

EFFECT OF BUYER-SUPPLIER RELATIONSHIPS ON PROCUREMENT PERFORMANCE: EVIDENCE FROM KENYAN SUPERMARKET

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Abstract

The purpose of this paper was to establish the effect of buyer-supplier relations on procurement performance. The study was informed by social exchange theory. This study employed explanatory research design. The target population was 112 procurement and sales managers drawn from thirty-four (34) supermarkets located in Nairobi County. Census technique was used. Data was obtained using structured questionnaires. Data was analyzed using descriptive statistics such as frequency, percentage, means, and standard deviation. In addition, Pearson correlation and multiple regression models were used to test linear relationship and hypothesis testing respectively. Study results showed that commitment, communication, cooperation and trust has a positive and significant effect on procurement performance. Hence, high levels of commitment, trust, communication and cooperation enhance sustainable competitive advantage hence improving the procurement performance. The study therefore recommends that there is need for firms to have a long term partnership with the major suppliers and aim at giving maximum attention to the relationship with suppliers so as to maintain it and enhance competitive advantage which will lead to improved procurement performance. There is also need for firms to have frequent and timely communication with suppliers and inform them of unforeseen challenges. Suppliers need to keep the promises made to the firm and offer credible information and keep the firm's best interests in mind. Suppliers need to be responsible for the results of the industrialization and manufacturing process of the supplied part. It is also recommended that this study be replicated in different business sectors within the other regions.

Keywords: Commitment, trust, communication and cooperation

Introduction

Procurement performance is important role in supply chain management, potentially influences the firm's quality performance, product innovation, customer responsiveness, and the firm's financial performance (Chen and Paulraj, 2004). Internal and external customers judge the value received from procurement and will defect if their expectations are not satisfied. In this regard procurement would be expected to emphasize value creation and delivery, not procedures. One tool procurement can use to improve both its supply chain performance and service to other functions, while helping to improve the firm's competitive position, is to develop a cooperative relationship with appropriate suppliers. The influence of the relationship strategies between buyer-supplier on the procurement performance depend on the benefits perceived by both parts.

Janda *et al.*, (2002) argue that by treating suppliers as allies and sharing strategic information with them, firms can achieve better lead times and quality, increase operating flexibility, and establish long-term cost reductions, all of which could help these firms enhance value for the ultimate customer. According to Chin-Chun (2008), the benefits that result from collaborative relationships come in the form of a firm's ability to engage suppliers and other partners in mutually beneficial value exchanges. Indeed, Hunt (2000) considered relationships to be a resource and therefore form part of a Buyer-supplier relationships firm's capital.

Recently research in buyer supplier relationships has received increasing attention, especially as it has become widely known that various benefits can be enjoyed by developing closer relationships with suppliers. Buyer-supplier relationships have evolved towards a new form in order to respond to intensified competition. The movement towards closer co-operation between buyers and suppliers also results from the global and competitive market place that focuses on cost, quality, delivery, flexibility, and technology, which subsequently create a greater need to emphasize inter-firm collaboration with various business partners. (Mac Neil 2004) . Togar, (2002) argues that firms engage in co-operative buyer supplier relationships because they expect to benefit from them. Only as long as the firms perceive a benefit from the relationship, do they continue in a co-operative fashion. First, there is increased evidence that suggests buyer supplier relationships are of great importance for firms because such relationships can create value for both the parties involved. Second, while the issues surrounding supplier alliances have been discussed in the procurement and marketing fields they have been less-frequently addressed in the operations management. Finally, although buyer supplier relationships have been studied from various research streams, efforts have been concentrated on the relationships with private suppliers rather than on those with the government suppliers. The

issue of developing close relationships with suppliers is equally important with regard to state parastatals.

Effective buyer supplier relationship has been defined as two or more chain members working together to create a competitive advantage through sharing information making joint decisions and sharing benefits which result from greater profitability of satisfying customer needs than acting alone (sridharan,2002) buyer\supplier collaboration is departure from the anchor point of discreteness that underlies business transactions to a relational exchange as the roles of supplier and buyer are no longer narrowly defined in terms of simple transfer of ownership of products. By focusing on relational exchange collaboration entails the activities that are undertaken faintly rather than unilaterally (Heide 2003) Zahear and Zenkatraman 2004 Simatupangand Sridharan (2003)suggest that the requirements for effective collaboration are mutual objectives ,integrated policies joint decision making information sharing of benefits and losses.

