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Influence of Supplier Management on Organizational Performance of New KCC Limited in Kenya

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Abstract

The purpose of the study was to determine the influence of supplier management on organizational performance of New KCC Limited in Kenya. An explanatory research design was used in the study. 110 members of the new KCC management team were included in the target population. Because of the limited population, the study employed the census approach. Primary data was gathered using a questionnaire. Delivering the questionnaire, the researcher had two study partners help. The drop-and-pick method was then used. To increase the number of responses, surveys were also disseminated by email. Both descriptive and inferential statistics were used to analyze the data. The research findings were calculated and analyzed using SPSS Version 22 (Statistical Package for the Social Sciences). Diagrams and tables were used to display the results. From the results, it was observed that there is a positive and also significant correlation between supplier management and organizational performance. Regression analysis results also revealed a positive and significant relationship between supplier management and organizational performance. The study made suggestions that firms in Kenya should adopt this supplier management strategy. The study also made recommendations that policymakers in government should formulate policies that will address the negative effect of the firms' operating environment on the effect of TQM strategies on organizational performance.

Keywords: *Suppler management, organizational performance, New KCC Limited*

1.0 Introduction

1.1 Background of the Study

The method of performance analysis involves comparing an organization's actual performance to established goals (Hakes, 2017). Job performance and organizational performance are the two different categories of performance that exist in the workplace. More creativity in the construction sector is increased by the correlation between improved management practices and managing abilities and organizational success (Muiruri et al., 2019). Kiprotich et al. (2018) further shows that organizations that perform well are those that successfully achieve their goals or effectively implement a comprehensive quality management strategy. Therefore, organizational performance is determined by Total Quality Management (TQM) practices implemented in the organization.

The global processing industry is undergoing unheard-of changes as a result of the difficulties in supplying high-quality goods and services, which led to the introduction of ISO certification for advancement. These influences include government pressure to ensure manufacturers make quality products that meet consumer demands (Wanyoike, 2016). Economies such as China, India, and India have risen to the forefront of global processing. This sector generates 70 percent of primary processing exports in both developed and developing markets. China, India, and Brazil, for example, show very high growth rates in exports of industrial products. These are leading countries and highly competitive exporters: India for IT-enabled software and services, China for skills-intensive producers, and Brazil for agricultural products (Na & Kang, 2019).

It has been found that processing firms in Africa, particularly in sub-Saharan Africa, experience a decline in productivity. The World Bank report (2017) states that processing companies in Africa are operating below capacity. The report of the African Development Bank (AFDB, 2017) also shows that processing companies in Africa have a small share of GDP, ranging between 3.8% and 11%, compared to developed countries, which range between 30% and 40% (Wanjiru et al., 2019).

Processing is a sizable industry in Kenya that significantly boosts productivity, economic growth, and innovation. A lot of processing businesses have moved or reorganized their operations, choosing to supply local markets with imports from low-cost processing nations like Egypt, South Africa, and India, which has resulted in job losses (Kithinji et al., 2021). This is a sign that many processing companies in Kenya are struggling with productivity, and there are numerous cautions about profit reporting due to problematic workplace conditions (GoK, 2017). As a result, processing struggled to develop and several key companies in the sector closed due to unfavorable working conditions (Kungu, 2017). For example, Sameer East Africa closed its Yana tire processing facility in Nairobi, citing increased competition from cheaper imports. Other manufacturers that went out of business included Proctor and Gamble and East Africa Daily. According to World Bank data, Kenyan manufacturers have seen stagnation and declining earnings over the last five years as a result of an unpredictable operating environment. (World Bank, 2017).

The new Kenya Cooperative Creamery (KCC) is the driving force behind the dairy industry's enthusiasm in the nation. He has significantly enhanced the welfare of dairy producers throughout the years. The company, however, has a longer history dating back several decades. KCC was established in 1925 by white immigrants in the Naivasha area during the colonial era. For long years, it operated as a settler organization. Africans are not allowed to handle or

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manufacture milk for themselves or their neighbors, according to Matu Wamae, the new chairman of KCC (Kenya Dairy Board, 2017).

By adopting the supplier management process, a business may make informed supplier choices and bargain for the best prices on the goods and services it needs to purchase. Senior management monitors the company's supply chain to ensure that suppliers are knowledgeable about its manufacturing processes and operational operations (Yang & Zhang, 2017). Techniques for supplier evaluation, better methods for supplier selection, efficient selection procedures, improved methods for supplier performance, efficient methods for managing supplier relationships, supplier collaboration, and supplier development are some examples of supplier management strategies (Njeru et al., 2017). In this study supplier management was measured using supplier relations, supplier performance methods, and supplier evaluation techniques.

