

Effect of Supply Chain Management Practices on Organizational Performance: A Case Study of Bata Shoe Company

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Abstract

The purpose of this study is to determine the effect of supply chain management practices on organizational performance; a case study of Bata Shoe company. The specific objectives were; to determine the effect of supplier relationship management on organizational performance of Bata Shoe company, to determine the effect of customer relationship management on organizational performance of Bata Shoe company, to determine the effect of logistics on organizational performance of Bata Shoe company and to determine the effect of outsourcing on organizational performance of Bata Shoe company. For the purpose of this study, descriptive research design was used. This study primarily targeted all 90 employees of Bata Shoe Company working at the Supply chain Department. Since the sample is small the study sampled all the 90 employees. Primary data will be obtained for the study. A structured questionnaire was used to collect primary data. Both descriptive and inferential statistics will be utilized. Descriptive statistics involved percentages, means and standard deviation. Inferential statistics such as correlation and regression were used. The study found that supplier relationship management, customer relationship management, logistics, outsourcing have a positive and significant effect on organizational performance. Management of Bata Shoe Company should embrace effective supplier relationship management strategies in order to support efficient supply chain management. In addition, Bata Shoe Company should adopt the logistic practices. This is because findings show a positive association between logistic practices and organizational performance. Bata Shoe Company and other organization are also advised to adopt the outsourcing practices that are currently adopted at a very small extent because they can significantly improve organization performance from the current position.

Keywords: *Supply Chain Management Practice, Customer Relationship Management, Logistics, Outsourcing, Supplier Relationship Management, Organizational Performance*

1.0 Introduction

Supply chain management is an issue of great concern in many industries as companies realize the importance of creating an integrated relationship with their suppliers and customers. According to Grover and Malhotra (2003) a supply chain is defined as three or more organizations directly linked by one or more of the flows of products, services,

finances, and information from a source to a customer. On the other hand supply chain management involves managing complex flow of information, materials and money across multiple areas both within and among companies.

The major aim of supply chain management is to achieve goals related to total system performance rather than optimization of a single phase in a supply chain. In essence, supply chain management integrates supply and demand within and across companies. Successful firms have successfully managed their supply chains to realize the benefits of minimizing inventory by reducing uncertainty, increasing customer service and building a competitive advantage. To realize these benefits, some activities have to be undertaken in an organization to promote effective management of its supply chain (Lambert & Cooper, 2011). Li et al. (2006) concluded that the set of activities undertaken in an organization to promote effective management of its supply chain is what constitutes supply chain management practices.

Bata Shoe Company is unique in that it is the only shoe company in Kenya which produces shoes for all categories of consumers under one brand. Today Bata shoe company products is the market leader in shoes production over seventy (70) countries (Njenga & Ngahu, 2013). Bata Shoe Company is currently in five (5) continents and runs twenty seven production facilities (27) across twenty (20) countries. It operates over seventy countries and has over five thousand stores across the world. It has over twenty in house brands of shoes including the Safari boot which has remained a best seller worldwide. Bata Kenya was begun in nineteen thirty nine (1939) by setting up a plant in Limuru which has a capacity to produce over sixty thousand (60000) pairs of shoes daily. Bata Kenya has a hundred and eleven stores in the country (Njenga & Ngahu, 2013).

1.1 Research Problem

Good supply chain management practices have been said to result to good performance. Supply chain management fosters a spirit of shared ownership of problems and solutions among supply chain partners, interdepartmental co-operation and collaboration and rapidly adapting to changes in the external environment (Carter & Jennings, 2002). However, bata shoe company performance has been declining in the past five years. For example in 2018 the profits of Bata shoe company declined by 3% from the previous year. In addition, its market share have been declined. Bata Shoe Company outlets have been facing stiff competition from the second hand cheap shoe products that has slowed its performance. This scenario has been compounded by availability of imported second hand leather products at relatively low cost (Dinh, 2018). As reported by World Bank (WB), manufacturers of leather products in Kenya such as Bata Shoe Company have been exposed to intense price based competition, which has resulted in shift of the market share in favour of imported leather products.

Little has been done on effect of supply chain management practices on organizational performance; a case study of Bata Shoe company. Mwale (2014) did a study on supply chain management practices and organizational performance of large manufacturing firms in Nairobi Kenya. Chesaro and Chirchir (2016) did a study on supply chain management practices and operational performance of multinational manufacturing firms in Kenya. The current research therefore sought to determine the effect of supply chain management practices on organizational performance; a case study of Bata Shoe company.