Buyer/supplier commitment is the belief that trading partners are willing to devote energy to sustaining the relationship (Dion et al.2004) whereas according to Moorman, Zaltman and Deshpande (2002) buyer\supplier commitment is an enduring desire to maintain a valued relationship. Through commitment partners dedicate resources to sustain and further the goals of the collaboration. John (2009) and Krause (2006) propose that the expectation of relationship is important for motivating collaboration in inter-organizational relationships Sridharan (2005) noted that information sharing joint decision making and incentive alignment are factors that facilitate collaborative action through information exchange between the buyer and supplier.

Heide, (2009) argues that buyer/supplier collaboration enhances procurement performance hence creating a competitive advantage through sharing information making joint decision, inter-organizational relationship. This indicates that the level of supply chain collaboration has an important interaction effect on the relation between external resources and buying firm performance, where collaborative forms of buyer-supplier exchange facilitate greater access to external resources. However, whilst there is much research material on buyer and supplier performance assessment and management, a relationship perspective can bring an added dimension, especially to the procurement performance of close, mutual relationships like that of supermarkets. Further, there is dearth gap on the existing literature on buyer-supplier relationship against procurement performance particularly in the Kenya scenario where many supermarkets faced with delays of suppliers goods, cancelation of tender. Buyer –supplier relations management therefore emerges as one strategy that offers solution to the above problems This study therefore seeks to establish the effect of buyer-supplier

relationships on procurement performance among supermarkets. This study hypothesized that:

H₀₁: There is no significant effect of trust on procurement performance

H₀₂: There is no significant effect of communication on procurement performance

H₀₃: There is no significant effect of cooperation on procurement performance

H₀₄: There is no significant effect of commitment on procurement performance

Theoretical review

Previous study has illustrated various theories used to explain the relationship between buyer-supplier relationships on procurement performance such as resource-based view theory (RBV), social exchange, and transaction cost theory among others. This study is anchored on the social exchange theory.

Based on the social exchange theory a business network may be seen as a type of exchange network (Blakenburg&Johanson, 1992), and can be defined as a set of interconnected exchange relationships (Prekert&Hallen, 2006). This is directly linked to supply relationships, and underlines the importance of the supply network within the business network context.

An alternative approach to the social exchange theory perspective is the market exchange theory perspective (Easton &Araujo, 1994), which builds on the concept of organized behavioral systems also reinterpreted by Bagozzi (1974). Alajoutsijarvi, Tikkanen (2001) even point out the perspective of networks as business systems, where the business network is understood as an organized behavioral system of exchange.

Eriksson, (2001) argues that the main focus of such a system is on the transformation and exchanges of resources, and less on the social exchange component. It is from this perspective that buyer-supplier networks sometimes referred to as supply networks are most frequently analyzed. These relationships are however usually embedded in various networks of interconnected buyer-supplier relationships, where both market exchange transformation and exchange of resources, as well social exchange perspectives trust, collaboration, etc. should play equal parts. However, despite this, there still exists a gap in the existing literature in appropriately balancing both of these perspectives in the study of buyer-supplier relationships. Thus, while the marketing literature has so far focused mainly on the impact of trust and commitment on satisfaction and loyalty, supply chain management has focused narrowly on the hard determinants of flexibility, like i.e. information optimization and inventory management.

Claro (2004) also emphasizes how business networks, supply chains networks and buyer-supplier relationships are all types of business relationships ranging from a web of connections to a dyadic relationship with often blurred boundaries.

Empirical review

Trust and Procurement Performance

Trust is identified as a significant predictor of positive procurement performance in business relationships. A critical source of excellent procurement performance resides in establishing and nurturing trust among the participating organizations. When trust is widespread across the supply chain, ideas, knowledge, products, and services can freely flow to help design, implement, and manage processes and activities aimed at creating value. Accordingly, a significant literature has pointed out the beneficial impact of trust on the efficient and effective management of procurement performance, and showed that trust is a powerful antecedent of effective cooperation and a significant predictor of positive performance outcomes (Ireland and Webb, 2007; Laaksonen et al ., 2009).

