



Addis Ababa University  
School Of Commerce  
MA Program in Logistics and Supply Chain Management

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Thesis for Partial Fulfillment of MA in Logistics and Supply Chain  
Management

Evaluation of Supplier Relationship Management and Competitive  
Purchasing Performance in the Ethiopian Commercial Bank Industry

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## CANDIDATE’S DECLARATION

I hereby declare that the work which is being presented in this thesis entitled “**Evaluation of Supplier Relationship Management & Competitive Purchasing Performance in the Ethiopian Commercial Bank Industry**”; 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.

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### **Statement of Certification**

This is to certify that the thesis carried out by the candidate **Membereselassie G/kidan**: on **“Evaluation of Supplier Relationship Management & Competitive Purchasing Performance in the Ethiopian Commercial Bank Industry”**; is her original work and is suitable for submission for the award of Master of Art Degree in Logistics and Supply Chain Management.

**Advisor: Teklegiorgis Assefa (Asst. Professor)**

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Date & Signature

**Addis Ababa University**  
**College of Commerce**

This is to certify that the thesis carried out by Menbereselassie G/kidan, entitled “**Evaluation of Supplier Relationship Management & Competitive Purchasing Performance in the Ethiopian Commercial Bank Industry**”; and submitted in partial fulfillment of the requirements of the Degree of Master of Art in Logistics and Supply Chain Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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### ***Abstract***

*The objective of this study was to evaluate the practice of supplier relationship management in the Ethiopian Commercial Banking Industry. Due to the small number of the total population, the study had employed census survey to quantitatively assess the relationship between the dependent and independent variables. Questionnaire was used as the formal instrument of data collection. A total of 52 questionnaires were distributed and 50 of them were filled and returned to make the response rate about 96%. The findings of the study suggested that the constructs of supplier relationship management have statistically significant relationship both with the compounded and individual measures of competitive purchasing performance though the strength of the relationship is relatively higher in the case of long-term relationship and logistics integration. The regression result also suggested that supplier development, logistics integration and long-term relationship have significant impact on determining banks competitive purchasing performance. It is suggested that Ethiopian Commercial Banks shall give special emphasis in the improvement of their practice in information sharing with their suppliers in particular and to all the perceived dimensions of supplier relationship management in order to drive competitive purchasing performance. Future studies shall be conducted by incorporating other variables that contribute to purchasing performance and also by considering the suppliers perception..*

**Key word, Supplier Relationship Management performance management, Competitive purchasing performance, Supplier**

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# CHAPTER ONE: INTRODUCTION

## 1.1. Background of the Study

Supplier relationship management (SRM) is an important perspective for firms to ensure the supply of reliable and frequent deliveries in today's dynamic and competitive environment. For such relationship to be effective and long-term, it has to be beneficial for all parties, the buying and the supplier firms.

As today's integrated supply chains require collaboration at many levels and from various functions, executives are increasingly looking for innovative ways to leverage existing and new supplier relationships for their expansionary pursuit. Supplier Relationship Management (SRM) is one approach to connect the different interests both within the organization and with the extended supply chain. SRM identifies and engages the right stakeholders to create ownership of the relationship, drive effective communication and align strategic objectives. The result is a foundation for continuous efficiency improvements, such as cost reductions, risk mitigation or improved go-to-market times just as well as improved potential for disruptive innovation (Dr. Philipp Zimmermann, J. Henning Buchholz, 2015).

Supply relationship management is, among other things, the outcome of globalization, rapid development in information technology and an increasing and dynamically changing customer demand across national borders (Fawcett, Magnan and McCarter, 2008). These driving forces have dictated changes in the pattern of relationship in today's inter-organizational dynamics, and these have brought about the belief that competition is no longer among firms, but among supply chains (Ketchen and Hult, 2007). Hence, firms are now required to form collaborations beyond their organizational boundaries and integrate their operations with the operations of members of the supply chains they belong to in order to deliver value to their customers and secure a sustainable growth and profitability for the supply chain participants as a whole.

This study is intended to evaluate the Supplier Relationship Management practice and competitive purchasing performance of the Commercial Banks and its relationship with the competitive purchasing performance of the industry.

## **1.2 Statement of the Problem**

Ensuring the attainment of the potential benefits of supplier relationship in general and buyer-supplier relationship in particular, requires a reasonable level of effort from participating members (Barratt and Oliveira, 2001), entailing the need to develop procedures and practices for efficiently managing their relationship in a way that allows them to derive the benefits of closer collaboration while minimizing the risks of exploitation (Zaheer, McEvily, and Perrone, 1998).

The field of supplier relationship management is relatively new to Ethiopia; there is an apparent shortage of documented evidences that sufficiently depict the practice of buyer-supplier relationships (Demisse, 2011 and Sileshi, 2015) more in the case of the banking industry (Sileshi, 2016). In such a situation of visible shortage, it is very difficult to get adequate reference to examine the level of Supplier Relationship Management practice and its association with the performance of buying firms. On top of this, even some of the existing very limited research works hadn't comprehensively examined collaborative buyer-supplier relationship and its performance implication through the use of explicit dimensions/factors and corresponding measures across a wide range of business entities.

With all the limitations involved, however, the existing works suggest that the practice of supply chain integration in the context of buyer-supplier collaborative relationship is at best in its rudimentary stage in the Ethiopian context (Betegeorgise, Klause-Dieter, and Seifert, 2014;). According to Demisse (2011), the most accustomed and frequently practiced way of procurement in the case of Ethiopian firms is bid to purchase. Though this may enable to secure least price bid and appropriate for the kind of purchases that do not require partnership orientation, it may not guarantee sustained lower cost, quality of purchases, reduced inventory, short delivery time, flexibility, venue for sharing appropriate feedbacks and improved reliability (Demisse, 2011), especially when the purchases are critical and required to be handled in a partnership approach.

### **1.3 Research Questions**

This study attempted to examine the practice of supplier relationship management and the relationship between the dimensions of competitive purchasing performance in the Ethiopian Commercial Bank Industry and answered the following major research question:

- How does Supplier Relationship Management relate to competitive purchasing performance in the commercial Banks?

The study tried to answer the following specific questions:

- ✓ What is the level of Supplier Relationship Management and Competitive Purchasing Performance in the Ethiopian Commercial Bank Industry?
- ✓ How does supplier development relate to the competitive purchasing performance of the Ethiopian Commercial Bank Industry?
- ✓ How does long term relationships relates to the competitive purchasing performance of the Ethiopian Commercial Bank Industry?
- ✓ How does Information sharing relate to competitive purchasing performance of the Ethiopian Commercial Bank Industry?
- ✓ How does Logistic Integration relate to competitive purchasing performance of the Ethiopian Commercial Bank Industry?
- ✓ Which dimensions of Supplier Relationship Management predict Competitive Purchasing Performance of Ethiopian Commercial Banks the most?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The general objective of this study was to evaluate the practice of Supplier relationship management and the competitive purchasing performance in the Ethiopian Commercial Bank Industry.

### **1.4.2 Specific Objectives**

In conjunction with the general objective, the study also had the following specific objectives:

- ✓ To evaluate the practice of supplier relationship and purchasing performance in the Ethiopian Commercial Bank Industry,
- ✓ To determine the relationship between the dimensions of supplier relationship management and competitive purchasing performance,
- ✓ To identify which dimensions of supplier relationship management predict competitive purchasing performance of Ethiopian Commercial Banks the most,

### **1.5 Scope of the Study**

In Ethiopia there is one-state owned government Commercial bank and there are 17 commercial banks stakeholders'. The banks are expanding in new geographic areas and intensification of the same in existing markets have been witnessed during recent times, which among other things is manifested by the aggressive opening of branches and introduction of new technology based services by existing commercial banks. Apart from the need to dedicate huge investment on physical facilities/outlets and technological infrastructures both for the geographic expansion and modernization endeavors, the expansion projects entail the broadening of the operations of commercial banks and hence the volume of operational items involved. This likely necessitates the involvement of considerable amount of investment in the procurement of large scale of capital goods & operational items. This investment needs proper utilization & management in order to achieve the goals of the banks.