1.2 Study Objectives

- i. To determine the effect of supplier relationship management on organizational performance of Bata Shoe company

- ii. To determine the effect of customer relationship management on organizational performance of Bata Shoe company
- iii. To determine the effect of logistics on organizational performance of Bata Shoe company
- iv. To determine the effect of outsourcing on organizational performance of Bata Shoe company

2.0 Literature Review

Mudimba and Ismael (2017) did a study on the role of supply chain management practices on Organizational Performance in Manufacturing Firms. The study found that organization performance in Bata Shoe Company is affected by information communication technology followed by supplier relationship management, inventory management and then quality management. These are the major factors that mostly affect organization performance in Bata Shoe Company. The study concludes that information communication technology is an important factor that affects organization performance in Bata Shoe Company.

Omondi (2015) did a research on Perceived buyer-supplier relationships and performance among large scale retail outlets in Kisumu, Kenya. The research design involved a cross sectional survey of eleven (11) large scale retail outlets in Kisumu, Kenya. The study findings confirmed that most large scale retail outlets in Kisumu have embraced the concept of buyer-supplier relationships.

Wachira (2013) did a study on supplier relationship management and supply chain performance in alcoholic beverage industry in Kenya. The study utilized descriptive and multiple regression analysis to determine the relationship between Supplier Relationship Management and Supply Chain Performance. This research indicated that by adopting collaborative relationships with their suppliers contribute to competitive advantage and value creation in Supply Chain Performance.

Abdallah (2015) did a study on effect of supplier relationship management on humanitarian supply chain performance at the world food programme in Somalia. Descriptive research design was adopted. It was also found that IT is used in the execution and management of purchase orders and that the organization's humanitarian supply chain performance, results indicated that WFP Somalia delivers defect free food supplies to beneficiaries.

Wanjau (2013) did a research on investigation of the effect of customer relationship management on customer retention in commercial banks. The study found out that the customer recognition was not used mainly in the customer retention effort while that would have been most preferred, however technology, brand and promotion were extensively used which had led to increased customer retention and profitability but had created resentment by customer with most of them thinking that the bank was using them to make huge profits and that the bank did not genuinely care about their relationship..

Wambugu (2016) did a study on customer relationship management and market performance of Nation Media Group. The study found that customer relationship management at NMG is influenced by modern technology, human resource, corporate culture and the leadership of top management.

Solomon (2018) did a study on logistics management practices and organizational performance of dairy firms in Kenya. The study adopted a descriptive survey design. The study findings indicated that there was a significant relationship between information flow and organizational performance. The study concludes that IT helps in sharing information on

transfer or exchange of information indicating the level and position of inventory, sales data, and information on the forecasting information, information about the status of orders, production schedules and delivery capacity, and firm performance measures.

Mbugua (2014) did a study on outsourcing and organizational performance among public Universities in Kenya. The study used cross sectional research design. The study found that outsourcing had a positive and significant effect on organizational performance.

Ochieng (2012) did a study on effects of outsourcing strategies on organizational performance: A case of the Kenya Revenue Authority. The study adopted a descriptive research design. From the findings, it was noted that outsourcing through joint venture reduces cost, enable the company to focus on core competencies, and improve services. In addition, outsourcing strategies has an effect on the company performance and it pays off at the firm level hence is a viable management decision. This study also concludes that accessibility to specialized vendor, free resources, improved services and cost reduction were derived by the firms through undertaking an outsourcing decision.

2.1 Research Gaps

Omondi (2015) did a research on Perceived buyer-supplier relationships and performance among large scale retail outlets in Kisumu, Kenya. The research design involved was cross sectional survey thus presenting a methodological gap. The recent study will adopt a descriptive research design. Abdallah (2015) did a study on effect of supplier relationship management on humanitarian supply chain performance at the world food programme in Somalia. This research was done in Somalia while the recent research will be done in Kenya.

Wanjau (2013) did a research on investigation of the effect of customer relationship management on customer retention in commercial banks. The study focused on commercial banks while the recent study will focus on Bata Shoe Company. Wambugu (2016) did a study on customer relationship management and market performance of Nation Media Group. The study looked at the market performance of Nation media Group while the recent study will focus on organizational performance of the Bata shoe Company.

Ochieng (2012) did a study on effects of outsourcing strategies on organizational performance at Kenya Revenue Authority. The study focused on outsourcing strategies as the only aspect of supply chain management practices. The recent study will focus on more supply chain management practices.

3.0 Research Methodology

Descriptive research design was used. This study primarily targeted all 90 employees of Bata Shoe Company working at the Supply chain Department. Since the sample is small the study sampled all the 90 employees. Primary data was obtained for the study. A structured questionnaire was used to collect primary data. The questionnaire were delivered through a drop and pick method. The data collected was entered into Statistical package of social sciences (SPSS) and cleaned before analysis. Both descriptive and inferential statistics will be utilized. Descriptive statistics involved percentages, means and standard deviation. Inferential statistics such as correlation and regression were used.