Literature has largely highlighted the valuable effect of trust in procurement performance. Benefits of trust have been investigated in different fields of studies and explained through diverse theories, mainly the transaction cost economics and the relational exchange theory. Within the transaction cost economics theory, trust is of economic value because reduces transaction costs, negotiation costs, monitoring and oversight costs, and uncertainty in information sharing, acting as a substituting of control (Dyer and Chu, 2003). Within relational exchange theory, trust is seen critical to foster and maintain relational exchanges. It increases the probability that organizational actors will exchange information and knowledge, will be involved in joint learning processes, and will share costs for exploring and exploiting new opportunities (Inkpen, 2001; Ladoet *al.*, 2008). In operations management studies, trust is seen as significant predictor of positive outcomes in supply chains performances in terms of improved flexibility, responsiveness, and cost reduction (Handfield and Bechtel, 2002; Ireland and Webb, 2007; Laaksonen et al ., 2009, Narasimhan and Nair, 2005). Trust in fact enables partners to cooperate more intensively and to engage in risk-taking initiatives. In strategic management studies, trust is recognized as a determinant of successful partnership relationships among firms, it associated with improved adaptability and strategic flexibility, and with enhanced predictability of partners' behaviour.

In this sense, Dyer and Chu (2000), in their meritorious study, found significant levels of supplier trust in the US, Japan and Korea. These differences are related to the institutional environment. These authors

suggest that supplier trust depends on frequency and long-term interactions which they called process based trust. However, they also admit that the automaker buyers studied incur additional costs while developing this kind of relationship.

Empirical studies supported that high procurement performance can be obtained if there is close understanding and trustworthy collaboration between the supply chain partners such as suppliers and manufacturers (Eng, 2006; Li et al., 2007; Roy et al., 2004). This is because the parties can understand each other's business better and assist each other in improving the supply chain process via innovative solutions.

Commitment to Suppliers and Procurement Performance

Commitment is defined as the belief that a business partner has an ongoing relationship with each other and continuous relationship, it is important to guarantee high and trying to maintain its commitment to a lasting relationship of limited help thus high procurement performance in firms (Kwon, 2004). Commitment among buyers and suppliers brings the desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, a confidence in the stability of the relationship, and investments in the relationship thus improving procurement performance (Gounaris, 2005).

Stanley, (2004) in his study argues that commitment has become an important issue in supply chain integration because effective planning is based on information shared among partners that is an essential element for the successful integration making and high procurement performance. Sharing information in certain circumstances requires the disclosure of financial information protected and other operational partners who maybe competitors in the market or in the future to become a competitor, with the expectation that supply chain partners do not misuse confidential information.

Hausman, (2010) in his study argues that committed buyer seller relationship and commitment to core concepts in various transactions between the company and its partners are considered to improve the procurement performance of a firm. To develop a lasting relationship, commitment and action in support of the transactions involved parties is required thus improving the procurement performance of a firm.

Important variable for procurement performance success is the commitment of supply chain partners willing to invest resources to achieve long-term success is sacrificing short-term interests. Organizations to establish and maintain long-term relationships if such an obligation are mutual interest income. Chen, (2011) suggests that any business transactions between supply chain partners will require sustained commitment from both

sides to achieve their common goals of the supply chain." commitment to a partner in relation to play is key to achieving favourable results for both companies, and has a direct impact on performance and positive.

Communication and Procurement Performance

Effective communication is a critical component of buyer-supplier relationships. Procurement professionals utilize a variety of media to communicate with suppliers, including phone, fax, face-to-face, mail, e-mail, Internet, and electronic data interchange (EDI) thus improving procurement performance.(Rodrigo, 2001) Goodman, (2001) define communication as the formal as well as informal sharing of meaningful and timely information between firms. Cannon and Perreault (1999) suggest more open sharing of information is indicated by the willingness of both parties to share important information.

Cooperation and Procurement Performance

Cooperative Procurement is a term that refers to the combining of requirements of two or more public procurement entities to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses thus improving procurement performance. (Benton, 2000)

According to Maloni, (2000) the power of a supplier over a retailer is increased by the level of retailer's cooperation the supplier. Cooperation results from the need to maintain the channel relationship to achieve desired goals and reflects the essentiality and replaceability of the goods and services provided by the supplier thus successful outcomes of procurement actions.

