SPSS).The findings of the study revealed a significant and positive relationship between supplier development and export performance. The findings revealed no significant relationship between supplier development activities and opportunism and it revealed that opportunism is significantly and negatively related to export performance.

**Keywords:** Supplier Development, Opportunism, Export Performance and International Business

## Introduction

Exports are of immense importance to the development of a country in terms of economic and societal prosperity especially in developing countries (Westhead, 2008 and Koksal, 2008). In fact, firms have begun to consider export activities as prerequisites for future growth, profitability and even survival (Mavrogiannis, Bourlakis & Ness, 2008).Uganda's export performance is consistent with that of most African countries

(UNIDO report, 2006), and between the periods of 1980 to 2007, Africa as a whole lost half of its world export market share (UNCTAD, 2008). By the year 2006, Uganda's percentage growth of exports in volume was negative four (-4) in all industries (International Trade Center, 2006). In a bid to improve export performance, concessionary schemes like The Africa Growth Opportunity Act (AGOA) and Everything But Arms (EBA) provided beneficiary countries including Uganda with opportunities to improve their trade position.

Supply related constraints appear often on the top as export performance impediments in Africa. Common among is the unreliable domestic supply of raw materials, delays and poor quality materials and high transaction costs (Fugazza, 2004; Tesfom and Lutz, 2006;UNCTAD, 2008). Agro-processing firms are constantly looking for avenues to reduce costs in order to become competitive and the reduction of transaction costs through supplier development has been identified with great optimism (Hobbs, 1996; Muller and Seuring, 2007; Ryu et al. 2008; Wei and Chen, 2008;. Most firms fail to supply their target market because their suppliers fail to provide them with inputs that they depend on in their Agro-processing processes In relation to unreliable supply is the problem of delayed supply (Ryu, Min and Zushi, 2008). It consequently forces manufacturers to hold large inventories of inputs, tying up funds that could have been used for investment. (Fafchamps, Gunning and Oostendorp, 2000)

Firms have to work through suppliers to facilitate and realize reliable supply or inputs as well as significant cost savings and can no longer limit such efforts to their firm boundaries (Stephan, 2005). According to Krause and Ellram, (1997) supplier development is defined as; any effort of a buying firm with a supplier to increase its performance and/or Capabilities and meet the buying firm's short and/or long-term supply needs. Effective supplier development sustain reliable input supply, improved product quality and reduced cost for a buying firm's products and services in the same way (Amelia and Hale,2007). Suppliers' capabilities and performance contribute greatly to the survival and competence of processing firms, given that external spending by these firms account for about 60 or even 70 percent of the budget (Carr, Kaynak, Hartley and Ross, 2008; Tao, Li and El-Ansary, 2008; Wagner, 2006).

**Problem Statement**

Whereas the contribution of processed oil-seeds to the Ugandan economy has sharply increased (66 % growth between 2007 and 2008), their share in the African and World market still remains insignificant, 1.8% and 0.52 % respectively (Trade Map, 2009). Uganda's low contribution could be attributed to the poor supplier development and failure to

manage opportunistic behaviour of suppliers. Although the various forms of support extended to suppliers by firms are relatively well researched; there is still limited empirical evidence on the relationship between the different forms of supplier development and the export performance of firms in the Agro-processing sector

**Research Objectives**

(i) To examine the structure of Supplier Development Activities

(ii) To establish the relationship between Supplier Development Activities and Export Performance.

(iii) To determine the relationship between Supplier Development Activities and Opportunism.

(iii) To determine the relationship between Opportunism, and Export Performance of Agro-Processing firms in Uganda.

**Literature Review**

**The structure of Supplier Development Activities**

The ultimate objective of providing training to suppliers is to improve suppliers quality, flexibility, delivery performance and to reduce transactions cost, by training them how to constantly improve their operations (Amelia, Carr, Kaynak, Hartely and Ross 2008; Sharon,2007). Wagner (2006) asserts that seeking, building and maintaining relationships with suppliers forms a basis and foundation for competition and survival of firms in the globally competitive market place. Firms can realize significant cost saving by reducing external spending which account for 60 or even 70 percent of the budget of many firms.

According to Watts and Hahn, (1993, p.12) supplier development is defined as:

*"A long-term cooperative effort between a buying form and its suppliers to Upgrade the supplier's technical quality, delivery and cost capability and foster Ongoing improvements"*

Whereas from a transaction cost perspective (Williamson, 1985), supplier development refers to a transaction specific investment by the buying firms. Hartely and Jones (1997) define supplier development as the practice of working with suppliers to improve their performance and increase their capabilities.

Supplier development was pioneered in the automotive industry. Companies such as Toyota and Honda are masters at supplier development initiatives (Liker and Wu, 2000). They have long since recognized that the supply chain is only as strong as its weakest link and therefore invest time and money into developing suppliers' skills and capabilities. In a long-term sourcing relationship, Japanese companies, in particular, are known to send a large number of Japanese engineers and technical support staff to train local suppliers not only to

meet the rigorous Japanese product quality standard but also to improve on their production and delivery capabilities.