This study is designed to evaluate what the Supplier Relationship Management in the Ethiopian commercial Banks looks like & how key suppliers drive the company's competitive advantage through analyzing the competitive purchasing performance of the industry. The study attempts to assess the practices of Ethiopian Commercial Banks with their key suppliers and how these supplier relationships efforts are associated with their competitive purchasing performance. Since all commercial banks purchasing system is centralized, the study will be done based on the information collected from their central respective purchasing departments.

This study is meant to evaluate the status of Supplier Relationship Management in the Ethiopian commercial Bank's & how it is related to the competitive purchasing performance of the banks.. Supplier relationship management was made practical on the bases of the dimensions like supplier development, long-term relationship, and information sharing and logistics integration.

Hence, supply chain oriented practices of buyers (i.e. Ethiopian commercial banks) were assessed on the basis of these factors/dimensions. Moreover, it is the purchasing/operational aspect of firm performance is considered in the study rather than the more generic measure, i.e. financial performance.

Methodologically, the study is made based on quantitative analysis from information that is gathered through questionnaire. Since all of the domestic commercial banks have centralized purchasing departments, all situated at Addis Ababa, the study data are going to be collected from these departments.

### **1.6 Significance of the Study**

The study serves to evaluate the practice of supplier relationship management performance in Ethiopian Commercial Banks.

The study shows what dimensions of Supplier Relationship Management can enhance the Bank's competitive purchasing performance.

As for its contribution to academics and theory, the study provides the basis for better understanding of the constitutive framework of supplier relationship management and hence, contributes to the cumulative learning and knowledge building process in the area of supply chain management.

### **1.7 Conceptual Definition of Terms**

**Supply chain:** it is the network of organizations and organizational processes that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services that would be delivered to the ultimate consumer (Christopher, 1992).

**Supplier relationship management (SRM):** is an important perspective for manufacturing firms to ensure the supply of reliable and frequent deliveries in today's dynamic and competitive environment. For such relationship to be effective and long-term, it has to be beneficial for all parties, the buying and the supplier firms (Christopher, 1992).

**Supply chain integration:** the degree to which a firm strategically collaborates with its supply chain partners and collaboratively manages intra- and inter-organization processes to achieve effective and efficient flows of products and services, information, money and decisions, to provide maximum value to the customer at low cost and high speed (Flynn et al., 2009).

**Competitive Advantage:** seeks to address some of the criticisms of comparative advantage. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct this issue by stressing on maximizing scale economies in goods and services that garner premium prices (Stutz and Warf 2009)

**Competitive Purchasing performance:** it is defined as the effectiveness in procuring materials at the lower total cost of acquisition, on time, of the right quality and in the right quantities and mixes (Sanchez-Rodriguez, 2009).

## **1.8 Organization of the Study**

The study has five chapters. Chapter-one presents the introductory part of the study that comprises the background of the study, statement of the problem along with the research questions, and objectives of the proposed study. Chapter-two presents the review of the literature related to the topic of inquiry; whereas chapter-three gives detail account of the design and methodological aspects employed. The analysis of the study data, presentation of the results and corresponding discussions are comprised under chapter-four. Chapter-five deals with data providing brief conclusions and relevant suggestions on the basis of the findings of the study.

## **CHAPTER TWO: REVIEW OF THE RELATED LITERATURE**

### **2.1 Conceptual Underpinnings**

#### **2.1.1 Supplier Relationship Management (SRM)**

The practice of supplier relationship management has long-term objectives and short-term objectives. The long-term objectives would include: creating value to customers, increase profits, improve efficiency of production operations, and increase market share (Williams, 2006). On the other hand, short-term objectives would generally include: improve productivity, reduce cycle time, and reduce inventory (Wisner & Tan, 2000). Firms willing to receive frequent deliveries have the incentive to assist and develop their suppliers and to establish close relationships with them (Scannell et al., 2000). Generally, the strong relationships with suppliers have been regarded as one major factor for the Japanese industrial competitiveness (Sako, 1992). MacDuffie and Helper (1997) indicated that suppliers in lean production setting are expected to have the ability of meeting quality, delivery, and responsiveness requirements. They further pointed out the difficulty for customers to meet these requirements unless suppliers themselves have adopted lean practices. This pointed to one key problem in just-in-time (JIT) environment associated with moving the inventories from the buyer's firm to its suppliers. Such a situation will reduce inventory and related costs in the buying firm while increase inventories and costs in the supplier firm (Romero, 1991). Handfield et al. (1999) argued that the effective incorporation of suppliers into the supply is a major factor for plants to maintain their competitiveness. In addition, Performance improvement and competitive advantage can be achieved by cooperative relations with suppliers, which include: trust, supporting suppliers to improve their processes, information sharing, supplier involvement in new products development, and long-term relationships (Langfield-Smith & Greenwood, 1998).

Krause et al. (2007) found that commitment of the buying firm to long-term relationships with major suppliers, shared goals and values with suppliers, and the involvement in supplier development initiatives were positively associated with the buying firm competitive performance in US automotive and electronics industries.

### **2.1.2 Competitive Purchasing Performance**

It is defined as the effectiveness in procuring materials at the lower total cost of acquisition, on time, of the right quality and in the right quantities and mixes (Sanchez-Rodriguez, 2009). Applying an organized supplier relationship management approach in successful relationships arise from companywide initiatives and commitments combined with a clearly defined process. Strategic supplier relationships comprise multiple, yet controlled points of interaction between various representatives of the organization and its key suppliers. The alignment of supplier relationships across the organization requires a clear governance structure, both within the organization and towards their strategic suppliers, standardized performance measurements and corporate supplier strategies. A clear framework to manage supplier relationships at different levels and in different functions reduces the level of complexity and increases transparency internally as well as externally.

### **2.1.3 The Concept of Performance Measurement in a SRM Context**

Performance measurement is generally defined as the process of quantifying the efficiency and effectiveness of action, where effectiveness is meant to gauge the extent to which customer's requirements are met, while efficiency measures how economically firm's resources are utilized to achieve a predetermined level of customer satisfaction (Neely et al., 1995 on Agami, Saleh and Rasmy, 2012). However, firm performance is a multi-dimensional concept that involves many aspects in its measurement. Akyuz & Erkan (2010) argued that despite the large number of works done on performance measurement, the existing literature lacks a unified definition of what is included and excluded. However, it has been also asserted that performance concept includes both financial and non-financial (operational) aspects and related measures wherein the financial aspect supposed to include sales, profitability and Return on Investment (ROI) as pertinent measures among others, whereas the non-financial aspect, on the other hand, supposed to include measures like inventory performance and cycle time to mention few (Martin and Patterson, 2009).

## **2.2 Empirical Evidences on the Relationship between SRM and Purchasing Performance**

As far as the practice of supplier relationship performance measurement relative to the number of links involved are concerned, Van der Vaart and van Donk (2008) asserted that there are three

options deployed by different studies; focus on the relationship with one important supply chain partner, with key supply chain partners or the relationships with all supply chain partners. This same study acclaimed that only few works examined both upstream and downstream relationships for the purpose of performance measurement, hence the most accustomed trend is to relate the focal firm with its suppliers or its customers and measure the performance of this focal firm. The advantage of such an approach is the fact that it is relatively easy to acquire reliable, less subjective performance measure for the performance of a single relationship, especially when compared to the use made of overall and financial performance measures (Huo et al.; 2014).

Tang et al. (2001) claimed that there is some evidence showing that buyer-supplier relationship has evolved towards a new form in order to respond to intensified competition in industry, and these new forms of relationship were defined with the intention of integrating key processes and enhancing quality in the systems. According to Yeung, Selen, Zhang and Huo (2008), today companies are becoming increasingly reliant on their suppliers to gain competitive advantages, and hence, collaboration with suppliers have become the lifeblood of the supply chain, and the issue is not whether to build collaboration with suppliers, but how. Saccani and Perona (2007) has also attributed the need to collaborating with suppliers to the ever growing competitive forces that obliged most firms to outsource increasing part of their business in order to focus on core competencies. There are cases of premium performance rewarding buyer-supplier relationships reported in the literature including the notable cases of Toyota, Harley-Davidson, Kodak, Dell Computer and Chrysler (Saccani and Perona, 2007)

Nonetheless, Saccani and Perona (2007) asserted that compared to the large amount of literature dealing with buyer-supplier relationships, relatively few works address the link between buyer-supplier relationships and firms' performance through empirical research. Reinforcing this assertion, Vereecke and Muylle(2006) argued that as far as studies on the performance implication of collaborative buyer-supplier relationship is concerned, there have been few empirical studies based on field data because of the dominance of analytical modeling and practitioner case research as the main approaches to the study of the relationship between buyer-supplier collaboration and performance improvement. However, most of these empirical studies revealed that buying firms' have managed to improve their performance by improving quality,

reducing lead time, cost and risk, increasing flexibility and improving customer service by effectively collaborating with critical suppliers (Saccani and Perona, 2007).