In essence, organizational performance is the degree to which a business fulfills its goals and objectives (Windermere, 2018). The concept of analyzing a process or procedure's output and then making modifications to it to increase efficacy, efficiency, or results is another aspect of organizational performance (Ndegwa, 2017). Organizational performance is defined by Njuguna and Waithaka (2020) as the process of evaluating an organization's performance in relation to numerous pre-established goals and objectives. This comprises actual results or, using an org chart results in comparison to target results.

According to Ipinazar et al. (2021), organizational performance can be divided into three different organizational output categories. Sales and market share are used to evaluate first-party financial performance; income and return on equity are used to evaluate second-party financial performance; and shareholder return—which is determined by economic value contributed and overall shareholder performance—is evaluated third. Metrics that are both financial and non-financial can be used to assess an organization's success.

Financial measures include sufficient profit (sales), return on equity, and return on assets (Batchimeg, 2017). Non-financial measures encompass market share, an organization's capacity to meet the needs of its stakeholders, its accomplishment of present goals, and its ongoing ability to adjust and thrive in a dynamic setting. Customer satisfaction, according to Wamalwa (2018), encompasses customer acquisition, retention, and loyalty. Performance was measured in this study using market share, profit, and customer satisfaction.

1.2 Problem Statement

Processing companies are recognized for their role in providing goods and services, increasing competition, encouraging innovation, creating jobs for the community, and reducing poverty. As a result, active processing businesses are crucial to the economy of the nation. However, widespread financial mismanagement at processing firms is a hallmark of their subpar internal management. Consequently, some industries have been privatized, commercialized, or have implemented comprehensive quality management strategies to make them more efficient and profitable (Al-Tit, 2017). Many processing companies have implemented quality management strategies such as supplier management to improve organizational performance and satisfy customers (Keinan & Karugu, 2018). Companies in poor nations like Kenya continue to face performance declines despite efforts to apply supplier management practices. In the year 2020, New KCC registered losses of 150 million (New KCC Limited Report, 2022). Further, customers continue to complain about quality of milk (Dhieu, 2019). This raises concerns regarding the organizational performance of New KCC. Although studies have been done in the past, little is known about the organizational performance and overall quality management approach of Kenyan processing enterprises. The current study addressed the existing research gaps by investigating the influence of supplier management on organizational performance of processing firms in Kenya. A case of New KCC Limited.

1.3 Objective of the Study

To determine the influence of supplier management on organizational performance of New KCC Limited in Kenya.

2.0 Literature Review

2.1 Theoretical Review

The study was anchored on Social Capital Theory. Sternberg and Lubart (1991) introduced the concept of social capital. The conventions and networks that allow people to act as a group are referred to as social capital. This theory's central thesis holds that while each individual in a capitalist society has individual aims and objectives to concentrate on, players have realized that teaming up with like-minded partners produces greater results than going it alone.

This notion affirms the need for suppliers and customers to establish cooperative connections to improve their mutual benefits (Deng, 1989). As a result, both businesses must pool their resources to help one another accomplish shared objectives. As a result, the buyer contributes the infrastructure and resources of its business to aid its chosen suppliers in honing their production-related skills, with the buyer's business bearing the consequences.

According to Sternberg and Lubart (1991), supplier growth may be viewed via the prism of social capital theory, and this effort offers insightful information on the various social capital elements pertaining to the relationship between industrial purchasing firms and their suppliers. In a similar vein, Xingxing (2012) backs the idea that increased buyer participation and the development of social capital among major suppliers can boost the efficiency of purchasing organizations. Through supplier management, this study aims to gain a deeper understanding of the value created by companies ready to build lasting connections and social capital with important suppliers. Furthermore, an attempt will be made to explain the value provided for purchasing organizations involved in supplier development using the social capital theory (Deng, 1989) in this study.

Relationships have the potential to be a source of material resources and knowledge, according to social capital theory. According to research, utilizing these resources can assist organizations in achieving desirable results like increasing company performance. Xingxing (2012) discusses the features of the buyer-supplier relationship and how they affect business performance. However, there are benefits and drawbacks to using social capital in a cooperative connection between buyers and sellers. To enhance buyer organizations' operational performance, relationships—which include the cognitive, relational, and structural aspects of social capital—should be studied in the discipline of operational management (Day, 1989).