4.0 Results and Discussions

4.1 Descriptive Statistics

4.1.1 Supplier Relationship Management

Table 1: Supplier Relationship Management

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Our organization maintains good communication with our supplier	11.60%	5.80%	8.70%	68.10%	5.80%	3.51	1.09
Professional engagement with suppliers is maintained by our organization	11.60%	13.00%	15.90%	47.80%	11.60%	3.35	1.2
Our organization is committed to maintaining a good relationship with the suppliers	8.70%	5.80%	2.90%	40.60%	42.00%	4.01	1.22
Suppliers relationship promotes rapid integration in the company	5.80%	4.30%	21.70%	53.60%	14.50%	3.67	0.98
Optimal performance attainment is dependent on how current suppliers` relationships are managed	4.30%	4.30%	20.30%	55.10%	15.90%	3.74	0.93

The results showed that majority of the respondents who were 73.% agreed with the statement that their organization maintains good communication with their supplier. In addition, most of the respondents who were 59.4% agreed with the statement that professional engagement with suppliers is maintained by their organization. Results also showed that 82.6% of the respondents agreed with the statement that their organization is committed to maintaining a good relationship with the suppliers. Results further showed that 68.1% of the respondents agreed with the statement that suppliers relationship promotes rapid integration in the company. In addition, results revealed that 71.0% of the respondents agreed with the statement that optimal performance attainment is dependent on how current suppliers` relationships are managed.

4.1.2 Customer Relationship Management

Table 2: Customer Relationship Management

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Our organization works hard to meet customers' expectations	4.30%	23.20%	8.70%	30.40%	33.30%	3.65	1.28
Delivery of customers services determines the organizational performance	8.70%	8.70%	13.00%	47.80%	21.70%	3.65	1.17
Our organization addresses all our customers concerns	2.90%	13.00%	4.30%	34.80%	44.90%	4.06	1.14
Our organization works together with customers for product improvement	8.70%	4.30%	4.30%	47.80%	34.80%	3.96	1.17
Our organization works on marinating business relationships with suppliers and customers	14.50%	11.60%	21.70%	43.50%	8.70%	3.2	1.21

The results revealed that 63.7% of the respondents agreed with the statement that their organization works hard to meet customers' expectations. Results further showed that 69.5% of the respondents agreed with the statement that their delivery of customers services determines the organizational performance. The results revealed that 79.7% of the respondents agreed with the statement that their organization addresses all their customers concerns. Results further showed that 82.6% of the respondents agreed with the statement that their organization works together with customers for product improvement. In addition, most of the respondents who were 52.2% of the respondents agreed with the statement that their organization works on marinating business relationships with suppliers and customers.

4.1.3 Logistics

Table 3: Logistics

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Remanufacturing of products is always encouraged in the organization	15.90%	17.40%	5.80%	52.2%	8.70%	3.2	1.29
Recall of faulty products is always done in the organization	11.60%	14.50%	15.90%	43.5%	14.50%	3.35	1.23
Joint quality control is always done in the organization	1.40%	4.30%	7.20%	62.3%	24.60%	4.04	0.79
Green product validation is always done in the organization	14.50%	0.00%	18.80%	44.9%	21.70%	3.59	1.25
Combination of transportation of products is always encouraged in the firm	27.50%	8.70%	2.90%	37.7%	23.20%	3.2	1.58

The results revealed that most of the respondents who were 60.9% agreed with the statement that remanufacturing of products is always encouraged in the organization. In addition, most of the respondents who were 58.0% agreed with the statement that recall of faulty products is always done in the organization. Results also revealed that 85.9% of the respondents agreed with the statement that joint quality control is always done in the organization. Results further revealed that most of the respondents who were 86.9% agreed with the statement that joint quality control is always done in the organization. In addition, most of the respondents who were 66.6% agreed with the statement that green product validation is always done in the organization. Results further revealed that most of the respondents who were 60.9% agreed with the statement that combination of transportation of products is always encouraged in the firm.

4.1.4 Outsourcing

Table 4: Outsourcing

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std.Dev
outsourcing in non-core services has been effective	18.80%	8.70%	23.20%	26.10%	23.20%	3.26	1.41
Outsourcing has been effective in preventing the problem of hiring new employees in the institution.	10.10%	2.90%	17.40%	47.80%	21.70%	3.68	1.16
outsourcing has been effective in cutting costs	23.20%	10.10%	8.70%	37.70%	20.30%	3.22	1.48
Outsourcing has been effective in building the competency among individuals	2.90%	10.10%	11.60%	42.00%	33.30%	3.93	1.06
Outsourcing has been effective in helping the organization cope with changes and challenges	1.40%	1.40%	14.50%	46.40%	36.20%	4.14	0.83

The results revealed that majority of the respondents who were 49.3% agreed with the statement that outsourcing in non-core services has been effective. In addition, results revealed that majority of the respondents who were 69.5% agreed with the statement outsourcing has been effective in preventing the problem of hiring new employees in the institution. The results further showed that 58.0% of the respondents agreed with the statement that outsourcing has been effective in cutting costs. In addition, results revealed that majority of the respondents who were 78.3% agreed with the statement that outsourcing has been effective in building the competency among individuals. The results further showed that 82.6% of the respondents agreed with the statement that outsourcing has been effective in helping the organization cope with changes and challenges.

