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The Role of Supplier Relationship Management in Perceived Organizational Performance;The Case of Ambo Mineral Water SC (AMWSC)

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Approved by Board of Examiners

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CANDIDATE'S DECLARATION

I hereby declare that the work which is being presented in this thesis entitled The Role of Supplier Relationship Management in Perceived Organizational Performance; The Case of Ambo Mineral Water SC (AMWSC) is original work of my own, has not been presented for a degree of any other university and that all sources of material used for the thesis have been duly acknowledged.

EleniMekuria ____________________

(Candidate) Date

This is to certify that the above declaration made by the candidate is correct to the best of my Knowledge.

Tariku Jebena, PhD ____________________
(Thesis Advisor) Date

Abstract

The major objective of this study was to explore the role of supplier relationship management in perceived organizational performance of Ambo Mineral Water S.co (AMWSC). This research was designed as a descriptive, cross-sectional design. Supplier segmentation has a positive and strong relationship with Organizational Performance as its r=0.898 with Sig. (2-tailed) of 0.000. Suppliers relationship management governance has a very strong and positive relationship with organizational performance (r=-0.096) with Sig. (2-tailed) of 0.000. Supplier performance management, it has weak and negative relationship with organizational performance r=-0.96 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005) and Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000 The effect of supplier segmentation, SRM governess, supplier performance and supplier development on organization performance with AWMSC organization were 0.040, 0.000, 0.888 and 0.014 respectively. Therefore, AWMSC requires working hard to improve the supplier performance management to increase organization performance level.

Key Words: Supplier Relation Management, Organizational performance, Suppliers

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Abbreviations

AMWSC	Ambo Mineral Water SC
SC	Supply Chain
SCP	Supply Chain Performance
SCM	Supply Chain Management
SRM	Supplier Relation Management
IT	Information Technology
IS	Information Sharing
IO	Internal Operation

List of Figures

List of Tables

Table of Contents

Chapter One

1. Introduction

1.1 Background of the study

In Supply Chain context, remarkable benefits can be gained by developing collaborative relationships with key suppliers that are based on focused cooperation with long term relationship, the identification and implementation of joint initiatives, and the sharing of financial gains (Chkanikova, 2015). However, there are difficult situations, environment and practices in implementing relationships that meet the expectations of supply chain parties. There are two primary reasons for disappointment with the outcomes of collaborative efforts (Douglas et al., 2015). The first is that one or both parties pursue unrealistic expectations going into the relationship. The other is the expectations were reasonable but were never articulated and agreed upon, thus no plan for achieving them was developed and failure was the result.

They also indicated that managers need a methodology that they can use with key customers and suppliers to structure collaborative relationships. With this idea, this research was conducted to provide a structure that enable management to articulate and communicate expectations, agree upon joint goals, develop a plan for achieving those goals, and measure the benefits in financial terms. The financial terms will be measured as improving business performance with respect to financial (profit) values.The performance can be created by leveraging financial and non-financial value from supplier relationships is being merited with some systematic treatment. Ethiopia, as an emerging economy, the future of supply chain practices should be managed based on research and experience. Especially, the drinks manufacturers in Ethiopia need such kind of appreciating research in supply chain management as an initiative to attain organizational performance through supplier relationship. This is because the drink manufacturing business is an emerging business and newly booming marketing in the country. In this study, the supplier relation of AMWSC was investigated whether the supplier relation improves the organizational performance or not. This helps AMWSC to drive more value out of its supplier relationships. This is basically involved in a set of core factors such as supplier segmentation, SRM governance, supplier performance management, and supplier development.

1.2 Statement of the Problem

According to AMWSC, Ambo Mineral Water has been bottled and marketed since 1930 and is considered the market leader in Ethiopia. The company made 280 million birr annual revenue in 2015 which was based on a thermo-mineral spring that richer in natural calcium, magnesium, potassium, bicarbonates and carbon dioxide. The company is the largest and the only producer more than 60 million bottles per annum of bicarbonate water in the country which is popular and well needed bottled water.

This is a huge market potential and well-liked in the country which is the first in Ethiopia and its has an increasing export revenue (50 000 USD per annum) and the market is now expanded to flavored soft drinks which has a potential to increase its market by 25 percent in each year(source: AMWSC report,2015).

The company‘s increased market situation and its developed bottled water business in the country has been created by a well organized Supply Chain Management competency that contributed to an organization‘s success by providing customers with timely and accurate product delivery. This was evidenced by the supply chain team of the company. The customer is any delivery destination – from its warehouses and outlets to consumers‘ homes and retail and wholesale businesses‘ warehouses. The customer being serviced is the focal point and driving force in establishing Supply Chain Management performance requirements. It is important to clearly understand customer service deliverables when establishing Supply Chain Managementstrategies.

However, the above remarkable benefits was not measured in terms of by collaborative relationships with key suppliers that are based on focused cooperation with long term relationship, the identification and implementation of joint initiatives, and the sharing of financial gains. The preliminary survey of this study‘s researcher indicated that the AMWSC‘s supply team faced difficult situations, environment and practices in implementing relationships that meet the expectations of supply chain parties. There are most important reasons for disappointment with the outcomes of collaborative efforts.

For having competitive advantage and improved market positioning, the company strongly focusing on the development of closer ties with its suppliers and other organizations. Thus far, too little is known about the mechanisms which can help to evolve long term and collaborative relationships, nor about the interaction and existence of supplier relationship management at different levels in the company.

After having in depth examination, it can be said that there is no other study has been carried out which explain the role of supplier relationship management and as well as explain its effect of relational variable of supplier relationship management (supplier segmentation, SRM governance, supplier performance management, and supplier development) on organizational performance. In addition, the preliminary study indicated that there is no comprehensive approach to managing an enterprise‘s relations with firms that supply the goods and services it uses in the company. No information was collected on a SRM programs that make effective collaboration and supply chain synchronization with suppliers are critical success factors in serving customers and meeting strategic goals.

Therefore, this research was intended to overcome this gap by exploring the role supplier relationship management on the organizational performance. The gap extends to the problem of identifying supplier relationship management dimensions that need more attention that in turn emanates from lack of clear understanding as to which dimension has strong relationship and which has weak relationship to performance. In other words it would have been easier to prioritize those supplier relationship management that have strong relationship to performance had they identified them. Therefore these are the problems that initiated the research. On one hand it is clearly shown by the literature (in global context) that understanding the relationship between supplier relationship management and performance is helpful so as to make informed decision. However, there is such a gap in the sector in Ethiopia about the relationship of such. According to Chkanikova (2015) a research problem can be based on question, an unresolved controversy, a gap in knowledge or an unrequited need within the subject.

Chkanikova (2015) indicated based on the literature overview Seuring and Muller (2008) that concluded that in recent years academic and corporate interest in supplier relationship management has risen considerably. Chkanikova further added as available to date research on supplier relationship management as well as in SCM is still at the development stage. Chkanikova also raised Gold et.al. (2010) and pointed out that literature on SCM is still limited, and literature reviews are scant and assured that SSCM literature is still limited in quantity, and no major reviews of the field has been conducted.

Chkanikova (2015) notified that different business environment issues should be addressed in a standalone fashion, without consideration of the potential interrelationships between environmental, social and economic issues. Thus, this study is intended to conduct a study as the role of Supplier Relationship Management on organizational performance; The Case of Ambo Mineral Water SC (AMWSC). The study investigated the supplier relation of AMWSC on organizational performance and the results were compared with the results of existing studies, in order to reach to generalization.

1.3 Research Questions

The following are the research questions of the study:

- What is the role of supplier relationship management on perceived organizational performance in AMWSC?
- Which dimensions of supplier relationship management have strong relationship to perceived performance and which have weak relationship?
- What is the effect of supplier relationship on perceived organizational performance in drink manufacturing industry of AMWSC?
- What are the main challenges of AMWSC in supplier relationship management and perceived organizational performance?

1.4 Objective of the Study

1.4.1 General Objective of the Study

The major objective of this study is to explore the role of supplier relationship management on perceived organizational performance of AMWSC in drink manufacturing industries in Ethiopia.

1.4.2 Specific Objectives of the Study

The specific objectives of the study are:

- To assess the extent ofsupplier relationship management practices in AMWSC in
- To reveal perceived organizational performance of AMWSC from the perspective of its suppliers.
- Toidentifythe dimension(s) of supplier relationship management that have the

strongest relationship with perceived organizational performance in AMWSC

- To assess effects of supplier relationship management dimensions on perceived organizational performance in AMWSC

1.5 Significance of the Study

The result of this study would give insight to any drink and related manufacturing industry in Ethiopia and individuals who are working on the basis of Supply Chain Management including those who need to undertake further study on this area. In addition, it will indicate the current performance of the supplier relation management and its perceived organizational performance of the drink industry of AMWSC. Further, it will serve as an empirical study to the area of research undertaken on SCM.

This research is based on the beverages manufacturing companies situated in our company and very little work is done related to Ethiopian business environment so this will help the firms to know the role of supplier relationship management on their organization`s performance. Other than beverages manufacturing institutions will also get benefit out of its findings of this because it have focus determining the role of supplier relationship management on performance of organization. This study`s findings will be helpful and can be used by other researcher for further research in this regard.

1.6 Scope-of the Study

The existing literature shows many different perspectives of supply chain management practices and theory. Those various perspectives suggest a multi-dimensionality of SCM which cover set of activities and processes from upstream/ downstream/ and firms internal operations.

In addition, the research has been restricted to supplier relationship, supplier performance management, supplier development and supplier relation management governess. Moreover, due to different reasons, drink industry especially mineral water producing industry is selected.

The scope does not go to the extent of all supply chain members of each of the drink manufacturing in particular and food industry in general. That means the survey was not conducted at every partners of food and drinks industry and not included all foreign suppliers of AMWSC.

1.7 Limitation of the study

On one hand, the major limitation of this study was that, the emphasis has been given only to explore current SCM practice of AMWSC as drink manufacturing firms and to examine the relationships between supplier relationship and perceived organizational performance and supply chain performance. In addition, the research did not reveal the difference in supply chain performance of all manufacturing industry in implementing SCM practice.

Furthermore, this study was confined to suppliers and other participants such as employees and customers. Thus, limited respondents will be functional to the study which creates a challenge to generalize about the relationship of the independent variables and dependent variables from the result.

1.8 Operational definition of Concepts and Terms

- Supplier relationship management - the relationship between physical properties in that it seeks to link supplier and buyer actions under a wide variety of circumstances so that the outcomes are predictable in either direction (Geiger, 1998).
- **Supplier Segmentation** - Supplier segmentation is the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with

which to engage in SRM. This selection process is important since not all suppliers require the same level of focus. Organizations should therefore concentrate their resource allocation and spend their time and efforts on a limited number of relevant strategic suppliers (Douglas et al. 2015).

- **SRM Governance -** Establishing effective governance is key to unlocking SRM value, especially for priority 1 suppliers. A prerequisite to this is the alignment within the organization, the setup of internal governance processes and clearly assigned ownerships of supplier relationships. The ownership of the relationship can be outside of the Procurement organization, therefore it is essential to involve the right stakeholders from the business in the process. These stakeholders are part of a formal supplier governance committee. A governance committee for example can define and drive the strategic roadmap together with the supplier (Douglas et al. 2015).
- **Performance Management** is a prerequisite for effective SRM. It involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 suppliers. It focuses on the ―critical few” measures, which are consolidated on a single supplier scorecard. Subsequently it enables a global, shared view of supplier performance along a common set of defined metrics which should be cascaded down to the organization (local, regional, global levels). Once in place, the supplier scorecard needs to be continuously monitored and review meetings should be regularly held with strategic suppliers. Any deviation from agreed minimum performance requirements should be addressed immediately by identifying the root cause and putting in place corrective measures (Douglas et al. 2015).
- **Supplier Development:** Segmentation, governance and performance management are

cornerstone components of SRM. Once in place they represent a springboard to additional value creation activities that can be undertaken with strategic suppliers. Joint business development between an organization and its priority 1 suppliers is an example of those additional activities that can be derived from SRM. This would typically involve sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances (Douglas et al. 2015).