Research Methodology

This study used explanatory research design, aiming at a survey of supermarket within Nairobi County. Explanatory studies are appropriate in conducting causal studies, whereby data analysis can make use of pattern-matching techniques (Tellis, 1997) and is therefore applicable to this study. The study targeted all thirty-four (34) supermarkets located in Nairobi County. The study unit of analysis was 112 procurement and sales managers. The study conducted a census survey on target population of procurement and sales managers within the 34 supermarkets. It provides a true measure of the population (no sampling error) and benchmark data may be obtained for future studies. Data will be obtained using structured questionnaires. The selection of this tool has been guided by the nature of data and the objective of the study. The study established the perceptions of the respondents and hence a Likert scale was used. A five point likert scale "1" standing for strongly Disagree(SD), "2" standing for Disagree (D), "3" for Neutral (N),

“4” standing for Agree(A) and “5” standing for Strongly Agree(SA), was used to measure the dependent and independent variables.

Reliability of Research Instrument

The reliability coefficient will be calculated and a score of 0.7 was considered high enough for the instrument to be used in the study (Patton, 2002). Likert type questions will require Cronbach’s Coefficient Alpha to be calculated for each item. A reliability coefficient of 0.7 and above was assumed to reflect the internal reliability of the instruments (Fraenkel and Warren, 2000). The Cronbach’s Coefficient Alpha combines all items and advises on which item to discard in case it doesn’t capture what it is intended to capture (Neuman, 2000)

Measurement of Variables

The DV in this case is indicated by two constructs namely quality and cost which will be measured using a 10 item scale as adapted from (Li et al., 2006). The items measuring quality are; the ability to offer high quality products to the customers, ability to exceed customers’ expectations, ability to deliver what their customers need, provision of tailored services/products to suit the needs, tastes, and preferences of their customers, and finally their ability to compete based on quality.

The first independent variable is inter-firm trust and was measured using 5 scale items adapted from (Doney and Cannon, 1997), the items measured whether the parties in relational exchange are genuinely concerned with each other’s success; provide best quality products in the market; keep their promises; trust the information suppliers provide; and suppliers being able to keep the buyer’s best interests in their mind.

The second variable is adapted from (Kingshott, 2006); this was measured using 5 scale items. The items assessed if, the buying firms give maximum attention to their relational exchanges; view the relationships with its major suppliers as a long-term partnership; care for relational partners; listen to suppliers’ complaints; and if buying firms are committed to their major suppliers.

The third independent variable is information sharing, it is sourced from (Anderson and Weitz, 1992). The items measured whether the buying firms let their suppliers know what they expect of them at all times; suppliers are provided with any information that might help them, relational partners keep each other informed about events or changes that may affect the other party, unforeseen challenges are properly communicated to the suppliers, and whether exchange of information takes place frequently.

Data Analysis and Presentation

Multiple regression models is used to analyze the relationship between single dependent variable and several independent variables (Hair et al. 2005), Therefore multiple regression was applied to test the relationship between independent variables (trust, communication, cooperation, power dependence and commitment) and the dependent variable (procurement performance). The results from the analysis were presented on tables, graphs and pie charts.

The equation below was used to in the development of the research model.

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

Where **Y** = Procurement Performance

α = constant (the value at which the fitted line crosses the y-axis)

x_1 = Trust

x_2 = Communication

x_3 = Cooperation

x_4 = Commitment

ε = error term

$\beta_1 \dots \beta_4$ = Beta (slope; change in Y for a 1 unit change in X). It measures the strength of

Findings

This chapter presents the analysis of the data collected and discusses them accordingly and in relation to the research hypotheses stated with the aim of achieving the stated objectives. Results were presented for each of the theme drawn from the objectives and were interpreted and discussed The study targeted 112 respondents, but 78 managed to fill the questionnaires, the response rate yielded 78%. Comparing with other similar studies, this is an effective response rate. majority 66.7% (52) of the firms have been in operation for over 16 years hence reliable sources of information hence the firms were considered ideal for the study. In reference to the number of suppliers, all 100% (78) of the firms have above 16 suppliers. Further, on supplier-buyer relationships, 87.2% (68) of the firms have been in a supplier-buyer relationship for over 3 years, 7.7% (6) of the firms for a year and 5.1% (4) of the firms for two years.