4.2 Correlation Results

Table 5: Correlation Results

		Perfor mance	Supplier relationship management	customer relationship management	Logi stics	Outso urcing
Performance	Pearson Correlatio n	1				
Supplier relationship management	Sig. (2-tailed) Pearson Correlatio n	.294*	1			
customer relationship management	Sig. (2- tailed) Pearson Correlatio n	0.014	0.230	1		
Logistics	Sig. (2- tailed) Pearson Correlatio n	0.007	0.037	0.763	1	
Outsourcing	Sig. (2- tailed) Pearson Correlatio n	.674**	.324**	.270*	.578	1
	Sig. (2- tailed)	0.000	0.007	0.025	**	0
	Sig. (2- tailed)	0.000	0.002	0.028		

The results showed that supplier relationship management have a positive and significant association with organizational performance ($r=0.294$, $p=0.014$). Results further showed that customer relationship management have a positive and significant association with organizational performance ($r=0.230$, $p=0.007$). Results further showed that logistics have a positive and significant association with organizational performance ($r=0.674$, $p=0.000$). Results further showed that outsourcing have a positive and significant association with organizational performance ($r=0.632$, $p=0.000$).

4.3 Regression Results

Table 6: Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.737a	0.542	0.514	0.51246

Supplier relationship management, customer relationship management, logistics, outsourcing were found to be satisfactory variables in the organizational performance. This was supported by coefficient of determination i.e. the R square of 54.2% which shows that the variables explain 54.2% of the organizational performance.

Table 7: ANOVA Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.928	4	4.982	18.97	.000b
Residual	16.808	64	0.263		
Total	36.736	68			

Analysis of the variance (ANOVA) results indicated that the overall model was statistically significant, giving credence that the independent variables are good predictors of organizational performance, as supported by an F statistic of 18.97 and the reported p value (0.000) being less than the conventional probability of 0.05 significance level.

Table 8: Regression of Coefficient Results

	B	Std. Error	t	Sig.
(Constant)	-0.948	0.475	-1.997	0.052
Supplier Relationship Management	0.471	0.119	3.958	0.000
Customer Relationship Management	0.167	0.073	2.287	0.027
Logistics	0.682	0.157	4.331	0.000
Outsourcing	0.415	0.125	3.323	0.001

The results showed that supplier relationship management have a positive and significant effect on organizational performance ($\beta=0.471$, $p=0.000$). In addition, customer relationship management have a positive and significant effect on organizational performance ($\beta =0.167$, $p=0.007$). Results further showed that logistics have a positive and significant effect on organizational performance ($r=0.682$, $p=0.000$). Results further showed that outsourcing have a positive and significant effect on organizational performance ($r=0.415$, $p=0.000$).

5.0 Conclusions

From the study findings, supplier relationship management have a positive and significant effect on organizational performance. The study therefore concluded that supplier relationship management affects organizational performance. This implies that an improvement in supplier relationship management would boost the organizational performance of Bata Shoe Company.

From the study findings, customer relationship management have a positive and significant effect on organizational performance. The study therefore concluded that customer relationship management affects organizational performance. This implies that an improvement in customer relationship management would boost the organizational performance of Bata Shoe Company.

From the study findings, logistics have a positive and significant effect on organizational performance. The study therefore concluded that logistics affects organizational performance. This implies that an in improvement logistics practices would boost the organizational performance of Bata Shoe Company.

From the study findings, outsourcing has a positive and significant effect on organizational performance. The study therefore concluded that outsourcing affects organizational performance. This implies that an improvement in outsourcing practices would boost the organizational performance of Bata Shoe Company.

6.0 Recommendations

Management of Bata Shoe Company should embrace effective supplier relationship management strategies in order to support efficient supply chain management. It is recommended that effective supplier appraisal techniques are adopted, better supplier selection strategies are used, effective supplier selection process is employed, better supplier performance methods are applied, effective supplier relationship management techniques are adopted and supplier development and supplier collaboration are also employed.

In addition, Bata Shoe Company should adopt the logistic practices. This is because findings show a positive association between logistic practices and organizational performance. Bata Shoe Company and other organization are also advised to adopt the outsourcing practices that are currently adopted at a very small extent because they can significantly improve organization performance from the current position.

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