

## **Document Analysis on Supplier-Buyer Relationship on Supply Chain Management Performance**

Michael Amukanga<sup>1</sup> Fozia Nurwin<sup>2</sup>

1. Postgraduate Scholar, Doctorate of Philosophy (Procurement). Masinde Muliro University of Science and Technology

2. PhD, Lecturer, School Of Business and Economics, Masinde Muliro University of Science and Technology

---

**Abstract.** Organizations have realized that competition is now in the supply chains. With an effective and efficient Supply chain management function an organization is assured of attaining a competitive edge within a given industry. This is therefore to say that Supply Chain Management (SCM) is a very important management function whose main aim should be customer service that aims at enabling an entity to achieve performance. Through customer service and helping a firm to compete, SCM has become a management function that has attracted great interest from both from researchers and practitioners. Notably as any other management function in any organization, SCM function performance has been influenced by many factors. Buyer supplier relationship is one such an importance factor. We hereby carry out document analysis on literature in order to gain in-depth analysis and understanding on how Buyer-Supplier relationship impact on the SCM performance.

**Key words;** Supplier-Buyer Relationship, Supply Chain Management Performance, Customer Service

---

Date of Submission: 20-12-2020

Date of Acceptance: 03-01-2021

---

### **I. Introduction**

Supply chain is an important function in any industry and the firms' success depend on it. Any firm that needs to meet customer service and be termed to be performing needs to carefully and strategically manage its supply chain activities. In today's competitive world, top management realizes that it is not enough to improve efficiencies within an organization but rather in supply chain activities. According to Chavosh *et al.* (2011) in today's highly dynamic and competitive markets, rivalry among companies is transformed from competing on the basis of own capabilities to competing using supply chains. This calls for building a strong chain that links buyers and suppliers who work seamlessly. According to PPADA, (2015) Supply chain management means the design, planning, execution control and monitoring of supply chain activities which include procurement, purchasing, logistics, transportation, warehousing, storage, stock control, contract management and distribution, with an objective of creating value to meet the objectives of procuring entity. Some of the organizational objective is meeting customer service which can be achieved through a performing supply chain.

SCM is still an evolving business management function that has continued to draw interest of many business managers due to its importance to a firm's competitiveness. According to Chopra and Meindl (2010) supply chain management is the planning and control of activities and relationships in order to maximize customer value and achieve sustainable competitive advantage. Sayed (2013) states that supply chain is a network of producers and service providers who work on value addition of goods from the raw materials stage through to the end user. This is with an aim of meeting customer service levels. The suppliers and consumers are linked together through physical flows of raw material, work-in-progress and finished goods, information flows, and monetary flow. This is therefore to say that SCM performance can be realized when suppliers meet buyers' expectations (Chopra & Meindl, 2010). SCM performance is a need to companies globally due to its demonstrated benefits. This can be achieved when there is a good working relationship with high levels of partnering to maximize resource utilization, develop standardized processes, eliminate duplicate efforts, and minimize inventory levels.

Supply chain management performance can be viewed from the relationship perspective. Buyer-supplier relationships initiatives can focus on any aspect of supply chain operations, though transportation and inventory are frequent cost control targets (Chen, Jun-Der, & Chyou-Huey, 2014). However the weakening of global economic conditions is forcing companies to reinvent their consumers and suppliers relationships. This means when the SCM partners work together end up achieving the desired goals of saving costs and meeting customer satisfaction. In Kenya today, sugar companies are faced with an array of problems resulting from unhealthy competitions. The Parliamentary Committee on Agriculture, Livestock and Cooperatives' reported in

March 2015 on 'The crisis facing the sugar companies in Kenya', is the strained relationship between farmers and companies (Okwaroh, 2015). Ochola and Simiyu (2011) stated that, some factories are overwhelmed by sugarcane supply, while others are under-supplied due to poor relation between farmers and the companies. According to Busolo (2016) Mumias Sugar Company ran into financial trouble as soon as some suppliers refused to supply raw cane to the company. As a result of this SCM problem, domestic demand for sugar outstrips local production. These issues can be sorted out if there is a healthy supplier-buyer relationship between farmers and companies

## **II. Literature Review**

Suppliers and buyers work together in a strong relationship to achieve set supply chain management performance goals. That is why it is stated by Duggan (2015) that incase supply chain partners don't work in a mutual relationship; they'll feel the consequence all the way from ultimate suppliers to ultimate consumer which affects SCM performance. This is supported by Awad and Nassar (2010) who states that the more complex the supply chain, the more difficult it becomes for companies to answer basic questions, make conclusive decisions, communication among entities is not always clear or consistent, and each may optimize their own objectives without regard for others. Basically, we hereby find that there is need to develop and maintain serious supply chain relationships to attain maximum benefits that come with it. There are several prominent dimensions of the supplier-buyer relationship but not limited to continued communication, interpersonal relationship, and power-dependence.