Descriptive statistics

The results in table 1 showed that trust among was supermarkets and their suppliers was below average (mean=2.1795, standard deviation =0.85194) .In light of the above findings, trust which partners to cooperate more intensely and establish successful partnerships which leads to improved procurement performance was weak. More findings showed that

communication is above average (mean=4.01, standard deviation =0.86). From the aforementioned findings, it is evident that communication high between the firms and suppliers. . cooperation summed up to a mean of 3.38, standard deviation 0.94 and Skewness -0.7 indicated that cooperation has not been fully established among the organization., commitment summed up to a mean of 4.44, standard deviation 0.74, Skewness -0.7 and kurtosis 0.6. From the above findings, it is clear that there is high level of commitment among supply chain partners.

Table 1 Descriptive statistics and reliability results

	Mean	Std. Deviation	Skewness	Kurtosis	Crobanch Alpha
Trust	2.17	0.85194	-0.7	-0.2	0.823
communication	4.01	0.86	-0.7	0.88	0.811
Cooperation	3.38	0.94	-0.7	0	0.781
Commitment	4.44	0.74	-0.6	0.6	0.711
procurement performance	4.18	0.66	-2.6	7.68	0.755

Source: Survey data (2015)

Correlation Results

Pearson correlation analysis was conducted to examine the relationship between the variables. Table 2 represent Pearson correlation results of the study dependent and independent variables to assess the association of the variables. This was necessary to detect simple linear relationship and multicollinearity and because it also act as building block for multiple regression model (Anglim, 2007). Pearson Correlations results in table 1 showed that trust was positively and significantly correlated to procurement performance ($r=0.753, \rho<0.01$). Communication was the second component that was positively related with procurement performance ($r=0.760, \rho<0.01$). Cooperation was positively associated with procurement performance as shown by $r = 0.649, \rho<0.01$. Further, commitment was positively correlated with procurement performance ($r = 0.663, \rho<0.01$). Findings provided enough evidence to suggest that there was linear relationship between trust, communication, cooperation and commitment with procurement performance.

Table 2 Correlation Results

	Procurement performance	trust	communication	cooperation	commitment
Procurement performance	1				
Trust	.753**	1			
Communication	.760**	.714**	1		
Cooperation	.649**	.488**	.632**	1	
Commitment	.663**	.574**	.552**	.445**	1

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

Source: Survey data (2015)

Multiple regression model/testing of hypothesis

Findings in table 3 illustrates the model summary of multiple regression models, the results showed that the four predictors (trust, communication, cooperation and commitment) explained 74.1 percent variation of procurement performance. This showed that considering the four study independent variables, there is a probability of predicting procurement performance by 74.1% (R squared =0.741). . Durbin–Watson statistic is substantially less than 2, there is evidence of positive serial correlation, although positive serial correlation does not affect the consistency of the estimated regression coefficients, it does affect the ability to conduct valid statistical tests, as such it can be concluded that the significant statistics are valid. Study findings in ANOVA table 3 indicated that the above discussed coefficient of determination was significant as evidence of F ratio of 52.24 with p value $0.000 < 0.05$ (level of significance). Thus, the model was fit to procurement performance using trust, communication, cooperation and commitment.

Hypothesis 1 suggested that commitment does not significantly affect procurement performance. Results in table 3 indicated that commitment had beta coefficient of $(\beta) = 0.235$, $\rho = 0.003 > 0.05$, hence hypothesis 1 does not hold. The study therefore concluded that for each unit increase in commitment, there is up to 0.235 units' increase in procurement performance. In line with the results, Gounaris, (2005) states that commitment among buyers and suppliers brings the desire to develop a stable relationship, a willingness to maintain the relationship, confidence in the stability of the relationship, and investments in the relationship thus improving procurement performance. Further support to the study is by Stanko *et al.*, (2007) who stated that commitment enables the suppliers and buyers to develop the belief that the existing relationship is important and it need maximum effort to maintain it for a long-term period hence improving the procurement performance. As well, commitment secures a relationship through its identification with and internalization of the goals and values of another party thus improving procurement performance of a firm (Kwon, 2005). In line with the results, Geffen, (2000) reports that commitment is the key driver of long-term relationship and both buyers and suppliers need to develop high levels of commitment so as to achieve sustainable competitive advantage thus improving the procurement performance. The study results are also in agreement with Stanley, (2004) study that revealed that commitment is an important issue in supply chain integration because effective planning is based on information shared among partners hence it is an essential element for the successful integration making and high procurement performance. However, there is need to conceal vital information such as financial information from operational partners who