For instance, in their study Chen et al. (2004) have found out that strategic orientation of purchasing, measured in terms of purchasing's participation in strategic planning, its performance measured in terms of its contribution to the firm's strategic goals and having a formally written long-term plan among others, is an antecedent factor for buyer-supplier collaboration, which in turn positively related to firms' customer responsiveness measured in terms of rapid configuration of customer orders and rapid handling of customer complaints. This same study also signaled a positive relationship between customer responsiveness and firms' financial performance. Sanchez-Rodriguez (2009) similarly revealed through his empirical study that strategic orientation of purchasing as an antecedent factor positively related to supplier development and this in turn improves purchasing performance of firms measured in terms of cost of materials, quality of materials, on-time delivery, inventory performance and internal customer satisfaction.

On the other hand, Vereecke and Muylle (2006) verified that the performance implications of information exchange and structural collaboration are partly supported, given firm performance is measured in terms of procurement and overhead cost, quality, volume and mix flexibility and procurement lead time; whereas the performance implication of these collaboration factors have been found to be insignificant on delivery speed, delivery reliability, customer service, labor productivity, capacity utilization and inventory turnover. However, Prajogo et al. (2012) succeeded in revealing the significant positive relationship between logistics integration, strategic long term orientation and supplier assessment as a measure of buyer supplier collaboration, and cost, quality, volume and mix flexibility and on-time delivery as measures of firm performance.

## **2.3 Conceptual Framework**

### **2.3.1 Theoretical Foundation**

According to Dyer and Singh (1998), the two prominent views regarding the source of competitive advantage, namely the industry structure view, which takes the industry as a unit of analysis and suggests supernormal returns are primarily a function of a firm's membership in an industry with favorable structural characteristics; and the Resource Based View (RBV) of the

firm, which takes the firm as the unit of analysis and suggests that differential firm performance is fundamentally due to firms heterogeneity in terms of resources and capabilities, overlook the important fact that the advantages of an individual firm are often linked to the advantages of the network of relationships in which the firm is embedded, since the firm's critical resources may often extend beyond the firm's boundary. Therefore, they argued that the relational view could alleviate such shortcomings of the two dominant views by employing the inter-firm linkages as a unit of analysis.

In recent years researchers have adopted a relational view/approach to explain how buyer-supplier relationships can be a source of competitive advantage (Sanchez-Rodriguez, 2009). The relational view suggests that having close ties with supply chain partners and intensifying the relationship by investing on relationship specific assets ultimately fosters greater trust, dependability and cooperation among supply chain partners (Chen et al., 2004). Sanchez-Rodriguez, (2009), also suggests that firms, who combine resources in unique ways as suggested by the relational view, may realize operational efficiency through joint investment, knowledge exchange, combining valuable and scarce resources and more effective governance. The theoretical foundation of this study, is therefore, based on the relational view/approach.

### **2.3.2 The Factors of Buyer-Supplier Relationship Management**

Different factors/variables have been employed by various researchers to operationalize collaborative buyer-supplier relationships with a visible repetition in the use of some of these factors (e.g. Sanchez-Rodriguez, 2009; Vereecke and Muylle, 2006; Chen et al., 2004; Prajogo et al., 2012). The use of one or another factor by these research works have been justified by the respective contexts considered for particular assessments. This study would adopt four of the most commonly used factors in the literature, namely supplier development, long-term orientation, logistics integration and information sharing, so as to operation allies buyer-supplier collaborative relationship.

#### **2.3.2.1 Supplier Development**

Supplier development is defined as any effort of a buying firm working with its supplier(s) to increase the performance and/or capabilities of the supplier(s) and meet the buying firm's short- and/or long-term supply needs as well as promote on-going improvements that are intended to benefit both buyer and supplier(s) (Wagner, 2011, Ahmed, and Hendry, 2012). The aims of

supplier development are generally two fold from the buyer's perspective: firstly, to reduce cost, improve quality, and streamline delivery; and, secondly, to educate suppliers in a systematic process to keep driving continuous improvement; alternatively it has been conceived as one of the most important choices that could be employed by buying firms to manage problems buying firms may experience in their supply networks, such as underperformance of current suppliers, failure of current suppliers to support buying firms' strategic growth or unavailability of capable suppliers (Ahmed, and Hendry, 2012).

The purchasing literature has also stressed the importance of supplier development in supporting a firm's operations strategy by ensuring that suppliers' performance and capabilities meet the needs of the buying firm (Humphreys, Li and Chanc, 2004). Regarding the pertinent initiatives of supplier development, the extant literature have indicated that buying firms typically improve suppliers' performance and capabilities by setting supplier performance goals, providing the supplier with training, providing the supplier with equipment, technological support and even investments, personnel between the two organizations, evaluating supplier performance, recognizing supplier progress in the form of rewards, conducting visits to supplier's sites to assess its process and collaborations with supplier in materials improvement, (Krause, Robert, Handfield, and Tyler, 2007; Humphreys et al., 2004; Sanchez-Rodriguez, 2009).

### **2.3.2.2 long-term Orientation**

Long-term orientation in the context of buyer-supplier collaboration can be defined as the tendency to stick on relationships for a relatively longer period between a firm and its suppliers (Prajogo et al., 2012). According to Paulraj and Chen (2005) long-term orientation focuses on initiatives that enhance superior relational characteristics between supply chain members and create a win-win situation for the buyer and its suppliers instead of adversarial relationships. Firms with short-term orientation rely on the efficiencies of market exchanges to maximize their gains in a transaction, whereas firms in a long-term orientation rely on relational exchange to maximize their gains over a serious of transactions (Ganesan, 1994). Through close relationships with suppliers, buyers are more willing to share risk and reward, encourage mutual planning and problem-solving efforts, and maintain the relationships over a longer period of time (Li et al., 2007; Chen et al., 2004).

It has been also claimed that in the context of supply chain management effective supplier relationships in the sense of creating long-term relationships with key suppliers helps firms achieve superior performance by reducing cost, improving quality, and enhancing customer responsiveness or flexibility (De Toni et al., 1994 on Prajogo et al., 2012). Moreover, by building up on the results of prior studies, Chen et al., (2004) suggested that present day competitiveness has brought about a marked evolution in supply management where the achievement of superior performance in terms of cost, quality and flexibility (customer responsiveness) is increasingly dependent on long-term relationship with suppliers.

### **2.3.2.3 Information Sharing**

Information sharing/exchange is the extent to which a firm shares a variety of relevant, accurate, complete and confidential ideas, plans and procedures with its supply chain partners in a timely manner (Cao et al., 2009; Simatupang and Sridharan, 2004). Information sharing has been described as the heart, lifeblood, nerve center, essential ingredient or foundation of supply chain collaboration (Cao et al., 2009). Supply chain partners who exchange information regularly are able to work as a single entity and can understand the needs of the other partner better and, hence, can respond to market change quicker (Li et al., 2006). By building up on the findings of prior studies, Li et al. (2006) suggested that simplified material flow, including streamlining and making highly visible all information flow throughout the chain, is the key to an integrated and effective supply chain.

Information sharing becomes crucial in these turbulent economic times as it drives the firm into becoming a collaborative structure (Krishnapriya, and Rupashree, 2014). It has been revealed that buyer and supplier strategic information flows positively impact the relationship-specific performance of both sharing and receiving parties, among which delivery time, quality and flexibility are prevalent (Klein and Rai, 2009).