- Organizational performance (OP) refers to how well an organization achieves its market-oriented goals as well as its financial goals and it is common tool in any organization for measuring financial aspect, non-financial aspect, or both financial and non-financial measurement (Mira et al., 2014).

1.9 Organization of the Study

This research has been organized into five chapters as chapter one introduction which includes statement of problem, objective of the study, significant of the study and limitation of the study. Chapter two focuses on literature review and chapter three includes methodology part of the study. In the next chapters, chapter four contains result and discussion and chapter five includes conclusion and recommendation.

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Chapter Two

2. Literature Review

2.1 Supply Chain Management Concept

There are various definitions known to Supply chain Management. Pearson (1997) defines SCM as a homogenous management concept. The overall objective of Supply Chain Management is to contribute to improvement in the company's bottom line or profitability. Related objectives include, reducing the costs mainly by reducing the inventory level and increasing revenue by improving customer service through coordination and integration along the material flow, win-win relationships and end-customer focus. On other hand, Cooper et al. (1997) defined Supply Chain Management as a management philosophy which takes a system approach to viewing the Supply Chain as a single entity. This means that the partnership concept is extended into a multi-firm effort to manage the flow of goods from suppliers to the ultimate customer. Each firm in a Supply Chain directly or indirectly affects the performance of other Supply Chain members, as well as the overall performance of the Supply Chain.

A Supply Chain can include a number of functional areas within a firm–such as production, distribution and marketing. The supply Chain also includes other firms–such as suppliers, transportation carriers, warehouses, and retailers as well as the end customers themselves (Chopra et al., 2001). Although the industry and academia, have investigated the concept of SCM for the last decade, there is still no consistent definition of the concept. As a result, there is generally a lack of consistency in meaning and clarity across the diverse definition of SCM available in the literature.The supply chain may include internal division of the company as well as external supplier that provide input to a focal company. A supplier for this company has its own set of suppliers that provide input (also called second tier suppliers). Finally it is concluded that Supply Chain is essentially a series of linked suppliers and customers until products reach the ultimate customer(Handfield 2002).

Dominica (2002) also claims that Supply Chain should actually be efficient and effective. It is not definition that matters by Dominica, but it is the efficiency and effectiveness of SCM. In this case, efficient means to minimize resource use to accomplish specific outcomes; and effective in terms of designing distribution channels. Efficiency is measured by delivery performance, product quality, backorders and inventory level, whereas effectiveness is measured by service quality and service needs. Long term competitiveness therefore depends on how well the company meets the customer preferences in terms of service, cost, quality and flexibility, by designing the supply chain which will be more effective and efficient than the competitors‘.

According toMeixell and Shaw (2002) SCM is an approach to coordinating the functions and processes associated with the order fulfillment cycle, with the objective of delivering what the final customer wants at the time and place of the customer desires it, in a manner that minimizes total costs for the organizations linked together in the chain.

Supply chain management has been considered as the most popular operations strategy for improving organizational competitiveness in the twenty-first century. In early 1990s agile manufacturing (AM) gained momentum but it relies more on strategic alliances/partnerships (virtual enterprise environment) with objective of achieving flexibility and speed and little focus on cost and integration. However, since mid-1990s, supply chain management (SCM) has attracted interest with focus on cost reduction as well as integration of suppliers and customers (Gunasekaran, 2004).

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2.2 Supply Chain Management Practice in Manufacturing Industry

Cooper et al.,(1997) indicated that SCM is a concept that has originated and flourished in the manufacturing industry. Accordingly, Cooper elaborated as the first signs of SCM were perceptible in the Just-In-Time delivery system as part of the Toyota Production System. This system aimed to regulate supplies to the Toyota motor factory just in the right - small - amount, just on the right time. The main goal was to decrease inventory drastically, and to regulate the suppliers‘ interaction with the production line more effectively.

After its emergence in the Japanese automotive industry as part of a production system, the conceptual evolution of SCM has resulted in an autonomous status of the concept in industrial management theory, and a distinct subject of scientific research, as discussed in the literatures of SCM. Along with original SCM approaches, other management concepts (example, value chain, extended enterprise) have influenced the conceptual evolution towards the present understanding of SCM.

The existing literature shows many different perspectives of supply chain management practices. Those various perspectives suggest a multi-dimensionality of SCM that covers set of activities and processes from upstream and downstream and firms internal operations. Sohal et al. (2007) conceptualized SCM into three dimensions: intra-functional coordination, inter-functional coordination and inter -organizational coordination. This research will use four aspects of SCM practices, which are: Supplier and Customer Relationship, Information Sharing, Internal Operation, and Information Technology which will be related with firm‘ssupply chain performance such as; delivery performance, quality performance, cost reduction and responsiveness. The research is going to consider the following supply chain management practices as independent variable of the study.

2.3 Supplier Relationship Management

The goal of supplier relationship management is akin to the relationship between physical properties in that it seeks to link supplier and buyer actions under a wide variety of circumstances so that the outcomes are predictable in either direction. Geiger and Dooley (1998) stated thatstrategic partnerships with suppliers are important for a successful supply chain.As Companies have started to limit the number of suppliers with whom they do business by implementing vendor review programs, buyers use these programs to find suppliers with operational excellence. In addition, they claimed that, increasing demands on customer service levels are driving partnerships with vendors and suppliers. The ability to serve customers with higher levels of service, including faster delivery of products, is an important concept that results in partnering. Having a close relationship with a supplier or vendor results in common trust and enables firms to achieve the desired customer service levels.

The method of achieving relationship managementis highly dependent on some of the factors that are responsible for attaining successful interpersonal relationships. With supplier management the supplier‘s rewards, such as increased business come indirectly from responding positively to the buying organization‘s unilateral determination of benefits that add value for its internal customers. The focus is on the internal customer and the assessment of benefits is independent of the supplier. In relationship management the buyer focuses on the supplier organization and uses openness and information sharing to learn about unknown potential benefits that the supplier may be able to provide and in reciprocation the supplier learns something of the buyer‘s organization‘s operations and can possibly spot opportunities to enhance the benefits of his/her offering.

Mentzer et al. (2001) stated that risk and reward sharing helps maintain a focus on the long-term benefit and cooperation among the supply chain members. Cooperation on all levels among all processes in the supply chain is needed to reduce inventories and pursue supply chain-wide cost effectiveness. Bagchi and Larsen (2003) that the need for close collaboration with suppliers as sharing some logistics and production plan related data and providing suppliers access to sensitive and proprietary data pertaining to core competence areas. In this case, it is understood that collaboration at the design stage did not include suppliers as part of basic design teams.

Sohal et al. (2007) concluded that supplier and customer relationship is defined as a set of firm‘s activities in managing its relationship with customer and suppliers to improve customer satisfaction and synchronize supply chain activities. As they suggested, supplier involvement in product development allows firms to make better use of their suppliers‘ capabilities and technology to deliver competitive products.In addition, as they pointed out that, close customer relationship allows companies to be more responsive in fulfillingcustomers‘ demand and improving customer satisfaction by proactively seeking customers‘ needs and requirement.

2.4 Supplier relationship Management Dimensions

Achimet al (2001) clearly indicated that value can be regarded as a trade-off betweenbenefits and sacrifices. Some define value in businessmarkets monetarily whereas others use awider value definition, which also includes non-monetaryrevenues, such as competence, market position, andsocial rewards. In the context of this study, value considered as the perceived trade-off between multiplebenefits and sacrifices gained through customerrelationship by key decision makers in the supplier‘s organization.Those benefits and sacrifices can result fromthe relationship under question as well as from connectedrelationships on which the focal relationship has an impactor is affected by those other relationships.

Customers are becoming a key source of competitive advantage because, in addition to revenues,suppliers can gain product ideas, technologies, and/ormarket access, etc. from their customers.A growing number of researchers point to the pivotalimportance of business relationships for value creation. Value creation is regarded as the essentialpurpose for a customer firm and a supplier firm engaging in a relationship. Empirical results indicatethat suppliers focusing on few selected customersachieve higher profitability in long-term relationships byreducing their discretionary costs to a greater extent thansupplier firms who employ a transactional approach todeal with customers.

To enable an organization to drive more value out of their supplier relationships SRM is organized around a set of core complementary processes. According to Douglas et al. (2015), these processes focus on supplier segmentation, SRM governance, supplier performance management, and supplier development.

- **Supplier Segmentation** - Supplier segmentation is the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM. This selection process is important since not all suppliers require the same level of focus. Organizations should therefore concentrate their resource allocation and spend their time and efforts on a limited number of relevant strategic suppliers (Douglas et al. 2015).
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- **Supplier Development:** Segmentation, governance and performance management are cornerstone components of SRM. Once in place they represent a springboard to additional value creation activities that can be undertaken with strategic suppliers. Joint business development between an organization and its priority 1 suppliers is an example of those additional activities that can be derived from SRM. This would typically involve sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances (Douglas et al. 2015).

2.5 The relationship between Supplier Relationship Management andOrganizational Performance

Carolyne et al., (2015) indicated as supplier relationship management (SRM) is the discipline of strategically planning for, and managing, all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions. It entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk. And they defined SRM as a process involved in managing preferred suppliers and finding new ones whilst reducing costs, making procurement predictable and repeatable, pooling buyer experience and extracting the benefits of supplier partnerships. SRM has been shown to have an impact on performance of firms and they cited Du Plessis et al. 2001 & Lee et al. 1997. But majority of the studies have concentrated on developed countries. Various studies have also examined the various elements of SRM.

Performance of firms taking in to account supply chain can be measured using both financial and non financial performance indicators. Financial measures solely depend on performance indicators that directly reflect fulfillment of economic goals. These indicators include sales growth, profitability, earning market, revenue and so forth. The shortcoming of financial measure is that it is not comprehensive as there are other measures that cannot be covered by financial measure. Such non-financial (or operational measures) in particular to supply chain include customer satisfaction, reliability, lead time and the like (Gunasekaran, 2004).

2.6 Evidences from Empirical Studies

Kiweu (2015) studied and found out that supplier development, trust relationships, suppliercollaborations and information communication technology contributed to supply chain performance in the firm.According to the regression equation established in Kiweu‘s study, taking all factors into account (Supplier Development, Trust Relationship with Suppliers, Supplier Collaboration and Information technology Integration) to test the performance. In addition, the findings showed that taking all other independent variables at zero, a unit increase in Supplier Development will lead to a 0.754 increase in supply chain performance, a unit increase in Trust Relationship with Suppliers will lead to a 0.879 increase in Supplier relationship management practices, a unit increase in Supplier Collaboration will lead to a 0.568 increase in Supplier relationship management on supply chain performance and a unit increase in Information technology Integration will lead to a 0.685 increase in supply chain performance on supply chain performance. This infers that Trust Relationship with Suppliers contribute more to the supply chain performance on supply chain performance followed by the Supplier Development. At 5% level of significance and 95% level of confidence, Supplier Development had a 0.002 level of significance; Trust Relationship with Suppliers showed a 0.005 level of significant, Supplier Collaboration showed a 0.013 level of significant, Information technology Integration had a 0.032 level of significant, and hence the most significant factor is Trust Relationship with Suppliers.