The idea that underpins this research is social capital theory, which is thought to be pertinent to comprehending how supplier management affects the organizational effectiveness of processing organizations. The idea is applied to investigate how context influences flexibility and the growth of trust in supply chains, particularly between suppliers and purchasers. Therefore, the theory informed the research variable supplier management.

2.2 Empirical Literature Review

Yang and Zhang's (2017) empirical study in China looked at how supplier-buyer performance was affected by sustainable supplier management strategies. This study's goal was to be descriptive. According to this study, buyer-supplier relationships and buyer competitive advantage are positively correlated with sustainable supplier development, continuous supplier monitoring, and sustainable supplier collaboration. Additionally, it discovered a favorable correlation between supplier performance and sustainable supplier collaboration, continuous supplier monitoring, and sustainable supplier selection. Although the study was carried out in China, the most recent one was carried out in Kenya.

Njeru et al. (2017) focused their study on how supplier management affects Kenyan higher education institutions' adoption of effective procurement practices. A descriptive research design was used for this investigation. The survey's findings show that many public universities find it challenging to put in place efficient procurement practices because of supplier management factors like supplier evaluation methods, supplier selection strategies, supplier selection procedures, supplier performance methods, supplier relationship management, supplier development, and supplier collaboration.

Nyaberi's (2020) research on supplier development management techniques focuses on the organizational performance of processing companies in Kenya. A descriptive research methodology is used in this study. This study suggests that supplier appraisal, technical skill and information sharing, and supplier selection can all improve supplier development. This study focused on only one comprehensive quality management practice, namely supplier management, which shows a conceptual gap. The four overall quality management practices that were the focus of this study were employee involvement, supplier relationships, customer emphasis, and continuous process improvement.

The comparative study by Oduro et al. (2020) focused on hospital organizational performance and supplier relationship management in the changing economic setting. The research design for this study was descriptive. The study concluded that, in a continually shifting business environment, achieving operational excellence will be challenging until KRA embraces TQM methods including employee training, continuous improvement, and system automation. The study was carried out in a hospital, which revealed holes in the content. This study was carried out in a processing facility.

3.0 Methodology

An explanatory research design was used in the study. 110 members of the new KCC management team were included in the target population. Because of the limited population, the study employed the census approach. Primary data was gathered using a questionnaire. Delivering the questionnaire, the researcher had two study partners help. The drop-and-pick method was then used. To increase the number of responses, surveys were also disseminated by email. Both descriptive and inferential statistics were used to analyze the data. The research findings were calculated and analyzed using SPSS Version 22 (Statistical Package for the Social Sciences). Diagrams and tables were used to display the results.

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4.0 Results and Discussion

4.1 Descriptive Statistics

The variable supplier management was measured by supplier relationship, supplier performance methods, and supplier appraisal techniques. Table 1 shows the results.

Table 1: Descriptive Statistics for Supplier Management

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Our organization has a good relationship with the suppliers	2.30%	0.00%	1.10%	36.40%	60.20%	4.52	0.74
Our organization applies supplier performance methods	0.00%	2.30%	1.10%	39.80%	56.80%	4.51	0.64
Our organization applies supplier appraisal techniques	2.30%	1.10%	4.50%	27.30%	64.80%	4.51	0.83
Company allows for a mutual relationship between the vendor and the buyer	0.00%	1.10%	2.30%	28.40%	68.20%	4.64	0.59
Supplier relationship management assists in cost reduction	0.00%	2.30%	0.00%	33.00%	64.80%	4.60	0.62
Composite						**4.56**	**0.68**

The majority of respondents (96.6%) agreed, according to Table 1 data, that their company has positive relationships with its suppliers. A mean of 4.52 and a standard deviation of 0.74 provided evidence in favor of this. Based on the data, 96.6% of respondents agreed that our company applies supplier performance methodologies. This was further supported by a mean of 4.51 and a standard deviation of 0.64. Additionally, it was found that 92.2% of respondents agreed with the assertion that our organization used supplier appraisal techniques. A mean of 4.51 and a standard deviation of 0.83 supported the findings.