Uganda being a predominantly agricultural country, most of the supplier development initiatives and practices are manifested in form on contract farming. In Uganda, contract farming has been traditionally restricted to plantation crops (sugarcane and tea) where out-growers have been supplementing production of large processing agribusiness firms to ensure a continuous supply of critical inputs (UPTOP,2007).

According to Joy and Larry (2008), the components of supplier development include; coordination, cooperation, commitment, information sharing and feedback. However, Supplier development can be distinguished by the role the buying firm plays, i.e. according to the resources committed to a specific supplier. In the case of "direct" (Monczka et al., 1993) or "internalized" (Krause et al., 2000) supplier development, the buying firm plays an active role and dedicates human and/or capital resources to a specific supplier. Direct supplier development includes activities such as on-site consultation, education and training programs, temporary personnel transfer, inviting the supplier's personnel, as well as the provision of equipment or capital (Wagner, 2006). According to Joy and Larry (2008), the components of supplier development include; coordination, cooperation, commitment, information sharing and feedback

Contrariwise, the buying firm commits no or only limited resources to a specific supplier in case of "indirect" (Monczka et al., 1993) or "externalized" (Krause et al., 2000) supplier development. Instead, the firm offers incentives or enforces supplier improvement, and hence makes use of the external market to encourage performance improvements. This is frequently done by assessing suppliers, communicating supplier evaluation results and performance goals, increasing a supplier's performance goals, instilling competition by the use of multiple sources or promising future business (Krause, 1997; Krause et al., 2000; Monczka et al., 1993; Prahinski and Benton, 2004).

However, supplier development activities can be categorized based on the level of firm involvement and implementation complexity. The impetus for this categorization stems from its potential to link development activities and their impact on performance. These include: basic, moderate, and advanced supplier Development practices (Sanchez-Rodriguez, Hemsworth, Martinez-Lorente, 2005).Basic supplier development construct pertains to those supplier development practices that require the most limited firm involvement and minimum investment of the company's resources (i.e. personnel, time, and capital) and thus, are likely to be implemented first in an effort to improve supplier performance and/or capabilities.

These supplier development practices include evaluating supplier performance, providing feedback about the results of its evaluation (Sanchez-Rodriguez et al, 2005)

The moderate supplier development construct involves by moderate levels of buyer involvement and implementation complexity, therefore requiring comparatively more company resources (personnel, time, and capital) than basic supplier development practices. The supplier development activities considered to have moderate levels of involvement and implementation complexity include visiting suppliers' plants to assess their processes (Krause, 1997), reward and recognition of supplier's achievements in quality improvement (Trent and Monczka, 1999), and supplier certification (Krause, 1997; Trent and Monczka, 1999). The advanced supplier development construct pertains to those supplier development practices characterized by high levels of implementation complexity and buyer involvement with suppliers, therefore, requiring a greater use of company resources (personnel, time, and capital) than moderate and basic supplier development.

Supplier development can be distinguished by the role the buying firm's plays, i.e. according to the resources committed to a specific supplier. In the case of "direct" (Monczka et al, 1993) or "internalized" (Krause et al, 2000) supplier development, the buying firm plays an active role and dedicates human and/ or capital resources to a specific supplier. From a transaction cost perspective, direct supplier development refers to transaction-specific investment by the buying firm (Williamson, 1985, 1991). Direct supplier development includes activities such as on-site consultation, education and training programs, temporary personnel transfer, inviting the suppliers' personnel, as well as the provision of equipment or capital Krause et al, 2000).

Beverly and Ulf, (2005) assert that it is imperative to invest time and money into developing suppliers' skills and capabilities, since the supply chain is only as strong as its weakest link.. Therefore, it's fundamental that buying firm must get involved in the training and education in order to address the skills gaps. This view is supported by Joy and Larry (2008) who affirm that successful buyer-supplier relationships require the supervision of suppliers, the development of their technical capabilities and sharing information intensively but selectively.

**Supplier Development Activities and Export Performance**

Majority of firms engaged in International business in the era of globalization are forced to support their suppliers simply because they cannot afford to have any of their suppliers under perform. Such under performance sequentially affects the performance of the

buying firm. Therefore, firms have started re-examining their suppliers in a long-term perspective (Verwall and Donkers, 2001)

Numerous agro-processing firms in developing countries have underutilized the liberalization of markets in developed countries, despite the reduction in non-tariff barriers. In most cases, this is attributed to failure to produce products to required specifications, most importantly unsustainable supply. In most cases, these firms are only able to meet the first half a dozen orders, and gradually default on the subsequent orders. The blames for such inefficiencies is in most cases attributed to the buyers' suppliers. The buyers' suppliers are usually blamed delayed delivery and delivery of substandard inputs. (Piercy, Katsikeas and Cravens, 1997)

According to Larson (2004), delayed, unreliable and poor quality inputs are very expensive to the processing firm. He notes that 25% of is devoted to repair of defects and errors and sourcing for alternative suppliers of inputs. Consequently, manufacturers hold large inventories of inputs, tying up funds that could have been used for investment (Fafchamps, Gunning and Oostendorp, 2000).