For that reason, Kiweu‘sstudy recommended that policy and practice for supplier relationship management should be carefully evaluated and the results of that evaluation feed back into improved approaches. It is important that the evaluation considers the full range of costs and benefits. The organization should have sufficient special techno-economic knowledge and openness to new, effective methods when assessing tenders for supply chain performance.

Achimet al. (2001) studied based on the purpose for a supplier and customer firm engaging in a relationship is to work together in a way that creates value for them. In their study, the authors take the supplier‘s perspective and conceptualize value creation as a set of direct and indirect functions of customer relationships. The functions are characterized with respect to performed activities and employed resources of a customer firm. The findings from an empirical study of more than200 firms show that both direct and indirect functions of customer relationships contribute to the value perceived by the supplier. The results of this study have considerable consequences for the management of inter-organizational relationships and networks regarding the process of how value canbecreated in business markets.

They tested the two hypotheses using causal modeling by means of LISREL VIII. Because it is unreasonable to assume that the error variance of the supplier-perceived value measure is zero, it included a 15% measurement error in this measure. The overall fit measures were all met in the structural analysis, which suggests that the models fit the data well. All relationships predicted in the structural models are found to be in a positive direction (H1 and H2 supported).The more a customer relationship fulfills direct functions, the greater the value of the relationship perceived by the supplier. H2: The more a customer relationship fulfills indirect functions, the greater the value of the relationship perceived by the supplier. Furthermore, the model explains a substantial proportion of the variance in the endogenous variable: supplier-perceived value 49%. In summary, these results provide strong evidence for direct and indirect function‘s homological validity.

Hafsa et al., (2015) analysis and interpreted as the buyer-supplier relation play important role in organizational performance. The end product of this research can help the business management in the effective application of buyer-supplier relationship. The study was concluded as below:

1. Buyer-supplier (BS) questionnaire that was used in this study is a valuable research tool to measure the effect of buyer-supplier relationship on organizational performance.

2. Result showed that buyer-supplier relationships embraced with significant trust showing improved organizational performance.
3. Result portrays that buyer-supplier relationship covered by significant communication showing enhanced organizational performance.
4. Result illustrates that buyer-supplier relationships consist of significant co-operation showing superior organizational performance.
5. Result showed that buyer-supplier relationships comprised of significant commitment showing improved organizational performance
6. In general, buyer-supplier relationships have helped to improve and had positive impact on organizational performance.

In the same way, Rachel et al., (2012) studied the crucial role of suppliers in collaborative supply chains and indicated as little attention has been paid to the nature and management of supplier relationships in the implementation of a retailer‘s Customer Relationship Management (CRM) strategy. To address this gap, they conducted a research on the theory of organizational justice that was used to explore the extent to which perceived fairness in buyer–supplier relationships supports or inhibits supplier engagement with the CRM process. The rationale is that suppliers who feel fairly treated by key retail customers are more likely to invest resources in the acquisition and use of data central to the retailer‘s CRM strategy. By empirically testing a conceptual model linking downstream CRM to upstream SRM, the results provide evidence to indicate that customer data use is significantly influenced by perceptions of fairness, particularly with respect to the distribution of rewards, and the transparency of decision-making processes. As a key criticism of CRM centers upon the failure of organizations to exploit the full potential of customer data, the results highlight the usefulness of understanding the relational linkages between buyers and suppliers and the consequential behavior of suppliers in terms of engagement with customer data vital to the success of retailers‘ CRM strategies.

Owuor et al., (2015) conducted a research on the effect of strategic supplier relationship Management on Internal Operational performance of Manufacturing Firms: A Case of East African Breweries Limited, Kenya. It aimed to achieve sustainability and operational excellence. For these reasons, organizations adopt various strategies. The study focused on business-supplier communication and business-supplier joint decision making based on a correlation study and both descriptive and inferential analyses were conducted. The individual parameters were analyzed using descriptive statistics (frequencies, mean, standard deviation and variance) while regression analyses was conducted to test the effect of strategic supplier relationship management on internal operational performance. The study revealed that business-supplier communication and business-supplier joint decision making both individually and jointly have positive effect on internal operational performance.

Tobias et al., (2009) studied in other than drink manufacturing industry on the Supplier Relationship Management: A Case Study in the Context of Health Care. Supplier Relationship Management (SRM) plays an important role in the reduction of costs and the optimization of performance in industrial enterprises. Despite enormous investments in innovation, the health care sector has not experienced fundamental change yet. However, increased market dynamics and the implementation of economic principles will force health service providers to optimize cost structures as well as effectiveness and efficiency of business relationships. This paper reviews the current state of the art in the field, translates and amends the current findings for the health care context, and presents a case study illustrating the impact of the implementation of SRM principles in a leading Swiss hospital.

In recent study of years of Maram et al., (2015), it was assured that building strong relationships with suppliers have become very important to sustain competitiveness. Their study aimed to investigate the extent to which SRM is implemented in manufacturing firms in Egypt and its impact on firms' performance. The research followed an exploratory methodology through the use of multiple case studies to gain a thorough understanding of how SRM is practiced and to determine the potentials for further development. Semi-structured interviews were conducted with purchasing managers from eight companies belonging to different industrial sectors to provide diverse points of views and enable the researchers to explore differences within and between cases.

This study was conducted with the purpose of examining the effects of SRM on supply chain performance in generally and particularly on the manufacturing companies. For most companies, establishing strong, mutually beneficial long-term relationships with strategic SRM is a critical step in improving performance across the supply chain, generating greater cost efficiency and enabling the business to grow and develop. Any SRM program will be unique to the business, as to what it is trying to achieve and the nature of its suppliers will support it. The next step would be the working of the firm to implement the different approaches to manage measure and drive improvements with key suppliers and back up the supply chain. The firm can also help realize joint working and collaborative relationships with the most strategic suppliers, that will be aligned to work towards specific goals or outcomes that will make a significant difference. Lastly, as the SRM is developed well, it will be implemented for the future, this will increase the capability of the entire firm to better interact with suppliers as well as manage the supply base through focused learning and development. Then the firm can get equipped with the tools, techniques and common ways of working and the actively engage persons will need to make this implementation a success.

The research revealed that the major benefits associated with SRM are cost, risk and lead time reduction, quality improvement as well as innovation. From the cases interviewed, the companies outlined a number of actions that they should take if they want to improve their approach to SRM. These include listening to suppliers, investing in training and ensuring that the role of SRM is clearly defined.

Carolyne et al., (2015) conducted a research on manufacturing industry to establish the effect of supplier relationship management practices on performance of manufacturing firms in Kisumu County. Eighty two personnel involved in procurement in 31 manufacturing firms were asked to rate firms' performance in relation to supplier development, supplier segmentation and information sharing. Both descriptive and inferential methods of analysis were used to assess relationship in the variables involved. Among the respondent were 36/82 procurement officers, 35/82 finance officers and 11/82 general managers. Bivariate analysis found that increase in the three supplier relationship management practices were associated with increased levels of performance ($P<0.05$). On multivariate analysis, only information sharing was associated with better performance (ordered log odds=1.425, 95CI (0.637-2.213), Adjusted $P < 0.001$). Supplier development and supplier segmentation were not significant. Study concludes that increasing information sharing with suppliers would significantly improve performance in manufacturing firms which accounts for 37.8% on performance. Study recommends development of supplier development programs, strategic management of supply base and increased information sharing.

2.7 Conceptual Framework of the Study and Variables

This study has been initiated to assess the role of supplier relationship management in perceived organizational performance by taking AMWSC as a case organization. Hence, supplier management practice of the case organization is a driving / predicting variable explaining the level of organizational performance as perceived by its suppliers.

To enable an organization to drive more value out of their supplier relationships, supplier relationship management (SRM) is organized around a set of core complementary processes. According to Douglas et al. (2015), these processes focus on supplier segmentation, SRM governance, supplier performance management, and supplier development.

Suppler Relationship Management (the Independent Variable of the study) has been operational zed through the following sub variables (constructs) :

- **Supplier Segmentation is** the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM (Douglas et al. 2015).
- **Supplier Relationship Management Governance refers to** establishing effective governance that is key to unlocking value, especially for priority suppliers (Douglas et al. 2015).
- **Supplier Performance Management -** involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 supplier (Douglas et al. 2015).
- **Supplier Development** involves sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances (Douglas et al. 2015).

Dependent Variable –Perceived Organizational Performance

A growing number of researchers point to the pivotal importance of business relationships for value creation. Empirical results indicate that suppliers focusing on a few selected customers achieve higher profitability in long-term relationships by reducing their discretionary costs to a greater extent than supplier firms who employ a transactional approach to deal with customers. In this study, it was taken the supplier‘s perspective because an important contribution for corporate success can be gained from customer relationships (Achim et al., 2001).

Despite the growing trend toward considering and using business relationships as means of value creation, themarketing literature is deficient in some important ways. There is a high concentration on profit as value at the expense of other possible contributions relationships can make. Functions of business relationships can basically be distinguished into direct functions(also called primary or first-order functions) (Achim et al., 2001) as higher profitability in long-term relationships and reducing discretionary costs , trust, commitment, and partner-specific adaptations and volume, profit and safeguard functions and indirect functions (also called secondary or second-order functions). Indirect functions of business relationships capture connected effects in the future and/or in other relationships—the wider network.

Performance of firms taking in to account supply chain can be measured using both financial and non financial performance indicators. Financial measures solely depend on performance indicators that directly reflect fulfillment of economic goals. These indicators include sales growth, profitability, earning market, revenue and so forth. The shortcoming of financial measure is that it is not comprehensive as there are other measures that cannot be covered by financial measure. Such non-financial (or operational measures) in particular to supply chain include customer satisfaction, reliability, lead time and the like (Gunasekaran, 2004). Thus, the dependent variables are indicated below:

- In terms of financial measures - directly reflect fulfillment of economic goals. These indicators include sales growth, profitability, earning market, revenue and so forth
- Non-financial (or operational measures) in particular to supply chain include customer satisfaction
- Non-financial (or operational measures) in particular to supply chain include reliability and lead time (Gunasekaran, 2004).

Organizational performance (OP) refers to how well an organization achieves its market-oriented goals as well as its financial goals as per Mira et al., (2014). They indicated that performance measurement is common tool in any organization for measuring financial aspect, non-financial aspect, or both financial and non-financial measurement. Each perspective includes a series of performance measures:

- Financial - Financial perspective takes the viewpoint of the company shareholders and typically uses traditional financial measures such as operating cash flows, return on investment (ROI) and changes in operating income over time.
- Customer - Customer perspective addresses product and form differentiation strategies as well as value creation from the viewpoint of the organization‘s client base. It includes non-financial measures such as market share, consumer satisfaction and product or service delivery time.
- Innovation and learning growth - Innovation and learning growth focuses on the creation of organizational value through employees and innovative practices. The measures would be employee turnover, employee cross-training and skills level, patents and other indicators that relate to product development. It also focuses on the employee‘s

capability, information system quality, and the effects of organizational alignment to achieve the goal of the organization.

- **Organizational Performance:** can be measured using both financial and non financial performance indicators (Financial measures - sales growth, profitability, earning market, revenue and so forth) and non-financial (or operational measures) in particular to supply chain include customer satisfaction, reliability, lead time and the like (Gunasekaran, 2004).