### **2.3.2.4 Logistics Integration**

The notion of logistics integration is a bi-dimensional concept involving both internal logistics integration and external logistics integration; where the first referring to the streamlining of the logistics system within the firm, while the second referring to the integration of logistics systems of the supply chain members (Stock, Greis and Kasarda, 1998). The second type of logistics integration is typical for the study under consideration since it is buying firm's collaboration with

suppliers and its performance implication that are going to be assessed. In this regard, it has been asserted that the sense of logistics integration is well-coordinated flow of materials from suppliers, which allow firms to have a smooth (seamless) process (Frohlich and Westbrook, 2001), and this is highly subjected to the extent to which the logistics activities of buying firms are integrated with their suppliers (Stock et al., 1998).

### **The Variable of Buying Firm Competitive Purchasing Performance**

As mentioned on prior part of this chapter, it would be very difficult to attribute total supply chain or firm performance to particular supply chain factors especially when performance is measured in overall terms such as market share, ROI and profitability since with these general measures, there are many other (both economic and managerial) variables that impact on performance items (Rodriguez, 2009; Van der Vaart and van Donk, 2008), hence, it seems rather optimistic to try to establish relationship between particular buyer-supplier collaborative practices and buying firm's financial performance, since, for instance, the fact that the supplier is loyal and trustworthy to the firm has no immediate relationships with its ROI or other financial measures of performance. Therefore, Van der Vaart and van Donk (2008) suggested that it seems potentially more fruitful to relate the level of collaboration in a single buyer-supplier relationship to the performance of that particular relationship, which in fact is supposed to involve mostly operational aspects or purchasing performance measures. Similarly, Huo et al. (2014) stressed that though financial performance has been widely used as a key output measure of firm performance; numerous studies have pinpointed the limitations in relying on financial performance measures in supply chain studies. On the basis of such arguments, this study would adopt purchasing performance of focal firms (i.e. commercial banks) to assess its association with supplier relationship management.

### **2.3.3 Conceptual Model**

On the basis of the above arguments pertaining to the claimed relationship/association between the dimensions/factors of supplier relationship management and purchasing competitive purchasing performance of buying firms, and with reference to the suggestions of the extant literature, this study spelled out the following conceptual framework that it would pursue in the course of the preceding parts. The conceptual framework is a combined modification of the

conceptual frameworks developed by prior studies (i.e. Sanchez-Rodriguez, 2009; Prajogo, 2011; Chen et al., 2004, Sileshi, 2015;)

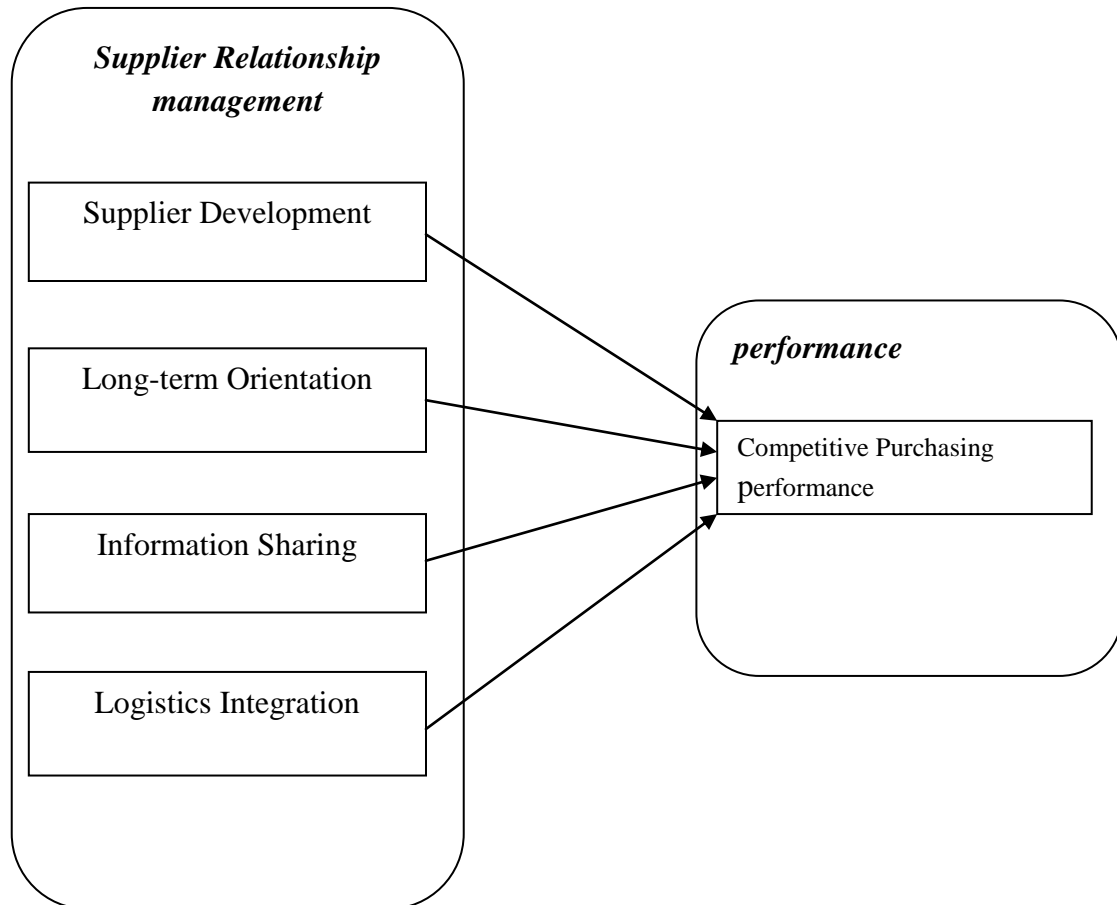


Figure 2.1: Conceptual model (a modified adoption from Sanchez-Rodriguez (2009); Prajogo (2011); Chen et al. (2004); Sileshi S.S. (2015);)

## CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

### 3.1. Research Design

This particular study adopted a cross-sectional census survey design to quantitatively evaluate the Supplier Relationship Management in Ethiopian Commercial banks. This method is best suited for studies that have individual people as the unit of analysis though other units of analysis, such as groups, organizations or dyads (pairs of organizations, such as buyers and suppliers), are also studied using surveys, since such studies often use specific persons from each unit as key informants or a proxy for that unit (Bhattacharjee, 2012). According to Sanchez-Rodriguez, (2009), survey design is appropriate when the phenomenon to be studied required obtaining information regarding firms' relationship with their suppliers, which is most of the time not available publicly.

The survey method can be used for three types of research, namely **descriptive** (which focuses on the determination of the frequency with which an event occurs and how variables are related/associated in a particular context), **exploratory** (which emphasizes on the discovery of ideas and insights), and **explanatory** (concerned with determining the **impact and cause and effect relationships among variables**), (Bhattacharjee, 2012; Adams, Khan, Raeside, and White, 2007). Therefore, this research decided to employ **descriptive and explanatory research approaches** in order to give an adequate depiction of the association between Supplier Relationship management and competitive purchasing performance in the context of the Ethiopian Commercial Bank Industry. Moreover, obtaining information from a cross-section of a population at a single point in time is a reasonable strategy for pursuing many descriptive researches (Ruane, 2006), hence justifying the use of a cross-section analysis in this particular study.

### 3.2. Data Source and Procedure of Collection

For the purpose of conducting this survey, both primary and secondary are used. The primary data is gathered through questionnaire from the entire population of Commercial Banks in Ethiopia. The questionnaire is designed in a way that enables to capture the demographic information of respondents, to avail them respond their evaluation of the factors of supplier relationship management. As a secondary source, journals, books, procedures and guidelines,

circulars and policy papers, annual reports, magazines and working papers are used to extract any sort of essential information to strengthen the study findings.

### **3.3. Target Population, Unit of Analysis and Respondents**

Since the number of commercial banks in Ethiopia is only 18 number all commercial banks are included to constitute the study population due to the very small number of the target population. i.e. to conduct census survey, rather than sampling from the population. This is on the basis of the principle that if the target population is smaller (e.g. 200 or less) census survey is very appropriate and effective since virtually all population would have to be sampled in small populations to achieve a desirable level of precision (Israel, 2013).

In order to get constructive response for the research, target populations are selected to be supervisors & senior staff at the Procurement & supplies department of each bank. Procurement and Supplies department managers were chosen since they are well experienced and they are the decision makers and have the relevant information pertaining to the SRM practices of their organizations (Sanchez-Rodriguez, 2009) and the status of purchasing performance under their respective domain. In addition to the purchasing managers that have been identified as the main respondents, senior purchasing staffs were also purposively chosen to fill the questionnaire from each commercial bank since they also have a clear understanding of the SCM practice of their respective Bank's, making the total number of respondents 50. This is on the basis of the literature that further improvement and triangulation becomes possible if data are not obtained from a single respondent from each focal firm, as has often been the case with the survey research (Van der Vaart and van Donk, 2008).