Mihalis (2008) found out that despite the fact that firms in the UK assign great importance to the role their suppliers play to the sustainability and competence of their firms, their involvement in the activities of the suppliers is relatively low. On the contrary, Kristian, Torben and Rhona, (2008) have a divergent view by asserting that there has been a dramatic shift in recent years by firms moving from a transactional to a relational-oriented approach to dealing with their suppliers.Bevery and Ulf (2005) assert that its imperative to invest time and money into developing suppliers' skills and capabilities, since the supply chain is only as strong as its weakest link.. Therefore, it's fundamental that buying firm must get involved in the training and education in order to address the skills gaps. This view is supported by Joy and Larry (2008) who affirm that successful buyer-supplier relationships require the supervision of suppliers, the development of their technical capabilities and sharing information intensively but selectively.

On the contrary, Lambert and Knemeyer (2004) believe that good results can be achieved without investing extra effort to form a tight relationship with every supplier. In fact Tan et al (2002) find no relationship between supply chain information sharing and various measures of performance. This view is further strengthen by Vereeeke and Mulle (2006) who only find a weak relationship between buyer -supplier collaboration and performance improvement. Joy and Larry (2008), find that, although feedback between the buyer and

supplier positively influences the buyer-supplier relationship, feedback between the two parties does not positively impact the supplier's performance.

Effective supplier development sustain reliable input supply, improved product quality and reduced cost for a buying firm's products and services in the same way (Amelia and Hale ,2007). Suppliers' capabilities and performance contribute greatly to the survival and competence of processing firms, given that external spending by these firms account for about 60 or even 70 percent of the budget (Carr, Kaynak, Hartley and Ross, 2008; Liu, Tao, Li and El-Ansary, 2008; Wagner, 2006).

**Supplier Development Activities and Opportunism**

Williamson (1975) defines opportunism in general terms as "self-interest seeking with guile". What sets opportunism apart from the standard economic assumption of self-interest-seeking behaviour is the notion of guile. Williamson (1985), in his later work describes guile as "lying, stealing, cheating and calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse. He further notes that opportunism can manifest itself both as a deliberate misrepresentation of various kinds during relationship initiation (i.e. ex ante) and various forms of violations over the course of the relationship (i.e. ex post). John (1984) notes that opportunism does not include other forms of self-interest seeking, for instance, hard bargaining, intense and frequent disagreement and similar conflict behaviors do not constitute opportunism.

Wathne and Heide (2000) categorize opportunism as either active or passive. They stress that opportunism may occur when a party either engages in or refrains from particular actions. For instance passive opportunism takes the form of shirking or evasion of obligations and active opportunism involves one party engaging in behaviors that were explicitly or implicitly prohibited.

Williamson (1975) divided opportunism into blatant or strong-form opportunism and lawful opportunism. He states that blatant opportunism may manifest itself through deliberate misrepresentation of various kinds during the relationship initiation (ex ante) and various forms of violations over the course of the relationship (ex post). Williamson (1960) asserts that failure to disclose ones true attributes results into a problem of adverse selection. Blatant opportunism may also manifest itself in the form of evasion of obligations in the ongoing relationship.

Williamson (1991) uses the term lawful opportunism to describe violations that do not pertain to a formal contract. Typically a scenario whereby a lack of contractual detail enables a party to exploit loopholes either passively, by evading informally stated obligations or

actively, by taking advantage of a lack of formality in a contract. Williamson (1979) also asserts that the risk is greater if the number of alternative suppliers is limited. The smaller the number of suppliers available to the buyer, the greater the chances that they could act opportunistically and later the terms of the contract to their own advantage.

Wathne and Heide (2000), assert that whereas opportunistic behaviour can take place under any circumstance, certain conditions facilitate the flourishing of opportunistic behaviour. They include: lock-in conditions and conditions manifesting information asymmetry regarding a party's attributes or actions, thus the ability for one party to detect opportunism is limited. Consequently, this gives the exchange partner the opportunity to pursue opportunistic actions without being caught.Grzekowiak and Al-Khatib (2008) state that the goal of maximizing profits ( or utility) may lead to opportunistic behaviour in occasions that allow the extraction on unilateral gains at the expense of another for instance by misrepresenting information. They link Machiavellian motives to opportunistic tendencies. They assert that exchange partners that follow Machiavellian ideas to evaluate their actions are likely to find it appropriate to use any means to accomplish organisation goals including manipulation and deceit.

According to Das (2005), the objective of deceitful behaviour by a partner firm is to seek gain for self interest at the expense of the other party. Withholding or distorting information and shirking or failing to fulfill promises or obligations are examples of deceitful behaviour. It's widely recognized that all partners have potential for deceitful behaviour to some degree; however, the tendencies for deceit may be latent or dormant. Most member refrain from behaving deceitfully for fear that they may be found out resulting into loss or reputation or possible contractual termination.

Given that it's often impossible to identify who is likely to act opportunistically, low confidence levels arising from deceitful behaviour not only discourage the formation of buyer –supplier relationships Das (2005). However, Chin Ting, Nan Chen and Bartholomew (2007) believe that making information more transparent between buyers and suppliers in a such a way that each side can know about the other sides information lessens incidences of uncertainty and would consequently reduce opportunism.