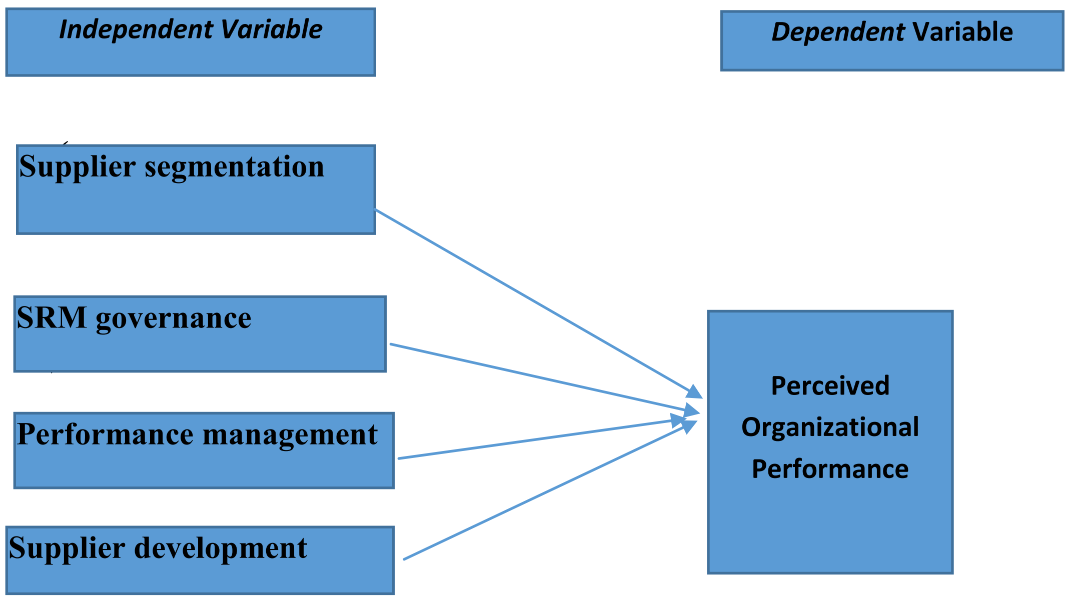

Figure 2.1Conceptual Model of the Research adapted from Douglas et al. 2015

Chapter Three

Research Methodology

3.1 Area of the study

AMWSC is found in Ambo Senkele, 130 km from Addis Ababa, capital city of Ethiopia and it has a head office in Addis Baba. The head office manages the finance, supply and procurement functions, IT, logistics and transport activities. Thus the area of the study is in Addis Ababa. Its supply department and the company‘s suppliers are found in Addis Ababa for this company that has been bottled and marketed since 1930 and is considered the market leader in Ethiopia. The source of AMWSC is a thermo-mineral spring, rich in natural calcium, magnesium, potassium, bicarbonates and carbon dioxide. The water originates in a volcanic fissure which then peculates through mountainous terrain eventually being tapped at the springs in Ambo. These springs are located on the cross roads of an ancient, major trade route, and have been revitalizing travelers, traders, nomads, soldiers and settlers from the beginning of humankind.

3.2 Research Design

The study was cross sectional type of a descriptive research. Khurram et al.,(2015) cited Tannur (1982) and stated that a survey is a mean through which information is being collected from a large group of elements and large group referred to as a population. A survey has three characteristics: one is to produce quantitative descriptions of some facets of the population in which case it is concerned either with projecting findings descriptively to a predefined population or ;with relationships between variables. Data collection is formed by giving people predefined and structured questions and data is generated from a portion of the intended population as of Khurram et al.,(2015).

As indicated, this research was designed as a descriptive, cross-sectional design. A cross-sectional design will be used for research that collects data on relevant variables one time only from a variety of people, subjects, or phenomena. The data will be collected all at the same time (or within a short time frame). A cross-sectional design will provide a snapshot of the variables included in the study, at one particular point in time. It may reveal how those variables will be represented in a cross-section of a population. The cross-sectional study is the most frequently used descriptive design (Malhotra, 1999).

The quantitative study was aimed at ascertaining the levels of commitment, the prevailing culture, as well as the preferred culture of the sector. A quantitative study, consistent with the quantitative paradigm, is an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers, and analyzed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true (Malhotra, 1999).

The descriptive research technique of data analysis was used in the study. The major activities executed in identifying the role of supplier relationship management on organizational performance. Descriptive research will help to describe a situation, problem, phenomenon, service or program in a systematic manner, or provides information about, for instance, living condition of a community, or describes perceptions and attitudes towards an issueKhurram et al., (2015).In the study, quantitative research (quantitative instruments) was used to measure the role of supplier relationship management (independent variable) on organizational performance of the company (dependent variable).

3.3 Unit of Analysis

John et al., raised a common question in data analysis is, ‗what is the unit of analysis?' They explained as the researcher has to determine the unit of analysis in relation to his/her research problems. The researcher must specify whether the level of investigation will focus on the collection of data about organizations, departments, work groups, individuals, or objects. Accordingly, it is specified in this study the level of investigation focused on the collection of data about drink manufacturing organization's (AWMSC which manufactured at Ambo and managed its business in Addis Ababa) supplier relationship management from suppliers who will be represented by their high level management staff.

3.4 Population and Sample

Population is the total number of people, groups or organizations who could be included in the study. Sampling involves making decisions about which people, settings, events or behaviors to observe. According to Khurram et al.,(2015), a population is the total collection of elements about which one wishes to make inferences. An element is the individual on whom the measurement is being taken and is the unit of study.

For the purposes of this study the population as defined as those who were systematically selected managerial level staffs of local supplier of AMWSC which supplies raw materials, fuel, packing and engineering materials. As of business directory definition, supplier means a party that supplies goods or services. A supplier may be distinguished from a contractor or subcontractor, who commonly adds specialized input to deliverables. Also calledvendor. (Source: http://www.businessdictionary.com/definition/supplier.html). Another website defined it (Supplier definition) as a supplier, also called a vendor, is a person or company that provides goods and/or services to other companies as one of the contributors to the development process on the way to the ultimate customer. A supplier could produce and deliver raw materials, partially assembled components, custom parts, or any consumable supplies. (Source: http://www.askjim.biz/answers/supplier-definition_6369.php)

Unfortunately, foreign suppliers are not included in this study. This is because of the place difference and as it is difficult to collect data as of they found in other country. In addition, this study were not include those suppliers of cleaning and guarding uniforms, cleaning materials, stationary, building materials and other similar materials.

As per the information of AMWSC, there are 40 firms that are currently registered as active local suppliers by the company‘s enterprise resource planning system called Syspro. This study dealt with active and registered local suppliers of AMWSC located in Addis Ababa that provides goods and/or services to AWMSC as a contributor to the development process on the way to the ultimate customer. Thus, the total population size is 40. The target respondents within each company was managers whose work directly with AMWSC. The study included50respondents from 50local suppliers of AMWSC in Addis. Since the sample is respondents are few in number (50 in number), this study took all the 50 suppliers as the sample. Thus, this study took total enumeration method.

3.5Data Type and Source

In this study, primary data was collected from local suppliers of AMWSC. Primary data was collected based on the perspective described in the main construct. Questionnaire was designed to collect information from managers and who are directly involved in supplying raw materials for the company to understand the role of supplier relationship management of the local suppliers for the drink manufacturing of in AMWSC and the supplier relation management practice of AMWSC. Basically, the questionnaire is adapted from Mira et al., (2014). A set of questions on each aspect of the role of supplier relationship management was derived from extensive literature as well as the researcher‘s discussion with supply chain professionals. In addition, secondary data was collected from journals, researches, manual and procedures of AMWSC and its enterprise resource system.

3.6Measurement

A survey instrument in the form of a questionnaire was designed based on the constructs previously described. Respondents was requested to indicate, using a five-point Likert scale (1 = strongly disagree, 3=average and 5 = strongly agree). This study measures AMWSC‘s supplier relation management using the respondent‘s perception of supplier relationship in relation to creating sustainable value.

To elicit information on supplier relationship, respondents were asked to indicate, using a similar five-point Likert scale, therole of supplier relationship management on organizational performance of AMWSC. It is in terms of Supplier Segmentation - the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM, SRM Governance - establishing effective governance is a key concept that to unlocking SRM value, especially for priority 1 suppliers, Supplier Performance Management that involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 suppliers and Supplier Development that involve sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances. Some other questions including demographics information were also presented attached in a questionnaire.

3.7Validity and Reliability

Validity is the extent to which an instrument measures what it is supposed to measure and performs as it is designed to perform. In this study, validation wastaken by collecting and analyzing data to assess the accuracy of an instrument. This study used content validity that refers to the appropriateness of the content of an instrument.

Further, a Reliability test was conducted. As it is vital to obtain a reliable measure for the purpose of deriving a scale score, Cronbach‘s coefficient alpha was used in this study. Schoenbach (2004) indicated that Cronbach‘s alpha gives the proportion of the total variation of the scale scores that is not attributable to random error and its values of 0.80 or greater are considered adequate for a scale that was used to analyze associations.

Table 3.1 : Reliability Statistics

Dimensions	Cronbach's Alpha	No of Items
Supplier Segmentation	.846	3
SR Governs	.867	3
Performance Measurement	.840	3
Supplier Development	.868	3
Organizational Performance	.830	3

Source : its own survey

As a result of the Internal Consistency Reliability test that was conducted to review the consistency of results across items (Cronbach‘s Alpha), the test indicated that each dimension of the items were above 0.8 which is the dimensions had strongly internally consistent. Based on this base the researcher conducted a test to measure the internal consistency the result showed Cronbach‘s alpha for 15 items is 0.903 that is excellent and the items are internally consistent.

3.8Data Analysis

Data were primarily arranged and organized by descriptive statistics by count and percentage and discussion were followed. Frequency distribution is a simple data analysis technique which was used to get a big picture of the data. From frequency distribution, the reader of this study can see how frequently the specific values are observed and what their percentages are for the same variable. From the frequency distribution that can figure out the frequency of the values observed, it is intended to use the measures of central tendency and dispersion to learn more about the data. Median and mode are the two measures of central tendency that were used in this study.

Before taking any further analysis, reliability and validity test were conducted and then the nature of a relationship between independent variables called and dependent variable. While all relationships tell about the correspondence between two variables, there is a special type of relationship that holds the two variables are not only in correspondence, but one causes the other.

Second, a correlation test was used that aims to systematically investigate and explain the nature of the relationship between variables. A correlation relationship simply says that two things perform in a synchronized manner. Then, the positive relationship that have high values on one variable are associated with high values on the other and low values on one are associated with low values on the other. It is known that a correlation is a measure or degree of relationship between two variables. A set of data can be positively correlated, negatively correlated or not correlated at all. As one set of values increases the other set tends to increase then it is called a positive correlation as of Monga(2008). It is interpreted in the following manner.

- r = 1 shows a perfect positive relationship
- r = -1 shows a perfect negative relationship
- r = O shows absence of relationship

If r is closer to 1 it shows a strong positive impact, if it is closer to 0 it shows weak positive impact. Accordingly, this study will be interpreted in such a way that if r is closer to 1 there is strong positive impact of supply chain flexibility on perceived performance. If r value is o it will be interpreted as there is no impact of that particular supply chain flexibility on the respective perceived performance indicator. . If r is negative it will be interpreted as that particular supply chain flexibility negatively affects the perceived performance that it is correlated with.Ramsey, 1999) shows the following points on that how the correlation coefficient (r) is interpreted to classify the impact of one variable on other: Exactly –1. A perfect downhill (negative) correlation, –0.70.A strong downhill (negative) correlation or impact, –0.50.A moderate downhill (negative) correlation, –0.30.A weak downhill (negative) correlation, 0. No correlation, +0.30. A weak uphill (positive) correlation, +0.50.A moderate uphill (positive) correlation, +0.70. A strong uphill (positive) correlation and exactly +1.A perfect uphill (positive) correlation.