The supplier-buyer relationship is an integral part that the business systems enhanced in their SCM function. The relationship should be a collaborative one for the parties therein a Supply Chain to benefit to a great extend. In formalized relationships, Kokemuller (2015) says that resellers communicate closely with top suppliers to optimize mutual benefits of satisfying the needs of the end customer. This kind of relationship stems from the reality that if the downstream customer is not satisfied then no one wins. Though Lysons and Farrington (2010) say, at times, some companies do not care what the other party gets especially in competitive relationship. Therefore, studies conducted should aim to find out if all the players in a given supply chain consider the ultimate buyer and if the last consumers are integrated in the relationships.

Continued communication amongst the supply chain players enhances coordination, and commitment levels which bring about satisfaction and performance. Frequent communication between retailers and suppliers can expedite quick and accurate response to volatile markets, and reduce the costs and impact accurate forecasts, (Nyamasenge & Biraori, 2015). This was a finding in descriptive case research which used questionnaire to collect data. This is supported by an empirical survey by Mavondo and Rodrigo (2011) stating that one of the keys to successful SCM performance is continued communication and mutual decision making between chain partners. Continued communications enhances sharing information about lead time and critical needs. Therefore, it is stated by Lysons and Farrington (2010) that good supplier-buyer relationship results in lowering cycle time and reworks as well as improved first time quality, resulting from order expediting enabled by unbroken communication. However it is proper to note that some chain partners may not be willing to share the desired information which causes adverse consequences like the bullwhip effect. This is especially when the parties do not trust each other fully and or do not get the desired support.

Reviewing and in-depth empirical survey by Kollberg and Dreyer (2010) it is revealed that through continued communication, parties share confidential and closely guarded information and data especially about stock levels. In a collaborative relationship parties work together in stock replenishment planning which leads to meeting customer demand. The parties who give accurate information may gain visibility of customers' requirements and inventory level. However some partners may feel too small hence not cooperating accordingly. This is true according to Duggan (2015) stating that under unequal power relationship a less powerful channel party has a tendency not to provide information and feedback to more powerful ones. Supporting this, a descriptive research by Mohr and Nevin (2010) stated that the restricted information flow will impede the channel relationships and affect the supply chain performance as well. Considering that information flow in the supply chain is central to its performance, if one party fails to collaborate with others in this dimension, the whole process ends up being affected.

In supply chain management, supplier-buyer relationships embrace the essence of interpersonal relationships. This is especially in areas of transactions eventually creating room for a collaborative approach to the chains primary activities. Looking at an exploratory case study by Mettler and Rohner (2009) it is revealed that interpersonal relationship plays an important role in cost reduction and chain management performance optimization. Some of the activities under interpersonal relationship that helps SCM performance as stated in the empirical survey by Mavondo and Rodrigo (2011) involve but not limited to; supplier visits, early purchase involvement, long term partnership with suppliers, provision of supplier conference forums, supplier

involvement in specification and product development. The study used multiple expert interviews, personal observation and secondary data. Supporting this Ahmed (2015) found out that, service providers are forced to optimize cost structures as well as effectiveness and efficiency through interpersonal relationship in the supply chain activities. Critically analyzing the studies we find that the interpersonal relationship here helps the chain parties to benefits from each other since everyone works for the best interest of the other. Contrary view by Ayoti (2012) indicated that there is practice of favoritism, tribalism and nepotism in the tendering process in public sector as a result of interpersonal relationships. This is from descriptive survey research that used both qualitative and quantitative research paradigms with questionnaires to collect data. However this can be corrected by a study done by Kinoti, Arasa, Waititu and Guyo (2013) that states that government ministries should employ effective contract management strategies that contribute improvement of the supplier performance in the execution of the awarded tenders. We hereby find that, interpersonal relationship in the chain should not be used to the detriment of the parties competing join the chain. The upstream supplier and or downstream customers should not be denied the chances of being party to chain due negative energies that may be brought about the interpersonal relationship.