The concept of mutual hostages Das (2005), mitigate or lessens the effects of opportunism despite intensive supplier development efforts. The notion suggests the exchange of critical resources between buyers and suppliers, such that each member firm becomes vulnerable to potential losses, thereby materially demonstrating credible commitment to each other. Unless parties make similar amounts of transaction-specific

investments, there would be a strong incentive for parties making less transaction specific investments to behave deceitfully.

The same view about mutual hostages is maintained by Hwang and Burgers (1997) by asserting that transaction specific investments provide credible commitment that reinforces mutual assurance thereby reducing incidences of opportunistic behaviour. Due to vulnerability on both sides, a partner will hesitate to engage in deceitful or opportunistic behaviour for fear of losing its own critical resources held hostage by the presumptive "victim" firm.

On the contrary, they also assert that if the gain from opportunistic or deceitful behaviour is greater than the loss of the hostage resources, a partner will persist with deceitful behaviour even in the presence of strict monitoring mechanisms. This is evident among suppliers of primary raw materials who are known to sell to other processors or buyers who offer a slightly better price, despite arrangements with processors or buyers who supplied them with inputs (supplier development activities).

Supplier development initiatives with stronger emphasis on monitoring the beneficiaries (suppliers) can restrict the opportunistic tendencies Das (2005). Monitoring suggests close, first hand supervision of activities of suppliers. The idea is to discourage the suppliers from becoming deceitful.However Wathne and Heide (2000) slightly contradict the above view asserting that excessive monitoring efforts may jeopardize mutual trust building efforts because monitoring requires close scrutiny which often detracts from trusting behaviour. They suggest that monitoring should be done as unobtrusively as possible. The buying firms can monitor the behavior of the supplying firms in a random fashion to ensure that the suppliers will always be on guard about engaging in opportunistic behaviour.

Johnson, Cullen and Sakano (1996) believe that supplier development activities that emphasize participatory decision making yields better results in shrinking the possibility of opportunistic behaviour. They assert that shared decision making has positive consequences in that it inhibits opportunistic tendencies. The same view is echo by Sexton (1997). He asserts that the close interaction made through shared decision making signify both a commitment to and interest in the outcomes which consequently decrease the perceived likelihood of opportunistic behaviour and mostly importantly, the possibility that the likelihood of opportunistic behaviour will be recognized. This method is responsive to potential conflicts and facilitates goal congruence.

Das and Teng (2001) suggest another view calling for supplier development activities that empathizes training. They assert that training serve to regulate and standardize

behaviour of the supplier and the buyer. They believe that training enables both parties to impress certain behavioral norms on the relationship. They accept as true, the notion that through training, a buyer can persuade the staff is his supplier to behave in an appropriate manner and therefore less opportunistically.

Through proper training, the buying firm can attempt to inculcate the norm of full disclosure of information and thus the value of being open with critical information of relevance to the partner. Training can also deter various types of distortion and deceitful behaviour. However training should include the development of skills to detect possible deceitful tendencies and possibilities Das (2005).Wathne and Heide (2000) assert that the occurrence of opportunistic behaviour has important implications in that if the risk of opportunism is a particular relationship is sufficiently high, considerable resources must be spent on control and monitoring, resources that could have been deployed more productively for other purposes. This view is shared by Calfee and Rubin (1993) who stress that the risk of opportunism may produce substantial opportunity costs in the form of "valuable deals that won't be done". Among suppliers, the category of opportunism that is more prevalent is in the form of quality shirking. This means that a supplier is withholding efforts or passively failing to honor an agreement.

Williamson (1975) recognizes that businesses and individuals will sometimes seek to exploit a situation to their own advantage. This risk is greater when there exists a small numbers bargaining problem, For example, the fewer the number of alternative suppliers available to a buyer, the more likely it is that an existing supplier will act opportunistically to alter the terms of the business relationship to their own advantage, such as by demanding a higher price than that previously agreed. This consequently determines the volume or quantity of inputs that a buyer can purchase and thus affecting the export volumes he can manufacture.

**Opportunism and Export Performance of Agro-Processing firms**

Abdel-latif and Nugent (1995) assert that in a world without transaction costs like opportunistic behaviour but with perfect markets, the penetration of international markets would be a simple matter of production cost. Yet, despite remarkable technological improvements relevant to the costs of international transacting, and considerable relaxation of exchange controls .the costs of international transactions are generally far from negligible. In particular, from around the world there is growing evidence that reforms designed to provide the right economic environment for the local production of exportable products and incentives for exporting are insufficient in themselves to generate rapid export growth.

According to Rupert Loader (1997), Transaction cost analysis recognizes that many business exchanges are characterized by incomplete, imperfect or asymmetrical information. Information incompleteness Informational asymmetries can lead to opportunistic behaviour in two ways. The first involves *ex ante* opportunism where information is hidden prior to a transaction. This is *ex post* opportunism which occurs after a transaction because of the hidden actions of individuals or firms (Hobbs, 1996). These parties may have the incentive to act opportunistically to increase their economic welfare because their actions are not directly observable by other parties.