Thirdly, simple regression analysis will be used to test the effect of supplier relationship on organizational performance in this drink manufacturing industry called AMWSC. It is intended to conduct a linear regression analysis so as to test the relationship among variables(independent) on organizational performance. The researcher will apply the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the regressions for the study.

The adjusted R2 is the coefficient of determination. This value explains how creating sustainable value will be varied with the independent variables called Supplier segmentation, SRM governance, Performance managementand Supplier development. Each four of the independent variables that will be studied explain in percentage of organizational performance by the R2. According to Mugenda&Mugenda, 2003, ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups or samples at a selected probability level. `An independent variable is said tobe a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. The regression analysis also yields an F-statistic where if the calculated F-value is greater than the critical or tabled F-value, the prediction will be rejected.

3.9 Ethical Consideration

In this study, respondents will be participated on voluntary basis. Participants will be well informed about the purpose of the study and they will be asked their consent verbally. Measures will be taken to ensure the respect, dignity and freedom of each individual participating and to as sure confidentiality in the study. Moreover, participants will be clearly informed that the informa tion they provide would be kept confidential and would not be disclosed to anyone else including anyone in the company.

CHAPTER FOUR

Data Presentation, Analysis and Discussion

4.1 Respondents' Profile – Suppliers Profile

In this study, the adapted and prepared questionnaire had a set of questions describes the suppliers‘ profile. This set of questions as the first part requested respondents to tick one of the alternatives that can represent the current practice of their organizations. Accordingly, the following table presents the respondents profile as follows:

Table 4.1: Respondents‘ Profile - the Supplier working with AMWSC for years and supply frequency

	Once in two weeks	Once in a month	Once in three month	Once in six month	Once in a year	
More than four Years	2	15	5	1	-	
Less than four years	3	5	6	1	2	

Source: Own survey, 2016

From the Table 4.1, it can be seen that most of the suppliers have been working with this company for more than four years. It is obviously indicates 70% of the local suppliers have been working with the company. This is basically a very good experience to perceive about the factors included in the questionnaire to represent supply chain study and enhance the performance of the company. New suppliers have also a place in the company as it indicates 12 suppliers which are 30% of the suppliers have been working in this company since the last four yours.

The others basic questions were requesting the suppliers as they had a long term contract with AMWSC and experiencing of having a practical supply chain experience with AMWSC. 15

suppliers have had a supplying experience with AMWSC for more than four Years and they deliver they product (raw material) once in a month.

Table 4.2 indicates that the supplier‘s contract

	Supplier has a long term contract with AMWSC	A Supplier that has a practical supply chain experience with AMWSC
More than Four Years	15	10
Less than four years	25	30

Source: Own survey, 2016

AMWSC for years as the others basic questions that were requesting the suppliers as they had a long term contract with AMWSC and experiencing of having a practical supply chain experience with AMWSC. As a result, most of the suppliers (25 suppliers which are 62.5) do not have a long term contract with Ambo and it was understood on the discussion that the company does not properly follow to contract. The other issue was A Supplier that has a practical supply chain experience with AMWSC. Table 4.2 indicates that 75 % of the requested suppliers accused that there are no a practical supply chain experience with AMWSC. This indicates that either the suppliers or the company does not have a formal supply chain experience. This may be a lack of education or the practice is not visible for all the participants of the trade activity in this industry supply chain management. The concept of the supply chain and its practice in this industry may be the future task of others researchers.

4.2 Normality Test

In statistics, normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed.

More precisely, the tests are a form of model selection, and can be interpreted several ways, depending on one's interpretations of probability:

- In descriptive statistics terms, one measures a goodness of fit of a normal model to the data – if the fit is poor then the data are not well modeled in that respect by a normal distribution, without making a judgment on any underlying variable.

Table 4.3 : Normality Test

Dimensions	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Supplier Segmentation	-1.841	.374	2.772	.733
SR Governs	-1.973	.374	3.380	.733
Performance Measurement	.500	.374	.879	.733
Supplier Development	-1.794	.374	2.579	.733
Organizational Performance	-1.979	.374	3.526	.733
Valid N (listwise)				

Source : its own survey

As we can see from the above descriptive table 4.3, Kurtosis and Skewness statics and test was done. As per the test, the calculation demonstrated that the distribution is normal because Kurtosis and Skewness are in between -2 and +2, thus data is normally distributed and had a reasonable variance to use subsequent analysis (Kothari, 2004).

The detailed descriptive statistics about the each variable will be discussed in the next paragraphs

4.3 The Extent of Supplier Relationship Practice of AMWSC

4.3.1 Supplier segmentation

Supplier were requested to rate AMWSC supplier relation in terms of supplier segmentation based on concentrate on supplier‘s resource, time and their supply‘s effort to select relevant strategic suppliers, selects its key (strategic) suppliers in enhancing its supplier relationship management and categorize its suppliers by giving a high level focus.

Table 4.4Respondents‘ response on supplier segmentation

		Count	Sub able N %
Concentrate on supplier‘s resource, time and their supply‘s effort to select relevant strategic suppliers	Strongly Disagree	0	0.0%
	Disagree	3	7.5%
	Neutral	4	10.0%
	Agree	12	30.0%
	Strongly Agree	21	52.5%
Selects its key (strategic) suppliers in enhancing its supplier relationship management	Strongly Disagree	0	0.0%
	Disagree	4	10.0%
	Neutral	1	2.5%
	Agree	15	37.5%
	Strongly Agree	20	50.0%
Categorize its suppliers by giving a high level focus	Strongly Disagree	0	0.0%
	Disagree	3	7.5%
	Neutral	3	7.5%
	Agree	17	42.5%
	Strongly Agree	17	42.5%

Source: its own survey, 2016

As a result of respondents responses of rate AMWSC supplier relation in terms of supplier segmentation based on concentrate on supplier‘s resource, time and their supply‘s effort to select relevant strategic suppliers, selects its key (strategic) suppliers in enhancing its supplier relationship management and categorize its suppliers by giving a high level focus. The first two factors were selected in the category of strongly agree high by half of the respondents (52.5 % and 50% respectively). Supplier segmentation factor namely categorize its suppliers by giving a high level focus was preferred by 42.5 % respondents which is below fifty percent in the category of strongly agree. In this dimension, in the category of neutral and disagree by 7.5%, of respondents and no respondent ticked the category of strongly disagree. The results indicates that AMWSC concentrated on supplier‘s resource, time and their supply‘s effort to select relevant strategic suppliers, selects its key (strategic) suppliers in enhancing its supplier relationship management and categorize its suppliers by giving a high level focus. It is assured that AMWSV selected its key (strategic) suppliers in enhancing its supplier relationship management. In addition, AMWSC categorized its suppliers by giving a high level focus.

4.3.2 SRM governance

In this case, respondents‘ were requested to rate for AMWSC supplier relation in terms of SRM governance based on the following factors establish effective control system to align supplier relation, set up effective governance to enhance supplier relationship management and defined and derived the strategic roadmap together with your company

Table 4.5Respondents‘ response on SRM governance

		Count	Subtable N %
Establish effective control system to align supplier relation	Strongly Disagree	0	0.0%
	Disagree	3	7.5%
	Neutral	4	10.0%
	Agree	15	37.5%
	Strongly Agree	18	45.0%
Set up effective governance to enhance supplier relationship management	Strongly Disagree	0	0.0%
	Disagree	4	10.0%
	Neutral	0	0.0%
	Agree	15	37.5%
	Strongly Agree	21	52.5%
Defined and derived the strategic roadmap together	Strongly Disagree	0	0.0%

with your company	Disagree	4	10.0%
	Neutral	0	0.0%
	Agree	18	45.0%
	Strongly Agree	18	45.0%

Source: Own survey, 2016

As a result of Table 4.5of respondents‘ responses, the second factor was selected in the category of strongly agree by more than half of the respondents (n=21; 52.5 %). The other two factors were selected as in the category strongly agree category by 45% (n=18) of respondents equally. A factor called set up effective governance to enhance supplier relationship management was preferred in the category of agree by 37.5% of respondents and 17.5 % respondents marked the category of neutral and the two categories of disagree. Define and derive the strategic roadmap together with your company factor was selected by 90 % of respondents in category of agree and strongly agree. Most of the respondents (90%) indicated that AMWSC setup internal governance processes and clearly assigned ownerships of supplier relationships (marked as agree and above). The mean value of establish effective control system to align supplier relation was 4 with standard deviation of 1.01, the mean value factor called set up effective governance to enhance supplier relationship management 4 with standard deviation of 0.978 and 1.01 and defined and derived the strategic roadmap together with your company has a mean value of 4 with standard deviation of 1.02.

In this case, respondents‘ response indicated that AMWSC establish effective control system to align supplier relation, set up effective governance to enhance supplier relationship management and defined and derived the strategic roadmap together with the company.

4.3.3 Supplier Performance Management

Performance management is the next dimension as that respondents were requested to rate of AMWSC performed properly its **Performance management** in terms of factors called continuous tracking of operational measures with suppliers, shared view of supplier performance along a common set of defined metrics which should be cascaded down the organization (local, regional, global levels) and continuously monitored and review meetings should be regularly held with strategic suppliers.

Table 4.6Respondents‘ response on Performance management

		Count	Sub table N %
Continuous track operational measures with suppliers	Strongly Disagree	8	20.0%
	Disagree	24	60.0%
	Neutral	5	12.5%
	Agree	2	5.0%
	Strongly Agree	1	2.5%
Share view of company performance along a common set of defined metrics which should be cascaded down the organization	Strongly Disagree	8	20.0%
	Disagree	23	57.5%
	Neutral	6	15.0%
	Agree	1	2.5%
	Strongly Agree	2	5.0%
Continuously monitor and review regularly meetings with strategic suppliers	Strongly Disagree	8	20.0%
	Disagree	22	55.0%
	Neutral	9	22.5%
	Agree	0	0.0%
	Strongly Agree	1	2.5%

Source: Own survey, 2016

Table 4.6shows92.5 % of respondents indicated the category of neutral and below (as 20% strongly disagree, 60 % disagree and the remaining for neutral) for the factor called continuous track operational measures with suppliers. Similarly, 92.5 respondents marked the category of neutral and below on the second factor (as 20% strongly disagree, 57.5% disagree and the remaining for neutral). For the factor called continuously monitor and review regularly meetings with strategic suppliers, 20 % of respondents preferred the category of strongly disagree and 57.5% of respondents preferred the category of disagree. It meant that AMWSC did not share view of their company performance along a common set of defined metrics which should be cascaded down the organization (local, regional, global levels). Almost all respondents (97.5%) marked in the category of average and below for the last factor. It indicated that AMWSC did not continuously monitor and review regularly meetings with strategic suppliers. Avery high category was selected by 5% and fewer respondents in all the three factors and the same result were registered for the category of high. All have a mean value of two with one standard deviation. In relation to suppler performance management respondents indicated that the supplier performance management is weak. AWMSC do not have a continuous tracking of operational measures with suppliers. It has a weakness on sharing supplier performance along a common set of defined metrics which should be cascaded down the organization (local, regional, global levels) and do not have continuously monitoring supplier performance mechanism.

4.3.4 Supplier development

In the dimension of supplier development, there were three factors called additional value creation activities that can be undertaken with strategic suppliers, joint business development between an organization and suppliers and sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances. Respondents were requested to rate AMWSC‘s supplier development practices in terms of these three factors.