With a mean of 4.64 and a mean of 0.59, the majority of respondents (96.6%) also concurred that the company permits a reciprocal relationship between the vendor and the buyer. In a similar vein, the majority of respondents (97.8%) agreed that supplier relationship management (with a mean of 4.60 and a standard deviation of 0.62) helps reduce costs. The standard deviation was 0.68 and the composite mean was 4.56. This suggested that the respondents agreed with the supplier management-related assertions. This indicated that KCC had used TQM techniques. This was consistent with the findings of Nyaberi (2020), who discovered that supplier evaluation, technical skill and information sharing, and supplier selection can all improve supplier development.

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Table 2: Descriptive Statistics for Organizational Performance

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Over the past five years, our company's return on assets has increased.	2.30%	2.30%	1.10%	37.50%	56.80%	4.44	0.83
Over the past five years, our company's return on equity has increased.	5.70%	3.40%	2.30%	40.90%	47.70%	4.22	1.06
Our company has been able to retain most of its employees	3.40%	4.50%	1.10%	50.00%	40.90%	4.20	0.94
Over the past five years, our company's market share has increased.	0.00%	0.00%	0.00%	48.90%	51.10%	4.51	0.50
Customer complaints have been reducing in the last 5 years	0.00%	0.00%	0.00%	51.10%	48.90%	4.49	0.50
The company has a high level of customer retention	5.70%	2.30%	4.50%	39.80%	47.70%	4.22	1.04
Composite						**4.35**	**0.81**

The majority of respondents, 94.3%, agreed that our company's return on assets has increased over the past five years, according to the results of the descriptive analysis shown in Table 2. The statement's mean was 4.44, and its standard deviation was 0.83. The majority of respondents (88.6%) to the survey also agreed that our company's return on equity had increased during the previous five years. A mean of 4.22 and a standard deviation of 1.06 backed this up. The majority of respondents, or 90.9%, agreed with the assertion that our organization has been able to retain the bulk of its personnel, according to the data. This was further supported by a mean of 4.20 and a standard deviation of 0.94. The majority of respondents, or 99%, were found to concur with the assertion that our company's market share has expanded over the last five years. A mean of 4.51 and a standard deviation of 0.50 supported the findings. The majority of respondents (99%) agreed that there had been a decrease in customer complaints over the preceding five years, with a mean score of 4.49 and a mean score of 0.50. In a similar vein, with a mean score of 4.22 and a standard deviation of 1.04, the majority of respondents (87.5%) believed that the company keeps a sizable portion of its customers. The composite mean was 4.35, while the standard deviation was 0.81. This suggested that the claims regarding organizational effectiveness were supported by the majority of respondents.

4.2 Correlation Analysis

Correlation analysis was conducted in the study to test the association between the independent variables of the study and the dependent variable. Pearson's correlation varies from -1 to +1. Table 3 presents the results.

Table 3: Correlation Matrix

		Supplier Management	Organizational performance
Supplier Management	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Organizational performance	Pearson Correlation	.520**	1.000
	Sig. (2-tailed)	0.000	
	N	88	1.000

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

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

4.3 Regression Analysis

Regression analysis was performed to test the research hypotheses.

Table 4: Regression Coefficients

	Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	1.469	0.296		4.955	0.000
Supplier Management	0.266	0.062	0.316	4.279	0.000

The coefficient for the relationship between supplier management and organizational performance was positive and significant (β=0.266, P=0.000). This suggested that supplier improvement and organizational success were positively and statistically significantly correlated. Thus, an increase of one unit in supplier improvement results in a 0.266 unit gain in organizational performance. This was consistent with research by Rajab, Ngugi, and Kiarie (2021), who found that supplier relationship management significantly affects organizational performance. This aligned with the results of Yehuala's (2023) investigation into the effects of supplier relationship management tactics on organizational efficacy.

5.0 Conclusions

The study found that there is a positive and significant relationship between supplier management and organizational performance. The study hence concluded that supplier management has a positive effect on organizational performance. Firms may increase their performance by adopting strategies that are related to improvement in the quality of supplier relationships such as improving supplier relationships, supplier performance methods, and supplier appraisal techniques. This may be achieved by having a mutual relationship with the suppliers which leads to cost reduction hence increasing the return on assets. Having a mutual supplier-buyer relationship has the benefit of reaching out to a larger market since this may increase the firm supplies.

6.0 Recommendations

The study made suggestions that firms in Kenya should adopt this supplier management strategy. The study also made recommendations that policymakers in government should formulate policies that will address the negative effect of the firm's operating environment on the effect of TQM strategies on organizational performance.

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