The ever increasing competition in the global market place implies that firms that fail to keep up with the demand of their buyers, for instance, timely delivery to specifications, will quickly be replaced with firms that are much better at reducing their buyers' transaction costs especially those that can be avoided like costs of deceitful behaviour. The emergence of global value chains have manifested the need for firms to increase their support to suppliers in an attempt to reduce risks of delayed delivery resulting from opportunism. They have released that their entire survival depends of the inputs from their suppliers. In this light, they have decided to give the necessary support to firms that are engaged the provision of inputs to the buying firms (Ruben, Boselie and Lu, 2007)

Major retail stores engage in the supply of fresh organic products have subsequently been forced to support and develop their suppliers and a control mechanism against the ineffectiveness and inefficiencies in the supply of vital inputs in the to their departmental stores . (Kneller, Pisu and Yu, 2006)

Larson (2004) points out that most manufacturers aim at reducing costs of inputs, improving quality of inputs and having consistent and timely delivery of inputs. Suppliers' capabilities and performance contribute greatly to the survival and competence of agro-processing firms, given that external spending by these firms account for about 60 or even 70 percent of the budget (Carr, Kaynak, Hartley and Ross, 2008; Liu, Tao, Li and El-Ansary, 2008; Wagner, 2006).

**Methodology**

The study was a cross-sectional, quantitative survey. Supplier development and export performance of Agro Processing firms was captured using quantitative measurement scales, while elements of opportunism cost were captured using quantitative measurement scales.

The population for the study was Oil Seed- Agro processing firms in Uganda which are 56 in total (source: Uganda Oil-Seed Agro Processors Association). Using proportionate stratified sampling approach, a sample of 50 was drawn from a total population of 56.

(Krejcie and Morgan, 1970) A random sampling approach was used to select respondents from the individual strata and stratification was done according to size.

**Table I:** Sample size of the study

| Category | Population | Percentage Population | Sample size | Proportionate Sample Size |
|---|---|---|---|---|
| Large scale | 5 | 8.93% | 4 | (5/56)50 = 4 |
| Medium scale | 13 | 23.21% | 12 | (13/56)50 = 12 |
| Small scale | 38 | 67.86% | 34 | (40/56)50 = 34 |
| **Total** | **56** | **100%** | **50** | **50** |

**Source:** Uganda Oilseed Producers and Processors Association, 2009

**Categorization criteria based on production capacity**

Small scale: 1 metric tonne to 10 metric tonnes

Medium scale: 10metric tonnes to 49metric tonnes

Large scale: 50 metric tonnes and above

The study relied on primary sources of data. Primary data was collected from respondents using a structured semi-standard questionnaires and personal interviews. Secondary data was got from the Uganda export promotion board and the Uganda Investment Authority The questionnaire consisted mainly of closed ended questions and open-ended questions all in line with the study objectives. The questionnaires were self-administered for clarity purposes and seek respondents' opinions. A pre-coded structured semi-standardized questionnaire built on a Likert scale with responses ranging from 1(strongly disagree) to 5 (strongly agree) was used to get the quantifiable data from individual respondents.

**Supplier Development Activities** were be measured using items adapted from previous research by Kruase & Ellram, 1996 and Sanchez-Rodriguez, Hemsworth, Martinez-lorente, 2005. Carr, Kaynak, Hartley & Ross, 2008.**Opportunism** was measured using items adapted from Hobbs, 1996, loader, 1997 and Macher & Barak D. Richman, 2008.**Export Performance** was measured using items adapted from Domiguez & Zinn, 1994, Madsen, 1989 and Carlos, 2004.The questionnaire was pre-tested before its final administration. The Cronbach coefficient was used to assess the reliability of the measures. Nunnally (1967) states that reliability coefficients of 0.70 or more are considered good. . The items adopted have been used overtime and have been proven to be valid. The interview guide was designed before the administration and pre-administration sessions were carried out to test its reliability.

The results in the table were generated so as to assess the levels of reliability of the research instrument. The internal consistency reliability was assessed using the Cronbach alpha values while the Validity was assessed using the Comtent Validity Index (CVI).

**Table: I**

| Variable | Anchor | Cronbach Alpha | CVI |
|---|---|---|---|
| Supplier Development | 5 point | 0.931 | 0.737 |
| Opportunism | 5 point | 0.841 | 0.650 |
| Export Performance | 5 point | 0.727 | 0.833 |

The results in the table above showed that the measures were both reliable and valid since the Cronbach alphas and CVI values were above 0.6.

**Results And Discussions**

The results showed that the majority of the organizations were registered limited companies (96.7%) and the rest of the organizations were categorized under partnerships (3.3%). Only five organizations that had registered as limited companies had been in existence for at least 10 years (17.2%). The chi-square test results showed that there is no association between the period for which an organization has been operating and the type of organization (sig. >.05). This implies that the status of an organization will not necessarily mean it will operate for a longer or shorter period of time.

The results showed that the majority of companies had at least between 1-30 external suppliers of products and services (75.9%), with the minority of companies (24.1%) having between 31-50 external suppliers of products and services. The organizations under a partnership organizational arrangement only had external suppliers of products and services within the range of 1-30. No association was observed for the type of organization and the number of external suppliers of products and services (sig. > .05). This implies that whether an institution is partnership or a company, this will not necessarily determine the number of external suppliers of products and services.