Table 4.7Respondents‘ response on supplier development

		Count	Sub table N %
Added value creation activities	Strongly Disagree	0	0.0%
	Disagree	2	5.0%
	Neutral	3	7.5%
	Agree	12	30.0%
	Strongly Agree	23	57.5%
Shared its business expansion and new product development	Strongly Disagree	0	0.0%
	Disagree	4	10.0%
	Neutral	1	2.5%
	Agree	19	47.5%
	Strongly Agree	16	40.0%
Shared its marketing and company‘s plans and shared long-term initiatives like market penetration, mergers, acquisitions and joint	Strongly Disagree	0	0.0%
	Disagree	3	7.5%
	Neutral	3	7.5%
	Agree	18	45.0%

ventures, or strategic alliance	Strongly Agree	16	40.0%

Source: its own survey

In this case, 57.5% respondents preferred strongly agree category for factor called added value creation activities. In this factor, 30% respondents marked the category of agree and 12.5 % respondents marked neutral, and two categories of disagree. It meant that high AMWSC added value creation activities more that than the other factors - joint business development between an organization and suppliers and sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances. 40 % of respondents marked the category of strongly agree for the factor called jointed business development with your company. 40% respondents said AMWSC very highly shared plans and defined long-term initiatives. Factor called added value creation activities has mean value of 4 with standard deviation of 1, factor called Shared its business expansion and new product development has mean value of 4 with standard deviation of 1 and factor called shared its marketing and company‘s plans and shared long-term initiatives like market penetration, mergers, acquisitions and joint ventures, or strategic alliance has mean value of 4 with standard deviation of 1.

In the dimension of supplier development, the respondents assured that AMWSC has done additional value creation activities that can be undertaken with strategic suppliers. In addition, it tried to joint business development between an organization and suppliers. Moreover, the data indicated that the company shares it plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances.

4.3.5 Organizational Performance

In this dependent variable dimension, there were three factors like the others independent variables.

- Increase supply (due to its achievements on market and demands more raw materials)
- Order raw materials frequently (supplies lead time improvement)
- improve its financial performance (paying payment on time and not requesting credit) due to increasing its sales by increase customer satisfaction

Performance of firms taking in to account supply chain can be measured using both financial and non financial performance indicators. Financial measures solely depend on performance indicators that directly reflect fulfillment of economic goals. The shortcoming of financial measure is that it is not comprehensive as there are other measures that cannot be covered by financial measure. Such non-financial or operational measures in particular to supply chain include customer satisfaction, reliability, lead time and the like (Gunasekaran, 2004).

Table 4.8Respondents‘ response on sustainable value creation of AMWSC

		Count	Subtable N %
Increase supply (due to its achievements on market and demands more raw materials)	Strongly Disagree	0	0.0%
	Disagree	3	7.5%
	Neutral	3	7.5%
	Agree	17	42.5%
	Strongly Agree	17	42.5%
Order raw materials frequently (supplies lead time improvement)	Strongly Disagree	0	0.0%
	Disagree	3	7.5%
	Neutral	4	10.0%
	Agree	15	37.5%
	Strongly Agree	18	45.0%
Improve its financial performance (paying payment	Strongly Disagree	0	0.0%

on time and not requesting credit) due to increasing its sales by increase customer satisfaction	Disagree	4	10.0%
	Neutral	0	0.0%
	Agree	15	37.5%
	Strongly Agree	21	52.5%

Source: its own survey

Table 4.11 shows that respondents' response on organizational performance AMWSC. In this case, 85% (as 42.5% respondents marked as strongly agree and the same marked the category of agree) of respondents ticked the factor called Increase supply (due to its achievements on market and demands more raw materials). In this factor, 15% of respondents preferred neutral and the two categories of disagree which connoted. 82.5 % respondents ticked both categories of agree factor called order raw materials frequently (supplies lead time improvement)

More respondents (90%) ticked the categories of agree as (52.5%) strongly agree and (37.5%) agree for the factor called improve its financial performance (paying payment on time and not requesting credit) due to increasing its sales by increase customer satisfaction. The mean value of factor called increase supply (due to its achievements on market and demands more raw materials) is four; the mean value of order raw materials frequently (supplies lead time improvement) is four and the mean value of improve its financial performance (paying payment on time and not requesting credit) due to increasing its sales by increase customer satisfaction) is four.

It can be said that supplier and customer relationship can be existed in firm's activities in managing its relationship with customer and suppliers to improve customer satisfaction and synchronize supply chain activities. However, AMWSC cannot be expressed as fully relationship. It needs to do more tasks for supplier and customer relationship that can be existed in firm's activities in managing its relationship with customer and suppliers to improve customer satisfaction and synchronize supply chain activities.

The data shows that AMWSC increase supply (due to its achievements on market and demands more raw materials), order raw materials frequently (supplies lead time improvement)as it has increased revenue and it improve its financial performance (paying payment on time and not requesting credit) due to increasing its sales by increase customer satisfaction. In this case, it can be understood that performance of firms taking in to account supply chain can be measured using both financial and non financial performance indicators. In AMWSC financial measures solely depend on performance indicators that directly reflect fulfillment of economic goals as suppliers increase their supplies. The shortcoming of financial measure is that it is not comprehensive as there are other measures that cannot be covered by financial measure. In good financial performance, the company paying payment on time and not requesting credit due to increasing its sales by increase customer satisfaction.

4.4 Correlation analysis of the variables

In this part, a correlation test was used that aims to systematically investigate and explain the nature of the relationship between variables. Correlation is relationship between two variables or impact of one variable on other. It is expressed in terms of correlation coefficient (r) which has values between -1 and 1 (In this study –r– as correlation coefficient that shows the relationship of a given the role of supplier relationship with organizational performance. It is interpreted in the following manner. Then, the positive relationship that have high values on one variable are associated with high values on the other and low values on one are associated with low values on the other. It is known that a correlation is a measure or degree of relationship between two variables. A set of data can be positively correlated, negatively correlated or not correlated at all. As one set of values increases the other set tends to increase then it is called a positive correlation as of Monga (2008).

Table 4.9correlation analysis

		Supplier segmentation	SRM governance	Performance management	Supplier development	Organizational Performance
Supplier segmentation	Pearson Correlation	1	.800**	-.132	.982**	.898**
	Sig. (2-tailed)		.000	.417	.000	.000
	N	40	40	40	40	40
SRM governance	Pearson Correlation	.800**	1	-.065	.785**	.960**
	Sig. (2-tailed)	.000		.692	.000	.000
	N	40	40	40	40	40
Performance management	Pearson Correlation	-.132	-.065	1	-.136	-.096
	Sig. (2-tailed)	.417	.692		.402	.554
	N	40	40	40	40	40
Supplier development	Pearson Correlation	.982**	.785**	-.136	1	.889**
	Sig. (2-tailed)	.000	.000	.402		.000
	N	40	40	40	40	40
Organizational Performance	Pearson Correlation	.898**	.960**	-.096	.889**	1
	Sig. (2-tailed)	.000	.000	.554	.000	
	N	40	40	40	40	40

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

Source : its own survey

This correlation analysis was taken on the average valve of respondents‘ responses on each dimension and each dimensions had three factors. The positive relationship that is high values on one variable is associated with high values on the other and low values on one are associated with low values on the other. Supplier segmentation has a positive and strong relationship with Organizational Performance as its r=0.898with Sig. (2-tailed) of 0.000 as sited byField(2005) to interpret the strengths of relationship between variables. His guidelines suggested that the classification of correlation of the correlation coefficient (r) as 0.1 - 0.29 is week ; 0.3 - 0.49 is moderate ; and = > 0.5 strong.

As indicated on Table 4.10, SRM governance has a very strong and positive relationship with organizational performance (r=-0.096) which is the high value of r in this study with Sig. (2-tailed) of 0.000 as sited by Field (2005) to interpret the strengths of relationship between variables. His guidelines suggested that the classification of correlation of the correlation coefficient (r) as 0.1 - 0.29 is week; 0.3 - 0.49 is moderate; and = > 0.5 strong.

In regard to performance management, it has weak and negative relationship with organizational performance r=-0.96 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005) as sited by Field (2005) to interpret the strengths of relationship between variables. His guidelines suggested that the classification of correlation of the correlation coefficient (r) as 0.1 - 0.29 is week ; 0.3 - 0.49 is moderate ; and = > 0.5 strong. If r is negative it will be interpreted as that particular suppler relationship negatively affects the organizational performance. However, Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000 as sited by Field (2005) to interpret the strengths of relationship between variables. His guidelines suggested that the classification of correlation of the correlation coefficient (r) as 0.1 - 0.29 is week ; 0.3 - 0.49 is moderate ; and = > 0.5 strong.

Summary of the hypothesis test

- Supplier segmentation has a positive and strong relationship with Organizational Performance as its r=0.898 with Sig. (2-tailed) of 0.000

- SRM governance has a very strong and positive relationship with organizational performance (r=0.960) which is the high value of r in this study with Sig. (2-tailed) of 0.000
- Supplier performance management, it has weak and negative relationship with organizational performance r=-0.96 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005)
- Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000

4.6 Regression Analysis

The next analysis part is used a regression analysis that is used to test the role of supplier management on organizational performance. It is intended to conduct a linear simple regression analysis so as to test the relationship among variables (independent) on organizational performance. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the regressions for the study.

Table 4.10 Regression result

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Supplier development, Supplier performance, SRM governess, Supplier segmentatio[n]	.	Enter

a. Dependent Variable: Organizational performance

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985[a]	.970	.967	.14200

a. Predictors: (Constant), Supplier development, Supplier performance, SRM governess, Supplier segmentation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	23.081	4	5.770	286.165	.000[b]
1	Residual	.706	35	.020		
	Total	23.787	39			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Supplier development, Supplier performance, SRM governce, Supplier segmentation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-.049	.154		-.321	.750
	Supplier segmentation	.131	.155	.135	8.480	.040
1	SRMgovernce	.651	.047	.673	13.834	.000
	Supplier performance	-.004	.030	-.004	-.142	.888
	Supplier development	.229	.155	.228	10.482	.014

a. Dependent Variable: Organizationalperformance

Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	Supplier segmentation	.334	2.720
1	SRM governess	.358	2.793
	Supplier performance	.977	1.024
	Supplier development	.370	2.910

It was observed in the model summary from the analysis in the above table R (0.985a) indicates correlation of the four independent variables with the dependent variable organization performance and the weighted combination of the predictor variables supplier relation management explained or affect approximately 97.0%(R square) of the variance of organization performance and the remaining 96.7% is by extraneous variables. This result also indicates that there may be other variables that could have been neglected by the current study in predicting organization performance.

Table 4.10, the ANOVA test, it is noticed that F value of 286.165 is significant at the 0.000 level or significant at 1%. Therefore, from the result, it can be concluded that with 96.7 % of the variance (R-Square) in organization performance is significant and the model is appropriately measure the latent construct.

Based on multiple linear regression analysis, the above Table 4.13 reveals the impact of each supplier relation management dimensions and their significance. The effect of supplier segmentation, SRM governess, and supplier performance and supplier development on organization performance with AWMSC organization is 0.040, 0.000, 0.888 and0.014 respectively, in their descending order. By examining this beta weight of data analysis result the finding shown that recovery followed by SRM governess was making relatively larger contribution to the prediction model. This informed us the predicted change in the dependent variable for every unit increase in that predictor. This signifies that for every additional point or value in the SRM governess one could predict a gain of 0.651 points on organization performance provided that other variables being held constant. The same is for other variables.