Today companies are realizing that they no longer have complete control over their market. At the same time some players in the supply chain may not have the requisite power to effectively operate in the competitive and dynamic business environment. According Chinomona and Poe (2013) without the efficient and effective integration of logistics activities, the increasingly recognized value in supply chains management will be difficult to attain. These then calls for establishing strong buyer-supplier relations with powerful parties within the market. The powerful players may help handling supply chain cost thereby meeting the required responsiveness and reliability in the supply chain. The study by Mettler and Rohner (2009) found out that cost savings through reduced levels of inventory, expediting, fulfillment and premium freight costs could allow a company to offer more favorable prices or terms to customers in the chain. These costs can be absorbed by a supplier who has the financial muscles and enjoys close interpersonal relation with the other players in the chain. Therefore to have a substantial control of the market one need to associate and work with players who are strong and understand it.

Power dependence may be affected when the less powerful firms depends on firms that pursue different interests. This is especially when the players in the SCM are perusing different business ventures with no expertise in all areas. Beare (2017) says companies can fall into the trap of expanding their repertoire without the necessary expertise, since success in one type of venture may not translate in success in another one. At the same time others may compete using their powers. This inter-firm power showoff has the potential of upsetting chain relationships and hence a barrier to the collaborative integration process so frequently promoted in the current SCM practices. According to Chinomona and Poe (2013) without the efficient and effective integration of logistics activities, the increasingly recognized value in supply chains management will be difficult to attain.

The higher the level of supplier-buyer relationship the greater the potential benefits. Probably it is a fact that better relationship leads to reduction in uncertainty and waste which leads to greater efficiency along with faster delivery performance (Ahmed, 2015). At the same time relationships in SCM are enabling organizations reduce inventory and costs, add product value, extend resources, accelerate time to market and retain customers. Therefore, in today's dynamic and complex business environment, supplier-buyer relationships are regarded as having huge implications for the firm's business and competitiveness since an individual firm is no longer able to deal with the whole business operations without other partners in chain.

### **III. Conclusion**

A company should aim and be committed to delivering consistently high standards of services at reduced or controlled cost to gain and retain customers. This can be through creating customer service culture. Supplier-buyer relationship was found to be vital in SCM performance by enabling meeting customer service levels and reducing associated costs. Buyer supplier relationship should be and endeavor of all the parties in the chain. Encouraging collaborative relationship amongst the parties is vital in achieving supply chain management performance. Their relationship should be allowed at all levels within the supply chain management function. Continued communication, interpersonal relationship and supporting the weak partners are very necessary in the supply chain activities. This will help the parties to understand the market, work as a team and solve any unforeseen inevitable chain problems together.

### **IV. Recommendation**

Based on the above literature much has been studied about Supplier-Buyer relationship in supply chain management. The reviewed literature has given an insight on the importance of nurturing and maintaining high level supplier-buyer relation in supply chain management functions. However more studies have to be done to bring out what are the strategies and tactics the players may use to ensure the relationships remain up and working once established. In the study, it is noted that continued communication is important in the relationship.

However, we need studies that detail the contents that should be shared in the continued communication. We also need studies detailing areas where powerful players may support the weak ones within and without an industry and if this will lead to cost control and meeting customer service levels. At the same time we should have studies on how to deal with power showoff that may result in unhealthy competition and affect the SCM performance.