**Table 3.1: Proposed Number of Respondents**

<b>S.No.</b>	<b>Name of the Commercial Bank</b>	<b>Proposed No. of Population</b>	<b>Respondents</b>
1	Abay Bank S.C	2	2
2	Addis International Bank	2	2
3	Awash International Bank	4	4
4	Bank of Abyssinia	4	3
5	Berhan International Bank	2	2
6	Bunna International Bank	2	2
7	Commercial Bank of Ethiopia	10	9
8	Cooperative Bank of Oromia	2	2
9	Dashen Bank	4	4
10	Debub Global Bank	2	2
11	Enat Bank	2	2
12	Lion International Bank	2	2
13	Nib International Bank	4	4
14	Oromia International Bank	2	2
15	United Bank	2	2
16	Wegagaen Bank	4	4
17	Zemen Bank	2	2
<b>Total Proposed/Actual Respondents</b>		<b>52</b>	<b>50</b>

### **3.4. Survey Instrument**

#### **3.4.1. Designing of the Instrument**

Questionnaire is adopted from research paper Solomon (2015) as the instrument of data collection. Multi-item scales that were meant to capture factors/dimensions of the theoretical constructs, namely Supplier development, Long-term orientation, Information sharing, Logistics integration and Competitive purchasing performance, were developed on the basis of an extensive review of the existing literature. The items were measured on five point Likert scale that range from strongly disagree to strongly agree. Respondents were requested to rate scores

for each of the items by considering the existing Suppliers Relationship practice of their respective Bank.

### **3.4.2. Instrument Validity**

Content validity is the requirement for a good instrument that ensures whether the measurement items in an instrument cover the major content of the construct (Li et al, 2006). In an attempt to ensure the content validity of the questioner, after the questioner is adopted from Sileshi S.S. (2015) two procurement experts working in commercial bank of Ethiopia are requested to assess it if it is clear or has any ambiguity and some amendments are made based on the comment. In an attempt to insure whether the developed or designed questioner is able to address the subject area, a reliability test as per the research draft questioner is made before distributing the questioner.

### **3.4.3. Reliability**

In order to insure the designed questioner is able to address the subject area, a reliability test as per the research draft questioner is made before distributing the questioner.

## **3.5. Variables and Measurement**

In order to measure the practice of Supplier Relationship management in this study, the framework conceptualizes that four independent variables and one dependent variable is adopted. The four independent variables that construct Supplier Relationship Management are supplier development, Level of information sharing, long-term orientation and logistics integration; whereas the single dependent variable that is operational from Competitive purchasing performance. The supplier development is measured based on six items, Information Sharing & Long Term relationship are measured by five items, whereas Logistics Integration is measured by four items and competitive purchasing performance is measured by five items.

**Table 3.2: Variables and measurement items**

Variable/ Factor	Measurement Items	Adopted From
Supplier Development	Regular visit to key suppliers' site; rewarding and recognizing suppliers for best performance; collaboration in materials improvement; supplier certification program; providing key suppliers with capital for new investments at their facilities;	Sanchez-Rodriguez (2009); Humphreys, Li, and Chan (2004) ; Sileshi S.S. (2015);
Level of Information Sharing	Informing in advance of changing needs; exchange of proprietary information; informing about events or changes that may affect the other party; information exchange frequency; timeliness, accuracy, and completeness of exchanged information;	Chen et al.(2004); Sileshi S.S. (2015); Krause et al. (2007); Li et al. (2006)
Long-term Orientation	Long-lasting relationship; collaboration to improve suppliers' quality in the long run; viewing suppliers as an extension of one's company; suppliers tendency to see the relationships as a long-term alliance; essentially evergreen relationship;	Prajogo et. al(2012); Chen et al.(2004); Sileshi S.S. (2015); Krause et al. (2007)
Logistics Integration	Well-coordinated logistics activities, logistics integration on the basis of excellent transportation and/or warehousing facilities; efficient materials flow; blurred organizational distinction regarding logistics activities	Prajogo et. al(2012); Sileshi S.S. (2015); MiguelandBrito (2011)
Competitive Purchasing performance	Minimum cost of purchased materials; overall quality of purchased materials; on-time delivery of ordered materials; inventory performance; internal customer satisfaction;	Huo et al. (2014); Sanchez-Rodriguez (2009); Sileshi S.S. (2015); Vereecke and Muyll(2006); Prajogoet. al (2012)

### **3.6. Method of Data Analysis and Presentation**

This study has quantitative nature and the purpose of the study is to evaluate the supplier relationship management practice based on likert's scale, statistical techniques are applied to work on the analysis of the collected data. Therefore, the collected data is analyzed using Statistical Package for the Social Science (SPSS) version 20.

Frequency tables and percentages are used to summarize the demographic information of respondents; whereas, descriptive statistics such as mean and standard deviations of the respondents' scores on all the dimensions are assessed in order to determine the extent of supplier relationship management practice in the industry and to identify the factors of the dependent variable which the industry performs relatively better. Pearson Product Moment Correlation Coefficient was applied to assess the association between supplier relationship management & competitive purchasing performance, since it is a widely used method for obtaining an index of the relationship between variables when this relationship is linear (Tharenou, Donohue, and Cooper, 2007). In addition multiple regression analysis was made as for the overall data analysis in order to reveal to what extent the factors of supplier relationship management influence the competitive purchasing performance of buying firms.

### **3.7. Ethical Considerations**

Due to the fact that scientific studies usually involve human participants and, hence, if due care is not given to the manner as to how information is obtained from these participants and while disclosing such information, some sort of damage might be inflicted on the study participants. Considering this reality, the study has attempted all the necessary precautions to protect the study participants from such sort of risk encountered by ensuring the confidentiality of the data and its application to be only for the intended academic purpose.

## CHAPTER FOUR: DATA ANALYSIS AND DISSCUSION

### 4. Research finding and Discussion

#### 4.1. Reliability Test

In order to go through the data analysis the first step is to make reliability test in order to make sure the study instrument is fit for the intended study. Therefore, using Cronbach's alpha the reliability of the study instrument has been determined by evaluating the average correlation among items in the scales of the respective dimensions representing the independent and dependent variables Chen et al. (2004).

The reliability test result shows on the table below shows that all Alpha Values are above the cut-off value of 0.7 (Cronbach, 1951), this implies that the instrument is reliable to test the study constructs. This also implies that the items under the respective scale are able to properly measure the variable under study or investigation.

Dimension	Nuno. of Items	Cronbach's Alpha
Supplier Development	6	.847
Long-term Relationship	5	.871
Information Sharing	5	.828
Logistics Integration	4	.797
Purchasing Performance	5	.857

**Table 4.2: Cronbach's Alpha: - Source: Survey Result, 2017**

#### Respondents' Demographic Information

Recalling the justification given to select the target population, the study has involved all Commercial Banks in Ethiopia. The respondents are selected to be the managers or supervisors of the Procurement & Supplies Department and apart from that senior procurement professionals from the Banks are involved in the study. The proposed number of respondents was proposed to be 52 in number and but the research was able to get the response of 50 participants which

contribute to 96 %of the proposed population. The respondents age from 26 – 35 takes 38% of the share, 48% are aged from 36 – 45 years and the remaining 14% respondents are aged above 45years. Considering the gender of respondents, male take 66.7% of the share & females are 31.4% of share.

Regarding Educational Qualification the table below indicates that 80% of respondents are degree holders while the remaining 20% are second degree holders. This explains that the respondents have good educational level of understanding that will give them better skill to understand the research under consideration & give sound response. The analysis with the current position of respondents depicts that the majority are senior officer which take the biggest share of 45.1%, Officers are 13.7% and supervisors are 39.2% . The target population is expected to incorporate senior procurement staffs and supervisors given the fact that in most banks senior staffs have the position of officers & senior officers; it is evident that the target populations are selected as per the proposed methodology.