Therefore, AWMSCrequires working hard to improve the supplier performance management to increase organization performance level. Generally, organization performance is primarily predicted by higher level of supplier segmentation, SRM governess, suppler development, and to a lesser extent by supplier performance management in AMWSC. The researcher has discovered that the degree of organization performance can be determined by those identified variables. The researcher, as indicated below, developed a regression model:

The adjusted R2 is the coefficient of determination which is 96.7% in this part of the analysis of simple regression result of there is a role of supplier management on organizational performance. This value explains how organizational performance was varied with the independent variables called supplier relation management. This independent variable that was studied explains in percentage of organizational performance in as represented by high the R2. In this study, it can be said that the independent variable is a significant predictor of the dependent variable because the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. The regression analysis also yields a higher F-statistic called 286.165 or the sig vale is less than 0.05.

4.4 Hypothesis Testing

- H1: Supplier Segmentation has significant and positive relationship with Organizational Performance
    - Supplier segmentation has a positive and strong relationship with Organizational Performance as its r=0.898 with Sig. (2-tailed) of 0.000 and the effect of supplier segmentation on organization performance with AWMSC organization are 0.040 and it indicated that supplier segmentation as the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM affects and have a relation with organizational performance. Thus, the H_O was A**ccepted.**
- H2: SRM Governess has significant and positive relationship with Organizational Performance
    - SRM governance has a very strong and positive relationship with organizational performance (r=0.960) which is the high value of r in this study with Sig. (2-tailed)

of 0.000 and the effect of SRM governess on organization performance with AWMSC organization are 0.000. It showed that **SRM Governance as e**stablishing effective governance is key to unlocking SRM value, especially for priority 1 suppliers on organizational performance. Thus, the H_O was A**ccepted.**

- H3: Supplier Performance Management has significant and positive relationship with Organizational Performance
    - Supplier performance management, it has weak and negative relationship with organizational performance r=-0.096 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005) and its effect of on organization performance with AWMSC organization are 0.888. It showed that p**erformance Management** is not a prerequisite for effective SRM. It does not a crucial factor that involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 suppliers. Thus, the H_O was **Rejected.**
- H4: Supplier Development has significant and positive relationship with Organizational Performance.
    - ✓ Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000 and its effect on organization performance with AWMSC organization is 0.014 respectively. It showed that s**upplier development like s**egmentation and governance is the cornerstone components of SRM. Once in place they represent a springboard to additional value creation activities that can be undertaken with strategic suppliers. Joint business development between an organization and its priority 1 suppliers is an example of those additional activities that can be derived from SRM. Thus, the H_O was A**ccepted.**

4.5 Qualitative Analysis and Supplier relationship for increasing demands on customer service levels

Geiger and Dooley (1998) stated that strategic partnerships with suppliers are important for a successful supply chain. As Companies have started to limit the number of suppliers with whom they do business by implementing vendor review programs, buyers use these programs to find suppliers with operational excellence. In addition, they claimed that, increasing demands on customer service levels are driving partnerships with vendors and suppliers. The ability to serve customers with higher levels of service, including faster delivery of products, is an important concept that results in partnering. Having a close relationship with a supplier or vendor results in common trust and enables firms to achieve the desired customer service levels.

The secondary data were collected to analysis the demands on customer service levels with the partnerships with vendors and suppliers. This is to know more about the ability to serve customers with higher levels of service, including faster delivery of products, is an important concept that results in partnering. Having a close relationship with a supplier or vendor results in common trust and enables firms to achieve the desired customer service levels. The two items were selected as raw materials supply namely label and crown cork of the main materials to supply mineral water for customers in the company and a yearly actual sales was preferred for the comparison.

Table 4.11: Selected Items – Raw Materials Supply with actual demand

Date	Quantity Labels for RGB	Quantity Crown corks Spar	Actual Sales
2012	53,000,000	52,500,000	55,000,000
2013	49,300,000	48,750,000	50,000,000
2014	49,900,000	49,670,000	57,000,000

2015	58,700,000	57,610,000	60,000,000

Source : its own survey

Table 4.11indicates that the actual sales and quantity supply for both selected items. The highest record for actual sales is registered on 2015 as 60 million and the highest supply are registered for of label is 58 million and for cork supply is 57 million in the same year. Similarly, the lowest actual sales was registered on 2013 as 50 million and the lowest supply is registered for label as around 49 million and for cork is around 48 million in the same year.

Table 4.12: Unmet demand on the selected items supply

Date	Unmet Demand of label	Unmet Demand of Cork	Unmet Demand of label	Unmet Demand of Cork
2012	2,000,000	2,500,000	4%	5%
2013	700,000	1,250,000	1%	3%
2014	7,100,000	7,330,000	12%	13%
2015	1,300,000	2,390,000	2%	4%
Average unmet demand from 2012 -2015			5%	6%

Source : its own survey

As indicted above, the source of Ambo Mineral Water is a thermo-mineral spring, rich in natural calcium, magnesium, potassium, bicarbonates and carbon dioxide. The water originates in a volcanic fissure which then peculates through mountainous terrain eventually being tapped at the springs in Ambo. This product that will be consumed during and after meals as a digestive is bottled by glass and has raw materials of label and crown cork. These two raw materials were selected for this analysis as these two items are the basis for the production.

Table 4.12indicates that the unmet demand on the selected two items supply is 5% and 6 %. The highest record is registered on 2014 as 12 % for unmet demand of label and 13 % for unmet demand of cork. Similarly, the lowest is registered on 2013 as 1 % for unmet demand of label and 3 % for unmet demand of cork. In 2015, the unmet demand on both raw materials is decreasing amusingly from almost 12 % and 13% to 2 % and 4 % respectively.

Noticeably, the goal of supplier relationship management is akin to the relationship between physical properties in that it seeks to link supplier and buyer actions under a wide variety of circumstances so that the outcomes are predictable in either direction. Geiger and Dooley (1998) stated that strategic partnerships with suppliers are important for a successful supply chain. As companies have started to limit the number of suppliers with whom they do business by implementing vendor review programs, buyers use these programs to find suppliers with operational excellence. In addition, they claimed that, increasing demands on customer service levels are driving partnerships with vendors and suppliers. The ability to serve customers with higher levels of service, including faster delivery of products, is an important concept that results in partnering. Having a close relationship with a supplier or vendor results in common trust and enables firms to achieve the desired customer service levels.

In ambo case, the company has limited the number of suppliers with whom they do business by implementing vendor review. But the increasing demands on customer service levels are not driving partnerships with suppliers. The ability to serve customers with higher levels of service is not fully effective and there is a lack of faster delivery of products and there is no fully partnering concept in this case. Even if there is a close relationship with a supplier or vendor results in common trust, it cannot be fully (100%) enable firms to achieve the desired customer service levels.

The next part focuses on a qualitative analysis which is based on a checklist of questions for designing a qualitative procedure. It was aimed to collect data from key informants based on interview of three supply chain staff of AMWSC and three supply chain professionals who have extensive experience and prospective graduate students of master‘s degree in logistics and supply chin student class of 2015.

The key informants and the theory assured that supplier segmentation is the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM. This selection process is important as not all suppliers require the same level of focus. Organizations should therefore concentrate their resource allocation and spend their time and efforts on a limited number of relevant strategic suppliers. However, AMWSC tried (but not fully applied) to categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers. AMWSC did not completely (but tried in to some extent) concentrate its resource allocation and spend its time and efforts on a limited number of relevant strategic suppliers.

Establishing effective governance is key to unlocking SRM value, especially for priority 1 suppliers. A prerequisite to this is the alignment within the organization, the setup of internal governance processes and clearly assigned ownerships of supplier relationships. The ownership of the relationship can be outside of the Procurement organization, therefore it is essential to involve the right stakeholders from the business in the process. These stakeholders are part of a formal supplier governance committee. A governance committee for example can define and drive the strategic roadmap together with the supplier. Performance management is a prerequisite for effective SRM. It involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 suppliers. It focuses on the ―critical few” measures, which are consolidated on a single supplier scorecard. Subsequently it enables a global, shared view of supplier performance along a common set of defined metrics which should be cascaded down the organization (local, regional, global levels). Once in place, the supplier scorecard needs to be continuously monitored and review meetings should be regularly held with strategic suppliers. Any deviation from agreed minimum performance requirements should be addressed immediately by identifying the root cause and putting in place corrective measures.

Segmentation, governance and supplier development are cornerstone components of SRM. Once in place they represent a springboard to additional value creation activities that can be undertaken with strategic suppliers. Joint business development between an organization and its priority 1 suppliers is an example of those additional activities that can be derived from SRM. This would typically involve sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances.

In relation to challenges and opportunities on that supplier relationship on organization performance in drink manufacturing industry, the key informants gave their idea properly. According to them, there can be supply chain problem based on performance management. They definitely indicated that it is a prerequisite for effective supplier relationship management. The idea is more related to the theory as it involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 supplier. It focuses on the ―critical few” measures, which are consolidated on a single supplier scorecard. Subsequently it enables a global, shared view of supplier performance along a common set of defined metrics which should be cascaded down the organization (local, regional, global levels). Once in place, the supplier scorecard needs to be continuously monitored and review meetings should be regularly held with strategic suppliers. In the case of AMWSC, any deviation from agreed minimum performance requirements could not be addressed and it made a difficult situation to identify the root cause and putting in place corrective measures.

CHAPTER FIVE

Summary of Major Findings, and Recommendations

5.1 Summary of Major Findings

The major objective of this study was to explore the role of supplier relationship management on perceived organizational performance of AMWSC in drink manufacturing industries in Ethiopia. Moreover, it had four specific objectives as to assess the role of relationship between supplier relationships on perceived organizational performance in a drink manufacturing industry of AMWSC, to assess the dimensions of supplier relationship management have strong relationship to perceived performance and which have weak relationship, to identify the effect of supplier relationship on perceived organizational performance in drinks manufacturing industry of AMWSC and to assess the main challenges of AMWSC in supplier relationship management and perceived organizational performance. The area of the study was in Addis Ababa.

This research was designed as a descriptive, cross-sectional design. A cross-sectional design will be used for research that collects data on relevant variables one time only from a variety of people, subjects, or phenomena. Most of the suppliers have been working with this company for more than four years. It is obviously indicates 70% of the local suppliers have been working with the company. This is basically a very good experience to perceive about the factors included in the questionnaire to represent supply chain study and enhance the performance of the company. The highest record for actual sales is registered on 2015 as 60 million and the highest supply are registered for of label is 58 million and for cork supply is 57 million in the same year. Similarly, the lowest actual sales was registered on 2013 as 50 million and the lowest supply is registered for label as around 49 million and for cork is around 48 million in the same year.

As a result of respondents responses of rate AMWSC supplier relation in terms of supplier segmentation based on concentrate on supplier‘s resource, time and their supply‘s effort to select relevant strategic suppliers, selects its key (strategic) suppliers in enhancing its supplier relationship management and categorize its suppliers by giving a high level focus. The first two factors were selected in the category of strongly agree high by half of the respondents (52.5 % and 50% respectively). Supplier segmentation factor namely categorize its suppliers by giving a high level focus was preferred by 42.5 % respondents which is below fifty percent in the category of strongly agree.

As a result of Table 4.8 of respondents‘ responses, the second factor was selected in the category of strongly agree by more than half of the respondents (n=21; 52.5 %). The other two factors were selected as in the category strongly agree category by 45% (n=18) of respondents equally. A factor called set up effective governance to enhance supplier relationship management was preferred in the category of agree by 37.5% of respondents. Define and derive the strategic roadmap together with your company factor was selected by 90 % of respondents in category of agree and strongly agree. Most of the respondents (90%) indicated that AMWSC setup internal governance processes and clearly assigned ownerships of supplier relationships (marked as agree and above).