The results showed that the majority of the respondents were in the management department (36.8%), this was followed by respondents in other areas of specialization (26.3%). The respondents in the finance area of specialization followed suit compromising of 21.1%. The marketing area of specialization comprised of the least number of respondents (15.8%). The majority of the respondents in management positions were under contract terms of employment (57.1%). The chi-square test results showed that there is no association between the areas of specialization of the respondents and their employment status (sig. >.05). This implies that the employment status of the respondents will not necessarily determine their areas of specialization.

**Descriptive of the Variables**

The scale was anchored such that 1-represents strongly disagree, 2- disagree, 3-uncertain, 4-agree and 5-strongly agree. Means close to 1 or 2 show disagreement, whereas means close to 4 or 5 reflect agreement with the issue at hand.

**Table II:**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| Export Performance | 1.88 | 1.05 | 30 |
| Investing in personnel | 3.17 | 0.88 | 30 |
| Process Oriented advice | 3.60 | 0.73 | 30 |
| Evaluation and feedback | 3.75 | 0.72 | 30 |
| Intensive information Exchanges | 3.90 | 0.55 | 30 |
| Opportunism | 3.58 | 0.42 | 30 |

The results showed that the firms were low on export performance (mean = 1.88), most of the firms had poor export performance figures. It was noted that investing in personnel (mean = 3.17) needed improvement since most firms hardly engaged in investing in personnel. Opportunism was prevalent among the transactions of these firms (mean =3.55) and this ought to be reduced, for instance through increased monitoring and scrutiny of the suppliers activities. Process oriented advice, evaluation and feedback & intensive information exchange was low with means of 3.60, 3.75 & 3.90 respectively and therefore needed improvement. Except for export performance, all standard deviations were less than 1, implying that the mean is a fair representation in the oil seed agro processing sector in Uganda.

**Factor Analysis for Supplier Development Activities**

**Table: III**

| | *Investing in Personnel* | *Process Oriented Advice* | *Evaluation and feedback* | *Intensive Information* |
|---|---|---|---|---|
| We provide our suppliers with support of high quality | .714 | | | |
| We provide competent resources for problem solving for suppliers | .692 | | | |
| We provide resources for problem solving at the right time to our suppliers | .868 | | | |
| We provide technical support (investment in equipment/personnel) to help our key supplier to improve their operations | .665 | | | |
| We visit suppliers' factories to assess their facilities. | .878 | | | |
| The company provides training to its suppliers. | .698 | | | |
| We provide technical expertise to help fix problems on our supplier's production line | .713 | | | |
| Our employees work with our key supplier's employees to improve their operations | .834 | | | |
| Our suppliers participate in training offered by our company | .809 | | | |

| | | | | |
|---|---|---|---|---|
| Suppliers are recognized and rewarded for material's quality improvement. | | .843 | | |
| Our employees evaluate our key supplier's operations and provide feedback to help them to improve. | | .831 | | |
| Suppliers participate in the company's new product development process. | | .707 | | |
| Suppliers are involved in the buyer's new product design process | | .536 | | |
| As a result of our association with our supplier, our supplier's delivery time improved. | | | .549 | |
| Suppliers are informed of their performance | | | .815 | |
| Purchasing collaborates with suppliers in improvement and development activities for new raw materials and parts. | | | .854 | |
| There is a procedure for supplier quality qualification. | | | | .652 |
| Our supplier cannot afford to lose our company's business | | | | .612 |
| We provide a cooperative climate between suppliers and buyers through intensive information exchanges such as suppliers releasing internal information | | | | .798 |
| Eigen Values | 8.846 | 2.22 | 1.824 | 1.407 |
| Cumulative % | 46.557 | 11.685 | 9.601 | 7.408 |
| Variance % | 46.557 | 58.241 | 67.842 | 75.25 |

It was noted that Investing in Personnel, Process Oriented Advice, Evaluation & Feedback and intensive information sharing make up variances of 46.557%, 11.685%, 9.601% and 7.408% respectively. Companies ought to visit their suppliers' factories to assess their facilities (.878) at the same time provide resources for problem solving at the right time to their suppliers (.868). firms ought to provide regular training to their suppliers and encourage them to participate regularly (.809), coupled to that, company employees ought to work with employees of their key suppliers to improve their operations (.834). Suppliers ought to be informed of their performance (.815) and firms ought to have purchasing collaborations with their suppliers in improvement and development activities for new raw materials and parts (.854) it was also noted that firms ought to recognize and reward their suppliers for material's quality improvement (.843) and encourage their employees to evaluate their key supplier's operations while providing feedback to help them improve (.831). It was also evident that both buyers and suppliers ought to develop a system of intensive information exchanges (.798)