When evaluating the service of years the respondent group have served in the bank, the majority of respondents are employees who worked more than 10years which constitutes 48% of the total population, in addition employees service year from 4to 8 years consist of 22% and the rest % are employees whose service year is from 8 to 10 are 30%. Recalling the explanation given, respondents year of service has a direct relationship or impact on the quality of information the respondents will give, it can be concluded that this particular study has involved qualified respondents whose minimum service years are more than 4 years.

<b>Variable</b>	<b>Choice</b>	<b>Frequency</b>	<b>Percent</b>
Age	26-35	19	38.0
	36-45	24	48.0
	Above 45 years	7	14.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>
Gender	Male	34	66.7
	Female	16	31.4
	<b>Total</b>	<b>50</b>	<b>100.0</b>
Educational Qualification	College Diploma	-	-
	First Degree (BSc, BA)	40	80.0
	Second Degree (MSc, MA)	10	20.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>
Current position	Office	7	13.7
	Senior Officer	23	45.1
	Supervisor	20	39.2
	<b>Total</b>	<b>510</b>	<b>100.0</b>
Service Year in the Bank	1 to3 Years	-	-
	4 to 7 Years	11	22.0
	8 to 10 Years	15	30.0
	Above 10 Years	24	48.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>

**Table 4.2: Demographic Analysis: - Source: Survey Result, 2017**

## 4.2. Descriptive Analysis

Descriptive statistics is used, in order to assess the mean scores and the standard deviations of the respective scales of the independent variable which SRM and the dependent variable competitive procurement performance of the Bank's.

This descriptive analysis will give answer to some of the research questions based on the respondent's perception on the practice of Supplier Relationship Management and the level of competitive purchasing performance of their respective organizations.

Composite scores of mean and standard deviation were calculated for the four scales of supplier relationship management, namely supplier development, long-term relationship, information sharing and logistics integration, and for the scale of competitive purchasing performance of the Bank's. The composite scores of mean and standard deviation are presented on Table 4.3 as follows.

Dimension/Scale	Mean	Standard Deviation
Supplier Development	2.75	.85
Long-term Relationship	3.44	.82
Information Sharing	3.38	.77
Logistics Integration	2.79	.90
Competitive Purchasing Performance	3.46	.74

Table 4.3: Composite scores of mean and standard deviation, *Source: Survey Result, 2017*

### 4.2.1. Supplier Relationship Management

The mean values of the scales of supplier relationship management ranges from 2.75 to 3.44 with the standard deviation ranging from 0.77 to 0.94. The lowest mean value is recorded for the scale of Supplier Development & the highest mean value is recorded for the scale of Long term orientation relationship. The mean values of the two scales Long term relationship & Information sharing are relatively closer, while the mean values of Supplier development & Logistics integration are relatively closer.

The mean of the respondents shows that relatively moderate effort is made for the development of supplier relationship management with respect to Long term oriented relationship and Information sharing, and in respect to supplier development and Logistics Integration the effort made by the respective bank's is minimum. This implies that with

respect to the dimensions of the supplier relationship management, the effort made by the commercial banks is not significant. The banks engagement with respect to supplier development is minimum, same with logistics integration practices. This is true for the case of long term relationship and information sharing, since the mean value shows moderate effort is done by the banks for this dimensions too.

#### **4.2.2. Competitive Purchasing Performance**

The mean score of the competitive purchasing performance is 3.46 and the standard deviation is 0.74. This rate is closer to the moderate score of one of the dimensions of supplier relationship management which is 3.44. This mean score implies that the respondent's perception with respect to competitive purchasing performance of their respective bank is moderate.

#### **4.3. Correlation between SRM and Competitive Purchasing Performance**

Using correlation analysis the relationship of the supplier relationship management constructs/variable's against the dependent variable which is competitive purchasing performance is analyzed. Correlation analysis helps to determine the relationship among variables by giving insight on the strength and direction of relationship. The coefficient of correlation could take values ranging from -1 to +1, where the signs signifying the direction of relationship. A correlation value of 0 implies the absence of relationship among variables, a result between 0.1 up to 0.3 indicates weak relationship, whereas a result between 0.4 up to 0.9 imply respectively from moderate up to strong relationships among variables, while a correlation coefficient of 1 suggests a perfect relationship (Dancy and Reidy, 2004).

When the relationship of the dimensions of supplier relationship management and the companies competitive purchasing performance is analyzed in general a positive relationship is observed. However, when each dimension is evaluated the relationship between supplier development and competitive purchasing performance is moderately positive ( $r=0.584$ ,  $p=0.01$ ), there is a strong positive relationship between long term relationship and competitive purchasing performance ( $r=0.746$ ,  $p=0.01$ ) also information sharing has a strong positive relationship with competitive purchasing ( $r=0.647$ ,  $p=0.01$ ) and the final dimension logistic integration is found to have a moderate positive relationship with competitive

purchasing performance. The relationships of the independent & dependent variables are proved to be statistically significant at 99% confidence level.

This implies that supplier development initiatives, such as conducting regular visits to suppliers' sites, rewarding and recognizing suppliers for their best performance, supporting suppliers in materials improvement and selecting suppliers based on their financial capability; and engaging in activities of logistics service supporting through integrating the logistics activities of the buying firms, i.e. commercial banks, with that of their key suppliers, are somehow positively related to how the firms take the advantage of competitive purchasing performance in assuring reduced cost of purchasing, materials quality, on-time delivery, inventory performance and overall satisfaction of their internal user organs.

On the other hand, long-term oriented acts, such as engaging in long-term contractual agreements, working to make the relationship long lasting and collaborating with suppliers to improve their quality in the long-run; and sharing of relevant, timely and accurate information with suppliers regarding events that affect the other party and other worthy proprietary information in the required frequency, are strongly related to how the firms take the advantage of competitive purchasing performance in assuring reduced cost of purchasing, materials quality, on-time delivery, inventory performance and overall satisfaction of their internal user organs.

		Competitive Purchasing Performance
Supplier Development	Pearson Correlation	.584**
	Sig. (2-tailed)	.000
	N	50
Long-term Relationship	Pearson Correlation	.746**
	Sig. (2-tailed)	.000
	N	50
Information Sharing	Pearson Correlation	.647**
	Sig. (2-tailed)	.000
	N	50
Logistics Integration	Pearson Correlation	.521**
	Sig. (2-tailed)	.000
	N	50
** . Correlation is significant at the 0.01 level (2-tailed).		

**Table 4.4: Compounded correlation matrix, Source: Survey Result, 2017**

### Separate correlation analyses

In order to analyze the relationship between the four constructs or dimensions of supplier relationship management which are; supplier development, Long term relationship, information sharing and logistics integration and the individual measure of competitive purchasing performance a separate correlation analysis is done and the detail is presented below.

### Supplier development Vs individual measures of competitive purchasing performance

The analysis shows that supplier development has a strong positive relationship with the individual measures of competitive procurement performance (at  $p=0.1$ ). However it can be noted that the compounded correlation of supplier development with competitive purchasing performance has a more strong relationship than the individual measures. Considering the individual measures it is evidenced that supplier development has a stronger relationship with internal customer's satisfaction and also inventory performance.

The finding that supplier development has positive relationship with purchasing performance is also supported by Sanchez-Rodriguez (2009) though the strength of relationship exhibited in this case was somehow smaller. The finding that supplier development is identified to have a positive association with competitive purchasing performance is a reflection of the suggestion that supplier development is critical in supporting a firm's operations strategy by ensuring that suppliers' performance and capabilities meet the needs of the buying firm (Wagner, 2011; Humphreys et al., 2004). According to Humphreys et al. (2004) companies have to establish strong relationships with suppliers and put significant efforts into developing competent supply networks.

		minimizing cost of purchased material	assuring predefined quality standards of product	assuring on-time delivery of ordered materials	Inventory Performance	Internal customers satisfaction
Supplier Development	Pearson Correlation	.461**	.419**	.411**	.516**	.519**
	Sig. (2-tailed)	.001	.002	.003	.000	.000
	N	50	50	50	50	48
**. Correlation is significant at the 0.01 level (2-tailed).						