maybe competitors in the market in the future. Moreover, lack of commitment leads to loss of efficiency and effectiveness hence the goal of supply chain risk will be found thus low procurement performance. (Snehota, 2000).As well, Hausman, (2010) in his study argues that committed buyer seller relationship contributes to improved procurement performance of a firm. From the foregoing, it is clear that commitment contributes to improved procurement performance.

Hypothesis 2 stated that communication does not significantly affect procurement performance. However, hypothesis 2 does not hold basing on findings in table 4.9 that communication beta coefficient (β) = 0.258, $\rho = 0.01 > 0.05$. Hence the hypothesis statement is rejected. This suggests for each unit increase in communication, there is up to 0.258 increases in procurement performance. Particularly, communication is key in enhancing procurement performance. Whenever purchasing professionals utilize a variety of media to communicate with suppliers such as phone, fax, face-to-face, mail, e-mail, Internet, and electronic data interchange (EDI) there is an improvement in procurement performance(Rodrigo, 2001).Furthermore, it is only through effective communication that small firms are able to reduce inventory carrying costs and maximize profits from products provided by suppliers. Consequently, communication plays a critical role in social and business relationships since it is a powerful source of competitive advantage (Spekman et al 1999).However, lack of trust can be translated to unwillingness to share information (Fawcett and Marnan 2001).Further support to the findings of the study is by Goodman and Dion(2001) who state that effective communication in channel relationships can enhance levels of channel member coordination, satisfaction, commitment levels, and procurement performance. For instance, in fashion apparel industry, frequent communication between retailers and suppliers reduces the cost and impact of inaccurate forecasts though trust and support is essential in promoting bidirectional communication. Accordingly, Bird, (2005) states that effective communication is crucial to maintaining a long-term buyer-relationship and achieving high procurement performance.

Hypothesis 3 stipulated that cooperation has no significant effect on procurement performance. Study findings in table 4.9 reveals that cooperation recorded a beta coefficient (β) of 0.224, $\rho=0.005 > 0.05$, hence hypothesis 3 does not hold. Therefore, cooperation positively and significantly affects procurement performance. Thus for each unit increase in cooperation, there is up to 0.224 unit increase in procurement performance. In line with the results, Benton, (2000) echoes that cooperation makes it possible for two or more public procurement entities to benefit from the advantages of volume purchases, delivery and supply chain advantages and the reduction of administrative time and expenses thus improving

procurement performance. This is due to the fact that, when parties cooperate they are able to understand each other's expectations and need and tend to work towards achieving their mutual goal of improving their procurement performance (Perreault, 1999). Concurrently, Liu and Wang, (2000) state that cooperation maintains long-term relationships and contributes to firm's success as a result of increased procurement performance. Moreover, when cooperation is established, exchanges parties become more confident in engaging in cooperative activities and avoid opportunistic behaviors thus improve procurement performance. (Cannon, 1999). In the same way, trust is essential in heightening the relationship between communication and procurement performance, cooperative inter-business relationship is primarily based upon personal trust between business parties. As well, without close relationship, suppliers or buyers are not willing to share information and have less intention to cooperate.