#### REFERENCES

- [1]. Ahmed, M. (2015). *The Role of Suppliers Development in Supply Chain Management*. Eaton: Divisional Supply Chain Manager.
- [2]. Awad, H., & Nassar, M. O. (2010). Supply Chain Integration: Definition and Challenges. *International Multi-Conference of Engineers and Computer Scientists, Vol.1. ISBN 978-988-17012-8-2*. Hong Kong.
- [3]. Ayoti, B. N. (2012). *Factors Influencing Effectiveness in Tendering Process in Public Sector; the Case of Nyeri County, Kenya*. <http://e.uonbi.ac.ke>. Nairobi: University of Nairobi Repository.
- [4]. Beare, N. V. (2017). The Pros & Cons of Vertical Integration. *National Digital*.
- [5]. Busolo, S. (2016), August. Tuesday, 23rd. What Ails Mumias Sugar Company. *The Star, Kenya* (August Iss.).
- [6]. Chavosh, A., & el. (2011). A Model for Supply Chain Performance of Electronics Industry in Malaysia. *International Conference on Social Science and Humanity.IPEDR Vol.5* . Singapore, Malaysia: IACSIT Press,.
- [7]. Chen, C. Y., Jun-Der, L., & Chyou-Huey. (2014). The Impact of E-Supply Chain Capability on Competitive Advantage and Organizational Performance. (N. C. Chunguli, Ed.) *International Journal of Electronic Business Management*, 4 (5), 419-427.
- [8]. Chinomona, R., & Pooe, R. (2013). The Influence of Logistics Integration on Information Sharing and Business Performance: The Case of Small and Medium Enterprises in South Africa. *Journal of Transport and Supply Chain Management*, 7 (1), Pgs 92, 9.
- [9]. Chopra, S., & Meindl, P. (2010). *Supply Chain Management: Strategy, Planning, and Operation*. (5th ed.). New Jersey, USA: Pearson Prentice-Hall, Upper Saddle River.
- [10]. Duggan, T. (2015). Supply Chain Management vs. Customer Relationship Management. (D. Media, Ed.) *Hearst Newspapers* .
- [11]. Kenya, o. R. (2015, Dec. 24th). The Public Procurement and Asset Disposal Act, 2015. *Kenya Gazette Supplement, No. 207* (Acts No. 33), pp. 1953-2069.
- [12]. Kinoti, J. B., Arasa, R., Waititu, G. A., & Guyo, W. (2013). Influence of Supplier Relationship Management on the Implementation of Supply Chain Management Ethics in Government Ministries in Kenya. *Global Advanced Research Journal of Management and Business Studies, Vol. 2* (9), Pgs469-473.
- [13]. Kokemuller, N. (2015). What is the Role of the Supplier Relationship in an Organization? *Hearts Newspaper* .
- [14]. Kollberg, M., & Dreyer, H. (2010). *Exploring the Impact of ICT on Integration in Supply Chain Control*. . Norwegian University of Science and Technology, Department of Production and Quality Engineering. Trondheim, Norway: NTNU S.P Andersens.
- [15]. Lysons, K., & Farrington, M. (2010). *Purchasing and Supply Chain Management*. (7th ed.). Upper Saddle River, New Jersey. USA: Prentice Hall.
- [16]. Mavondo, F. T., & Rodrigo, E. M. (2011). The Effect of Relationship Dimensions on Interpersonal and Inter-organizational Commitment in Organizations Conducting Business between Australia and China. 52, 111-21. *Journal of Business Research*, 52, Pgs 11-21.
- [17]. Mettler, T., & Rohner, P. (2009). Supplier Relationship Management: A Case Study in the Context of Health Care. *Journal of Theoretical and Applied Electronic Commerce Research, Vol. 4*. ( Issue 3), Pgs58-71.
- [18]. Mohr, J., & Nevin, J. R. (2010). Communication Strategies in Marketing Channels. Issue 54.Pgs36-51. *Journal of Marketing*. (Iss. 54), Pgs 36-51.
- [19]. Nyamasenge, O. J., & Biraori, O. E. (2015). Effect of Supplier Relationship Management on the Effectiveness of Supply Chain Management in the Kenya Public Sector . *International Journal of Managing Value and Supply Chains (IJMVSC)*, 6 (1).
- [20]. Ochola, S., & Simiyu, R. (2011). Building Coalition for Change. The Sugar Industry Strategy Meeting held at Action Aid Poverty Study Center. *The Sugar Industry Strategy Meeting held at Action Aid Poverty Study Center*. Kiboswa: SUCAM Reprint.
- [21]. Okwaroh, K. (2015). *Taxes and Trade Restrictions Killing Kenya Sugar Sector*. Nairobi- Kenya: Standard Media.
- [22]. Sayed, E. (2013). Supply Chain Key Performance Indicators Analysis. *International Journal of Application on Innovation in Engineering and Management (IJAIEM)*, 2 (1), 201-210.

Michael Amukanga. "Document Analysis on Supplier-Buyer Relationship on Supply Chain Management Performance." *IOSR Journal of Business and Management (IOSR-JBM)*, 23(01), 2021, pp. 26-29.