**Table 4.5: Supplier development Vs competitive purchasing performance Source: Survey Result, 2017**

### Long term relationship Vs individual measures of competitive purchasing performance

The correlations that long-term relationship has exhibited with the individual measures of purchasing performance are statistically significant at  $p=0.01$ , the relationship that long term relationship has with the individual measures of competitive purchasing performance is found to be positively strong. From the individual measures inventory performance is found to have a stronger positive relationship than the other measures. Here it can also be witnessed that Long term relationship has even stronger positive relationship with the compounded correlation measure of competitive purchasing performance.

Strategic relationship under the conditions of a regular long-term contract with suppliers involves more than just transactional activities (i.e., selling–buying), but also high- level coordination of suppliers’ systems and capabilities, which has positive effects on cost, quality, and cycle time (Monczka et al., 1998 on Prajogoet al.,2012). And also, Chen et al. (2004) confirmed a strong positive correlation between long-term relationship and rapid handling of customer order (i.e. shorter delivery time) and swift response to customer complaints, where the later two items were meant to measure the performance of the buying firm.

In a similar fashion strategic long-term relationship has been found to have a strong positive relationship with the improvement of delivery time, flexibility and purchase cost reduction in the study conducted by Prajogoet al. (2012). This indicates that when firms try to commit themselves in to a strategic long-term oriented relationship with their suppliers, there would be a joint tendency to improve future performances in the long run, the invisible hand of the market favors firms whose behavioral orientation support trust and cooperation rather than competition and opportunism, and such behavioral orientation enable buyers and suppliers to work together to increase cooperation to reduce costs and/or enhance product quality through relationship-specific investments (Hill, 1990 on Chen et al.,2004).

		minimizing cost of purchased material	assuring predefined quality standards of product	assuring on-time delivery of ordered materials	Inventory Performance	Internal customers satisfaction
Long Term relationship	Pearson Correlation	.589**	.532**	.594**	.675**	.575**
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	50	50	50	50	48
** . Correlation is significant at the 0.01 level (2-tailed).						

**Table 4.6: Long Term relationship Vs competitive purchasing performance Source: Survey Result, 2017**

### Information Sharing Vs individual measures of competitive purchasing performance

The correlations that information sharing has exhibited with the individual measures of purchasing performance are statistically significant at  $p=0.01$ , the relationship that information sharing has with the individual measures of competitive purchasing performance except on time delivery, is found to be positively strong. However, from the individual measures of competitive purchasing performance, on time delivery is found to have a moderate positive relationship with information sharing. Here it can also be witnessed that information sharing has even stronger positive relationship with the compounded correlation measure of competitive purchasing performance.

Although this finding reveals that on time delivery has moderate positive relationship with information sharing, the level and quality of information shared with suppliers is identified to have a positive relationship with the operational aspects of firm's performance, including delivery time, inventory performance and flexibility (Simatupang and Sidharan, 2005). The key to the seamless supply chain is making undistorted and up-to-date information available at every node within the supply chain, hence taking the available information and sharing it with other parties within the supply chain can be used as a source of competitive advantage (Li et al., 2006).

		minimizing cost of purchased material	assuring predefined quality standards of product	assuring on-time delivery of ordered materials	Inventory Performance	Internal customers satisfaction
Information Sharing	Pearson Correlation	.573**	.517**	.375**	.560**	.546**
	Sig. (2-tailed)	.000	.000	.007	.000	.000
	N	50	50	50	50	48
** . Correlation is significant at the 0.01 level (2-tailed).						

**Table 4.7:** *Information Sharing Vs competitive purchasing performance Source: Survey Result, 2017*

### Logistics Integration Vs individual measures of competitive purchasing performance

The correlations that logistics integration has exhibited with the individual measures of purchasing performance are statistically significant at  $p=0.01$  &  $P=0.05$ , the relationship that logistics integration has with the individual measures of competitive purchasing performance, is found to be strongly positive in the aspects of cost, inventory performance and internal customer

satisfaction, however the study reveals that there is moderate positive relationship between logistics integration and the individual measure of quality and on time delivery. Like the other constructs which are analyzed above, logistic integration also has a stronger positive relationship with the compounded measures of competitive purchasing performance.

This study has evidenced that logistics integration has an impact on minimizing cost enhancing inventory performance and bring customer satisfaction, Prajogoet al. (2012) justified the positive relationship that logistics integration has with cost reduction, and shorter delivery time of purchasing performance of buying firms. Successfully integrated logistics management ties all the logistics activities together in a system that simultaneously works to minimize the total distribution cost and attain the desired customer level (Daugherty et al., 1996 on Prajogoet al., 2012), this justifies the identified positive association that logistics integration has with competitive purchasing performance of firms.

		minimizing cost of purchased material	assuring predefined quality standards of product	assuring on-time delivery of ordered materials	Inventory Performance	Internal customers satisfaction
Logistics Integration	Pearson Correlation	.419**	.392**	.330*	.459**	.474**
	Sig. (2-tailed)	.002	.005	.019	.001	.001
	N	50	50	50	50	48
** . Correlation is significant at the 0.01 level (2-tailed).						
* . Correlation is significant at the 0.05 level (2-tailed).						

**Table 4.8: Logistics Integration Vs competitive purchasing performance Source: Survey Result, 2017**

#### 4.4. Regression Analysis

Multiple linear regression analysis is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Multiple linear regression analysis is done in order to find out how the dimensions of the independent variable predict the dependent variable. The purpose of regression analysis is prediction (MarczykG, DeMatteo D, and Festinger D, 2005). Using the analysis of multiple linear regression, an attempt has been made to determine the magnitude of the predicting power of the dimensions of the independent variable (i.e. supplier development, long-term relationship, information sharing and logistics integration) on the dependent variable, that is competitive purchasing performance). However, test of multicollinearity was conducted before the regression analysis.

##### 4.4.1. Multicollinearity Analysis

Multicollinearity refers to the situation in which the independent variables are highly correlated in a way that has undesirable implication on the outcome of regression analysis, Robert (2006). Tolerance and Variance Inflation Factor (VIF) values were calculated to check multicollinearity and the result is presented below. The Tolerance value is an indication of the percentage of variance in the predictor that cannot be accounted for by the other predictors implying the fact that very small values indicate overlap or sharing of predictive power (Robert, 2006).

Model	Collinearity Statistics		
	Tolerance	VIF	
1	Supplier Development	.876	1.142
	Long Term relationship	.830	1.205
	Information sharing	.749	1.336
	Logistic integration	.871	1.149

a. Dependent Variable: Competitive Purchasing Performance

**Table 4.9: Multicollinearity Test, Survey Result, 2017**

As shown on the table, the Tolerance values for all the independent variables are within the acceptable level of greater than 0.1, whereas the VIF values are also less than the cut of value of 10. If the VIF values of independent variables are beyond 10, then it is suggested that further investigation is required (Robert, 2006). As implied by the Tolerance and VIF values, in this particular case, multicollinearity is not a problem.

#### 4.4.2. Multiple Regression Analysis

In a multiple linear regression analysis ANOVA test is made to show the acceptability of the model from statistical perspective. Accordingly, the regression result indicates to what extent the variation is explained by the model, whereas the residual result indicates information about the variation that is not accounted for the model, i.e. variation on the dependent variable explained by factors not included in the model. As can be seen, it has been identified on the table below, computed F statistic is 17.119 with an observed significance level of 0.000, and this shows the statistical fitness of the regression model to the data.

#### ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	16.350	4	4.088	17.119	.000 <sup>b</sup>
Residual	10.745	45	.239		
Total	27.095	49			

a. Dependent Variable: Competitive Purchasing Performance  
b. Predictors: (Constant), Logistics Integration , Long Term Relationship, Information Sharing, Supplier Development

**Tale 4.10: ANOVA, Survey Result, 2017**

#### Model Summary

R Square	Adjusted R Square	Std. Error of the Estimate
.603	.568	.48865

a. Predictors: (Constant), LogInteg, LonTeRel, InfoShar, SupDevel

**Table 4.11: Model Summary, Survey Result, 2017**

The Adjusted R Square value on the model summary show on *table 4.11* shows the correlation between the observed values of the dependent variable, i.e. competitive purchasing performance of buying firms, and the values of the same dependent variable predicted by the multiple regression models. Larger value of the Adjusted R Square represents a large correlation between the predicted and observed values of the dependent variable (Chandan, 2011). In the model summary, the value for Adjusted R Square is 0.568 implies that 56.8% of the variation in the dependent variable (i.e. competitive purchasing performance) is explained by the model, i.e. by the combined variance in the dimensions of the independent variable, namely supplier development, long-term relationship, information sharing and logistics integration. The remaining 43.2% of the variation on the dependent variable is explained by factors not incorporated in the model.