**The Factor Analysis Results for Opportunism**

**Table: IV**

| | *Duplicity* | *Fraudulence* | *Deception* |
|---|---|---|---|
| The supplier has tried to deceive us on several occasions | .646 | | |
| Our supplier gives us wrong information about their goods and services. | .592 | | |
| The supplier does anything within his means to further his own interests. | .644 | | |
| Promises made by our suppliers are not all fulfilled. | .632 | | |

| | | | |
|---|---|---|---|
| The supplier lacks integrity when not closely monitored. | .709 | | |
| Sometimes the supplier slightly alters facts in order to get what he wants. | .770 | | |
| Sometimes the supplier presents facts in such way that he looks good. | .698 | | |
| Our suppliers drag us into forced negotiations. | .572 | | |
| I feel that it is OK to do anything within my means that will help further my own interests | | .848 | |
| Sometimes I have to alter the facts slightly in order to get what I want. | | .588 | |
| I have sometimes I have to alter the facts slightly in order to get what I need | | .572 | |
| I have sometimes promised to do things without actually doing them later | | .547 | |
| Complete honesty does not pay when dealing with my primary supplier | | .629 | |
| Sometimes I present facts to my primary supplier in such a way that I look good | | | .687 |
| My primary supplier isn't always truthful with me, so am not always completely honest with them | | | .718 |
| Sometimes I have to exaggerate my needs in order to get what I really need from my supplier | | | .523 |
| Eigen Values | 9.153 | 4.631 | 2.629 |
| Variance % | 45.763 | 23.154 | 13.145 |
| Cumulative % | 45.763 | 68.917 | 82.062 |

It was noted that Duplicity, Fraudulence and Deception comprised of 45.763 %, 23.154% and 13.145% respectively. It was noted that suppliers lacked integrity in their business dealings and felt that they ought to do things in their means to help further their own interests (.848). Tendencies to alter facts by suppliers were prevalent (.770). It was noted that deception was prevalent among buyers often misrepresenting facts (.687), lacking complete honesty (.718) and with tendencies to exaggerate their needs (.523)

**The Factor Analysis Results for Export Performance**

**Table: V**

| | *Sales Trends* | *Growth targets* |
|---|---|---|
| Over the years, the company has realized average annual growth in export sales | .787 | |
| The performance of export sales per country for the company was good. | .832 | |
| The ratio of the firm's total annual export sales to the total number of company employees was good. | .781 | |
| The performance of export sales for the company was good. | .767 | |
| The performance of export sales for the company has improved by | .725 | |
| The company's total annual export sales to total production improved by | .899 | |
| The performance of export sales per country for the company was good. | .868 | |
| The firm's total annual export sales to the total number of company employees improved by | .674 | |
| Over the years, the company has experienced a decline in the average annual growth in export sales | | .536 |
| There is difficulty in meeting importers' product quality standards by the exporting firms. | | .539 |
| Overseas markets for company's products are not stable. | | .504 |
| **Eigen Values** | 4.728 | 1.635 |
| **Variance %** | 59.100 | 20.435 |
| **Cumulative %** | 59.100 | 79.535 |

It was noted that the sales trends and growth targets comprised of 59.100% and 20.435% respectively. On sales trends, it was observed that it is essential that management

ensures that the company creates sustainable balance between total production and annual export sales (.899), while ensuring that it exports volumes proportionate to the market sizes of their respective export markets (.868). On growth targets, it was noted that firms ought to concentrate on regional markets that are much stable compared to overseas markets (.504) and firms ought to take a greater initiative in trying to meet the importers' product quality (.539).

**Relationship between the Variables**

**Table: VI**

| | ***1*** | ***2*** | ***3*** | ***4*** | ***5*** | ***6*** | ***7*** | ***8*** | ***9*** | ***10*** |
|---|---|---|---|---|---|---|---|---|---|---|
| Investing in personnel-1 | 1.000 | | | | | | | | | |
| Process Oriented advice-2 | .690** | 1.000 | | | | | | | | |
| Evaluation and feedback-3 | .413* | .198 | 1 | | | | | | | |
| Intensive information Exchanges-4 | .404* | .507** | .342 | 1.000 | | | | | | |
| **Supplier Development-5** | .666** | .924** | .143 | .359 | 1.000 | | | | | |
| Duplicity -6 | -.353 | -.115 | -.150 | .314 | -.256 | 1.000 | | | | |
| Fruadulance-7 | -.080 | .019 | -.100 | .034 | -.126 | -.341 | 1.000 | | | |
| Deception-8 | -.427* | -.228 | .070 | -.131 | -.311 | -.395* | -.068 | 1.000 | | |
| **Opportunism-9** | -.375 | -.220 | .063 | -.062 | -.361 | -.602** | .826** | .346 | 1.000 | |
| **Export Performance-10** | .684** | .445* | .097 | -.180 | .518** | .696** | -.275 | -.291 | -.700** | 1.000 |

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

The results showed that most Oil-seed Agro–Processing firms had intensive information exchanges with their suppliers (mean=3.98) and in the same light, most of the firms also carried out evaluations of their suppliers and provided them with feedback (mean= 3.75). Process oriented advice was substantially given by most firms (mean=3.60). However, most of the firms showed low levels of investing in personnel (mean=3.17).