92.5 % of respondents indicated the category of neutral and below (as 20% strongly disagree, 60 % disagree and the remaining for neutral) for the factor called continuous track operational measures with suppliers. Similarly, 92.5 respondents marked the category of neutral and below on the second factor (as 20% strongly disagree, 57.5% disagree and the remaining for neutral). For the factor called continuously monitor and review regularly meetings with strategic suppliers, 20 % of respondents preferred the category of strongly disagree and 57.5% of respondents preferred the category of disagree. 57.5% respondents preferred strongly agree category for factor called added value creation activities. In this factor, 30% respondents marked the category of agree and 12.5 % respondents marked neutral, and two categories of disagree. It meant that high AMWSC added value creation activities more that than the other factors - joint business development between an organization and suppliers and sharing of plans between the two entities and defining long-term initiatives, such as market penetration, mergers, acquisitions and joint ventures, or strategic alliances. 40 % of respondents marked the category of strongly agree for the factor called jointed business development with your company.

In this case, 85% (as 42.5% respondents marked as strongly agree and the same marked the category of agree) of respondents ticked the factor called Increase supply (due to its achievements on market and demands more raw materials). In this factor, 15% of respondents preferred neutral and the two categories of disagree which connoted.

More respondents (90%) ticked the categories of agree as (52.5%) strongly agree and (37.5%) agree for the factor called improve its financial performance (paying payment on time and not requesting credit) due to increasing its sales by increase customer satisfaction. The mean value of factor called increase supply (due to its achievements on market and demands more raw materials) is four; the mean value of order raw materials frequently (supplies lead time improvement) is four and the mean value of improve its financial performance (paying payment on time and not requesting credit) due to increasing its sales by increase customer satisfaction) is four.

It can be said that supplier and customer relationship can be existed in firm's activities in managing its relationship with customer and suppliers to improve customer satisfaction and synchronize supply chain activities. However, AMWSC cannot be expressed as fully relationship.

It needs to do more tasks for supplier and customer relationship that can be existed in firm‘s activities in managing its relationship with customer and suppliers to improve customer satisfaction and synchronize supply chain activities.

Supplier segmentation has a positive and strong relationship with Organizational Performance as its r=0.898 with Sig. (2-tailed) of 0.000 as sited by Field (2005) to interpret the strengths of relationship between variables. SRM governance has a very strong and positive relationship with organizational performance (r=-0.096) which is the high value of r in this study with Sig. (2-tailed) of 0.000 as sited by Field (2005) to interpret the strengths of relationship between variables. In regard to performance management, it has weak and negative relationship with organizational performance r=-0.96 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005) as sited by Field (2005) to interpret the strengths of relationship between variables. If r is negative it will be interpreted as that particular suppler relationship negatively affects the organizational performance. However, Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000 as sited by Field (2005) to interpret the strengths of relationship between variables.

It can be concluded that supplier segmentation has a positive and strong relationship with organizational performance as its r=0.898 with Sig. (2-tailed) of 0.000 , SRM governance has a very strong and positive relationship with organizational performance (r=0.960) which is the high value of r in this study with Sig. (2-tailed) of 0.000 , Supplier performance management, it has weak and negative relationship with organizational performance r=-0.96 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005) and Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000.

The effect of supplier segmentation, SRM governess, and supplier performance and supplier development on organization performance with AWMSC organization was 0.040, 0.000, 0.888 and 0.014 respectively. Therefore, AWMSC requires working hard to improve the supplier performance management to increase organization performance level. Generally, organization performance is primarily predicted by higher level of supplier segmentation, SRM governess, suppler development, and to a lesser extent by supplier performance management in AMWSC. The researcher has discovered that the degree of organization performance can be determined by those identified variables. The researcher, as indicated below, developed a regression model:

Supplier segmentation has a positive and strong relationship with Organizational Performance as its r=0.898 with Sig. (2-tailed) of 0.000 and the effect of supplier segmentation on organization performance with AWMSC organization are 0.040 and it indicated that supplier segmentation as the process of categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM affects and have a relation with organizational performance. Thus, the H_O was A**ccepted.**

SRM governance has a very strong and positive relationship with organizational performance (r=0.960) which is the high value of r in this study with Sig. (2-tailed) of 0.000 and the effect of SRM governess on organization performance with AWMSC organization are 0.000. It showed that **SRM Governance as e**stablishing effective governance is key to unlocking SRM value, especially for priority 1 suppliers on organizational performance. Thus, the H_O was A**ccepted.**

Supplier performance management, it has weak and negative relationship with organizational performance r=-0.096 with Sig. (2-tailed) of 0.554 (insignificant which is greater than 0.005) and its effect of on organization performance with AWMSC organization are 0.888. It showed that p**erformance Management** is not a prerequisite for effective SRM. It does not a crucial factor that involves the setup and continuous tracking of operational measures which are mutually agreed with priority 1 suppliers. Thus, the H_O was **Rejected.**

Supplier development and organizational performance has a very strong and positive relationship r=0.898 with Sig. (2-tailed) of 0.000 and its effect on organization performance with AWMSC organization is 0.014 respectively. It showed that supplier development like segmentation and governance is the cornerstone components of SRM. Once in place they represent a springboard to additional value creation activities that can be undertaken with strategic suppliers. Joint business development between an organization and its priority 1 suppliers is an example of those additional activities that can be derived from SRM. Thus, the H_O was A**ccepted.**

5.2 Limitation and Direction for further research

Although every attempt was made to eliminate possible limitation, this study does not have that much limitation. The following section intended to address some of the limitation surrounding this study so they may be eliminated in the future research.

One of the primary limitation this research is limited and conduct the research from perspective of role of supplier relation managmnet only. Even though there are different myriad factors that affect the organizational performance with respect to efficiency and effectiveness.

The second limitation is the research conducted only the drink manufacturing factories that are enganed on mineral water manufactoring copany, the other bottled water manufacturing r factories not include on this research.The third limitation of this study is the use of questioner as sole instrument to collect data. It would have been good, if other techniques like focus group discussion and so on were used to triangulate the data found in questioner. Beside to this time as one of the constrainte and limitation of the study.

This limitation would be more capital for further research.The other point may concider here, variablethat are supplier perfromance management based on this study were no effect on organizational performance,however in the literature indicated that,they had a significant effect .So in futue research also this issue can be considered.

5.3 Recommendations

In today‘s global economy there are so many factors to consider when choosing and managing a supplier, that it can quickly become overwhelming. There‘s new technology out there that helps to automate and simplify the process, making it easy for you to make fast, informed decisions about your suppliers. And the results are impressive: companies focused on SRM lead their peers five to one in terms of value derived from their supply base.

- The company should focus on the relationship. It is basically managing the supply base that helps to strength supliers‘ relationships that can make or break the business. Earning the company‘s suppliers‘ trust with honest communication, listening to their concerns and involving them in its processes ultimately makes them a vested partner in your business.
- Procurement is expected to know where they are vulnerable and bolster their teams for success. The comany‘s supply team put a greater emphasis on qualitative and quantitative supplier data analysis that will be able to quickly and succinctly identify weak spots, risks and opportunities in the global supply chain - improving the strategies and plans needed to manage the suppliers, and ultimately both businesses, for continued success.
- The company should know that Successful SRM yields a faster time to market, transactional efficiency, competitiveness, risk management, and large financial gains - all of which not only contribute to its bottom line, but also allow the comapny to deliver a quality and cutting edge product, putting you ahead of the market.
- The company should focuse on technology as it can simplify the process. The key to effective SRM is having a system in place that makes it easy to view its suppliers and analyze all of the risk factors. Using SRM technology provides the company with full and unparalleled visibility into its supplier base, giving the company a detailed picture of what is impacting its supply chain and making it easy to mitigate the risk.
- AWMSC should categorizing suppliers based on a defined set of criteria in order to identify the key (strategic) suppliers with which to engage in SRM on continues basis and AMWSC should establish effective governance as it is a key to unlocking SRM value, especially for priority 1 suppliers

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Appendix

ADDIS ABABA UNIVERSITYSCHOOLOFCOMMERCE

DEPARTMENTOFLOGISTICSANDSUPPLYCHAINMANAGEMENT

Dear Respondent,

My name is Eleni Mekuria, MA candidate at Addis Ababa University School of Commerce conducting are search entitled ―The Role of Supplier Relationship Management in Perceived Organizational Performance; The Case of Ambo Mineral Water SC (AMWSC)"asapartialfulfilmentoftherequirementofmyseconddegree.Thisquestionnaireisdesigned andgiventoyoutocollectdataaboutyourknowledge, attitude and beliefs about Ambo Mineral Water SC's supplier relationship management.

Here I promise you that your response will be kept absolutely confidential and used only for the consumptions of this paper. I appreciate your genuine response for this questionnaire.

<u>Directions</u>

- No need to write your name,
- After carefully reading each Question, indicate your response by ticking the box which is relevant for you. And write in the blank spaces for the last question. Thank You!
- If you have any query, please do not hesitate to contact me and I am available at
- (Mobile:0929-240209) and via email:(ellenimekuria@yahoo.com)

.

Part one – Please tick X in the space provided

- Your company working with AMWSC for

  More than Four Years _______ Less than four years ______

- Does your company has a long term contract with AMWSC

  Yes _______ No ______

- How often your company supply materials to AMWSC?

  Once in two weeks _______Once in a month ______

  Once in three month _______Once in six month ______

  Once in a year weeks _______

Part Two – You are requested to tick one of the five alternatives that can represent the current supplier relation practice between your company and AMWSC from the alternatives mentioned below.

Question 1: Please express your degree of agreement with respect to AMWSC supplier relation management in terms of **supplier segmentation**as indicated through the following statements.

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	**2**	**3**	**4**	**5**
1	AMWSC selects its key (strategic) suppliers in enhancing its supplier relationship management? =					
2	AMWSC categorize its suppliers by giving a high level focus					
3	AMWSC concentration supplier's resource, time and their supply's effort to select relevant strategic suppliers					

Question 2: Please indicate your agreement pertaining toAMWSC supplier relation management practice in terms of **SRM governance**based on the following statements.

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Do you agree AMWSC establish effective control system to align supplier relation control?					
2	Does AMWSC set up effective governance to enhance supplier relationship management?					
3	Do you believe that AMWSC defined and derived the strategic roadmap together with your company?					

Question 3: Please indicate your rate of AMWSC performed properly its **Performance management** in terms of the following factors?

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	AMWSC continuously track the supply process (operation) with its suppliers					
2	AMWSC shared view of your company performance along a common set of defined metrics which should be cascaded down the organization (local, regional, global levels)					
3	AMWSC continuously monitor and review meetings regularly held with strategic supplier					

Question 4: How do you rate AMWSC **Supplier development** in terms of the following factors?

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
		1	**2**	**3**	**4**	**5**
1.	Do you believe that AMWSC added value creation activities that can be undertaken with your company?					
2.	Do you agree that AMWSC shared its business expansion and new product development with your company?					
3.	Do you believe AMWSC shared its marketing and company's plans and shared long-term initiatives like market penetration, mergers, acquisitions and joint ventures, or strategic alliance= with your company?					

Question 4: How do you perceive and rate the following performance indicators of AMWSC taking in to account the last three years performance? Please encircle the number with the answer you choose.

No	Statement	Very weak	Weak	Neutral	Strong	Very strong
		1	**2**	**3**	**4**	**5**
1.	Increase supply (due to its achievements on market and demands more raw materials)					
2.	Lead time improvement					
3.	Improve its financial performance (effecting payment on time and not requesting credit) as a result of increased customer satisfaction					

Thank you