Hypothesis 4 postulated that trust has no significant effect on procurement performance. Study findings in table 4.9 reveals that trust recorded a beta coefficient (β) of 0.324, $p=0.001 < 0.05$, hence hypothesis 4 does not hold. The study therefore is justified to imply that trust positively and significantly affects procurement performance. Thus for each unit increase in trust, there is up to 0.324 unit increase in procurement performance. As a result, trust is a significant predictor of positive outcomes in supply chain performance through improved: flexibility, responsiveness, and cost reduction (Handfield and Bechtel, 2002; Ireland and Webb, 2007; Laaksonen et al., 2009, Narasimhan and Nair, 2005). In a similar vein, trust is a powerful antecedent of effective cooperation and a significant predictor of positive performance outcomes (Ireland and Webb, 2007; Laaksonen et al., 2009). Cognate to the relational exchange theory, trust makes it possible for organizational actors to exchange information and knowledge and get involved in joint learning process and shared costs for exploring and exploiting new opportunities (Inkpen, 2001; Lado et al., 2008). Within the context of transaction cost economics theory, trust is of economic value since it reduces transaction costs, negotiation costs, monitoring and oversight costs, and uncertainty in information sharing, acting as a substituting of control (Dyer and Chu, 2003). In conformity with the results, Johnston et al, (2004) asserts that trust is a key factor in the development of partnerships among the different agents of a supply chain, distinguished between interpersonal and inter-firm trust hence high procurement performance (Johnston, Mccutcheon, Stuart, & Kerwood, 2004). Furthermore, empirical studies show that high procurement performance can be obtained if there is close understanding and trustworthy collaboration between the supply chain partners such as suppliers and manufacturers (Eng, 2006; Li et al., 2007; Roy et al., 2004).

Table 3 Test of hypothesis

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	0.818	0.242		3.38	0.001		
Commitment	0.175	0.056	0.235	3.107	0.003	0.618	1.617
Communication	0.206	0.078	0.258	2.646	0.01	0.374	2.671
Cooperation	0.211	0.073	0.224	2.876	0.005	0.587	1.703
Trust	0.272	0.075	0.324	3.627	0.001	0.443	2.257
R Square	0.741						
Adjusted R Square	0.727						
Durbin-Watson	1.319						
F	52.24						
Sig.	0						

a Dependent Variable: procurement performance

Source: Survey data (2015)

Conclusion and recommendations

The study results also showed that commitment positively and significantly affects procurement performance. Particularly, the relationship that the firm has with major suppliers is a long term partnership that the firms are very committed to. Further, communication has a positive and significant effect on procurement performance. As a result, firms let their suppliers know what they expect of them at all times and they keep each other informed about events or changes that may affect the other party. Thus, suppliers are provided with relevant information that might help them. As well, cooperation was also shown to have a positive and significant effect on procurement performance. Firms were noted to have joint development work with suppliers though sufficient efforts were not directed towards the purchasing process and joint decisions regarding the supplied materials/products. There is evidence from the study that trust has a positive and significant effect on procurement performance. Through trust, suppliers are genuinely concerned about the company and they offer the best quality product in the market.

In light of the research findings, communication, commitment, cooperation and trust have shown positive and significant effect on procurement performance, as a result, the following recommendations are made: In relation to commitment, there is need for firms to have a long term partnership with the major suppliers and aim at giving maximum attention to the relationship with suppliers so as to maintain it and enhance competitive advantage which will lead to improved procurement performance. In reference to communication, it is utmost necessary for firms to let their suppliers know what they expect of them at all times and inform them about events or changes that may affect them. Further, there is need for firms to

have frequent and timely communication with suppliers and inform them of unforeseen challenges. In regards to cooperation, there is need for firms to have joint development work with suppliers and have joint decisions with suppliers regarding the supplied materials/products. Moreover, suppliers need to be responsible for the results of the industrialization and manufacturing process of the supplied part. In terms of trust, it is imperative for suppliers to be genuinely concerned about the company and offer the best quality product in the market. As well, there is need for mutual trust between the organizations and suppliers. Further, suppliers need to keep the promises made to the firm and offer credible information and keep the firm's best interests in mind.

This study focused on the effect of buyer-supplier relations on procurement performance. It can be replicated with a larger, more representative sample. It is also recommended that this study be replicated in different business sectors within the North-Rift region. Furthermore, it would be interesting to know whether the observed findings hold for other firms as well. More research is needed in this subject area to fully establish the effect of cooperation on procurement performance since most of the respondents were impartial on a number of factors pertaining cooperation for instance whether suppliers are responsible for the results of the industrialization and/or manufacturing process. There is also need to establish the roles of communication, trust and commitment in value-creation in strategic networks.

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