The results in the table above revealed a significant and positive relationship between the supplier development initiative components which are investing in personnel (r=.684**, p<.05), process oriented advice (r=.445*, p>.05), and Export Performance. Evaluation and feedback, intensive information exchanges which are also components of the same variable, were not positively related to the dependent variable (p >.05). The composite variable of Supplier Development Initiatives was also positively related to the export performance (r=.518**, p<.05).

The results showed no significant relationship between supplier development activities and opportunism (p >.05). This implies that supplier development activities both direct and indirect don't consequently reduce opportunistic tendencies among suppliers.

The results showed that opportunism is significantly and negatively related to export performance of the variable (r= -.700**, p<.01). This implies that opportunism has a negative effect on the export performance of the exporting firms in Uganda.

**Regression Model**

The results show the degree to which supplier development and opportunism can explain Export performance. The results in the table below showed that supplier development and opportunism can explain 49.8% of the variance in export performance (Adjusted R square = 0.498).

**Table: VII**

| | ***Unstandardized Coefficients*** | | ***Standardized Coefficients*** | ***t*** | ***Sig.*** |
|---|---|---|---|---|---|
| **Model** | **B** | **Std. Error** | **Beta** | | |
| **(Constant)** | 6.360 | 2.112 | | 3.011 | .010 |
| Supplier Development | .272 | .196 | .273 | 1.389 | .188 |
| Opportunism | -1.519 | .493 | -.606 | -3.080 | .009 |
| Dependent Variable: Export Performance | | | | | |
| R Square | 0.565 | | | F Change | 8.438 |
| Adjusted R Square | 0.498 | | | Sig. F Change | 0.004 |

In addition, Opportunism (beta= -.606, Sig<.009) is more influential at explaining export performance than supplier development (beta=.273). The regression modal was valid (Sig=.004).

**Discussions, Conclusions And Recommendations**

The results showed that most oil-seed agro-processing firms had substantial amounts of intensive information exchanges & feedback and process oriented advice towards their suppliers. However, most firms showed low levels of investing in their suppliers' personnel. The results indicated that investing in personnel significantly contribute to supplier development. The findings are consistent with Bevery and Ulf (2005) who assert that "it's imperative to invest time and money into developing suppliers' skills and capabilities, since the supply chain is only as strong as its weakest link".

The findings show a significant and positive relationship between supplier development activities and export performance of oil-seed agro processing firms. This implies that the more oil-seed processing firms undertake supplier development activities, the more their export performance will increase. The findings are consistent with Sharon (2007) who asserts that supplier development activities encourage openness and flexibility needed to achieve a competitive advantage. The findings are also consistent with Wagner (2006) who

asserts that seeking, building and maintaining relationships with suppliers forms a basis and foundation for competition and survival of firms in the globally competitive market place. Firms can realize significant cost saving by reducing external spending which account for 60 to 70 % of the budget of many firms. However the findings contradict with Lambert and Knemeyer (2004) who state that satisfactory performance can be achieved without investing extra effort to from a tight relationship with every supplier. In the same light, Vereeke and Mulle (2006) found a weak relationship between supplier collaboration and performance.

The findings established no significant relationship between supplier development activities and opportunism. This implies that supplier development activities both direct and indirect don't consequently reduce opportunistic tendencies among suppliers.The findings are consistent with Hwang and Burgers (1997) who assert that if the gain from opportunistic or deceitful behaviour is greater than the loss of the business relationship with the buyer, the supplier will persist with deceitful behaviour even in the presence of supplier development activities like training of suppliers and monitoring of suppliers operations.

However, the findings are consistent with Wathne and Heide (2000) who assert that supplier development activities like regular monitoring of supplier operations may jeopardize mutual trust building efforts because monitoring requires close scrutiny which often detracts from trusting behaviour.The findings established that opportunism is significantly and negatively related to export performance of the variable. This implies that opportunistic behaviour like quality shirking, misrepresenting information and deceitful behaviour like promising to deliver on time than doing the contrary has a negative effect on the export performance of the exporting firms in Uganda.

This supports observation made by Wathne and Heide (2000) who assert that the occurrence of opportunistic behaviour has important implications in that if the risk of opportunism in a particular relationship is sufficiently high. Considerable resources must be spent in control and monitoring resources that could have been deployed more productivity for other purposes.The findings are also consistent with Calfee and Rubin (1993) who stress that the risk of opportunism may produce substantial opportunity costs in the form of "valuable deals that won't be done". Among suppliers, the category of opportunism that is more prevalent is in the form of quality shirking. This means that a supplier is withholding efforts or passively failing to honor an agreement

**Conclusions**

The study examined the effect of supplier development and export performance of oil-deed agro processing firms in Uganda. Specifically the study examined the structure of

supplier development activities among the oil-seed agro- processing firms, its relationship with opportunism and export performance of these oil-seed agro-processing firms. The study established a significant positive relationship between supplier development activities and export performance; therefore firms in the oil-seed agro processing industry ought to engage more in activities that help improve the operations of their suppliers.The study also established a significant negative relationship between supplier development activities and opportunism. Hence, firms ought to be extra cautious when engaging in any supplier development activities. Oil seed agro processing firms ought to be stricter when monitoring activities of the supplier's in order to reduce opportunistic behaviour since it directly has a negative effect on their export performance.

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