Coefficients <sup>a</sup>					
Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.928	.328		2.831	.007
Supplier Development	.522	.255	.596	2.050	.046
1 Long Term Relation	.533	.147	.587	3.617	.001
Information Sharing	.169	.155	.175	1.086	.283
Logistics Integration	.468	.242	.568	1.936	.059

a. Dependent Variable: Competitive Purchasing Performance

**Table 4.11: Coefficients, Survey Result, 2017**

This model is fit to be used for further interpretation (as shown on the ANOVA table), however, an analysis made on the coefficients of the independent variable shows that only long-term relationship is statistically significant (at  $p < 0.05$ ) and supplier development & logistic integration are statistically significant (at  $p < 0.01$ ) beta values and their respective standardized coefficients (beta values) indicate the relative importance of both dimensions in predicting the dependent variable, which is competitive purchasing performance of firms. The analysis indicated that from constructs of the dependent variables the predictive power

of information sharing over the independent variable which is competitive purchasing performance is not statically significant. This implies that one of the independent variable from the model, which is information sharing couldn't make statistically significant contribution in predicting the competitive purchasing performance firms. Although the predicting power of the variables vary, it is identified that supplier development has strongest positive predicting power on the dependent variable with standardized coefficient of 0.596, long-term relationship has positive predicting power with a standardized coefficient of 0.587, Logistics integration has positive predicting power with a standardized coefficient of 0.568.

## CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

### 5.1. Conclusions

This particular study is conducted to evaluate the Supplier Relationship Management practice of the Ethiopian commercial banks. The study attempted to identify the constructs of supplier relationship management to see how the banks are achieving competitive advantage through enhanced competitive purchasing performance.

Based on the proposed population 96% respondents have filled and responded the questioner, from the respondents 33.3% are Female and 66.7 % are Male. In addition all respondents were selected based on their seniority, all respondents have served the bank, specially the procurement department, for more than four year and also the respondents are senior staffs & supervisors, 80% are Degree holders while the rest 20% are MA holders. This implies that the respondents as a participant of the study have the relevant information and knowledge about the subject area which is Suppliers Relationship Management and the relative purchasing performance of their respective Bank's.

The composite mean scores of the scales of the independent variable, namely supplier development, long-term relationship, information sharing and logistics integration, revealed that the respondents perceive that Ethiopian Commercial Banks exerted relatively lower efforts in SRM initiatives, whereas their perceived evaluation of the respective organizations' endeavor, as expressed by the composite mean values, suggested that approximately moderate and minimum efforts have been exerted by Ethiopian Commercial Banks in promoting supplier development, long-term oriented relationships, information sharing and logistics integration of with that of their key suppliers. On the other hand, pertaining to purchasing performance, the respondents' perceived evaluation implied that the purchasing performance of Ethiopian Commercial Banks is rated as moderate.

The association between the dimensions of supplier relationship management, namely, supplier development, long-term relationship, information sharing and logistics integration, have a statistically significant positive relationship with the compounded measures of competitive purchasing performance of commercial banks as buying firms. **The strength of the relationship is, however, positively moderate as far as the relationship that competitive purchasing performance has with supplier development and Logistics Integration is considered; whereas**

long-term relationship and information sharing have registered relatively strong positive relationship with competitive purchasing performance. This is, in general an indication of the fact that commercial banks' engagement in better supplier relationship management in terms of the identified four important dimensions might be reflected in their purchasing performance in a positive aspect.

The separate analyses of the relationship between the dimensions of supplier relationship management and the individual measures of competitive purchasing performance have revealed that all of the dimensions of supplier relationship management have statically significant positive relationship with the individual measures of purchasing performance. However, the strengths of relationships that the dimensions of SRM has with the individual measures of competitive purchasing performance are relatively weaker compared to the relationship strength these dimensions have with the compounded measures of competitive purchasing performance.

When the predictive power of the dimensions of the dependent variable is concerned, it has been identified that supplier development, long-term relationship and logistics integration have statistically significant beta values indicating that these dimensions have an effect on the dependent variable, i.e. competitive purchasing performance of Ethiopian commercial banks. While, information sharing is identified to has weak predictive power of the dependent variable. The strength of influence is higher in the case of supplier development relative to the influence power of long-term relationship and logistics integration have on the competitive purchasing performance of the buying firms.

Generally, the findings have suggested that the levels supplier relationship management practices and competitive purchasing performance are moderate in the case of the Ethiopian Commercial Bank Industry as the perceived evaluation of the respondents imply. It has also revealed that, though all of the dimensions of supplier relationship management have statistically significant positive relationship with competitive purchasing performance, the strength of relationship is higher in the case of long-term relationship and information sharing relative to that of supplier development & logistics integration. Three dimensions of SRM used in the study, supplier development, Long term relationship and Logistics integration proved to be strongly associated with competitive purchasing performance of the buyer's firm.

## **5.2. Recommendation**

The study has identified four constructs of supplier relationship management and revealed that the Commercial Banks will improve their competitive purchasing performance by managing their relationships with their suppliers. The Bank's cannot merely rely on their internal resources and capabilities to reach a high performance. Suppliers represent one of the fundamental pillars for improving competitive performance. Commercial Banks are strongly recommended to consider the importance of SRM in order to attain competitive purchasing performance outcomes.

### **5.2.1. Limitation and Suggestions for Future Studies**

The limitation of this study was that the dimensions used in this study are not comprehensive as the practice of the firms, in order to benefit from a comprehensive assessment of the factors that truly affect the performance of buying firms competitive purchasing performance, future studies shall consider more dimensions of supplier relationship management that haven't been considered in this particular study as suggested by Prajogo et al. (2012).

The other limitation was that the data was collected from the buying firms only. Similar research studies should be undertaken by collecting data from the buying firm and its suppliers. Also, additional research is needed to investigate to what extent SRM practices are implemented and how they affect competitive performance of the firms participating supplier firms.

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APENDEX A

**QUESTIONNAIRE**  
**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF COMMERCE SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

Dear respondent;

This questioner is designed to conduct a study on the title ‘*Evaluation of Supplier Relationship Management in Ethiopian Commercial Bank’s Industry*’ as a partial requirement for the award of MA Degree in Logistics and Supplies Chain Management at Addis Ababa University.

The main objective of this study is to evaluate the level of supplier relationship Management and its contribution in the Competitive Procurement Performance of Ethiopian Commercial Banks. Your participation is entirely voluntary and the questionnaire is completely anonymous. I confirm you that the information you share will stay confidential and only used for the aforementioned academic purpose. Hence, your genuine, frank and timely response is vital for the success of the study.

Thank you!

Menbereselassie G/kidan

**Section I: Respondents Profile:**

1. Age:     18-25 years       26-35 years       36-45 years       above 45 years
2. Sex:     Male                       Female
3. Educational Qualification:  
 Below college diploma       College diploma  First Degree (BSc, BA)  
 Second Degree (MSc, MA)  PHD and above
4. Current Position  
 Clerk  Senior Clerk       Junior Officer       Officer  
 Senior Officer  Supervisor     Other Area (Please Specify) \_\_\_\_\_
5. Year of service in the Bank:

1 to 3 years       4 to 7 years       8 to 10 years       above 10 years

## Section II: Main Questionnaire

Please indicate your choice by putting the tick mark (✓) on the appropriate cell. **Where, 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.**

2.1 The following points are used to evaluate the practices of Supplier Relationship Management in your Bank. Please rate the score based on your respective Bank's actual practice.

No.	Measurement Items	Score				
		1	2	3	4	5
<b>Supplier Development</b>						
1	Our suppliers are selected based on their financial strength					
2	Suppliers are rewarded and recognized for their best performance					
3	Our suppliers are selected based on their willingness to form long term relationship.					
4	We work in collaboration with suppliers for product improvement,					
5	We support suppliers with capital for new investments					
6	Our suppliers are selected based on their performance capacity					
<b>Long-term Relationship</b>						
7	We work for our relationships with key suppliers to last a longer time,					
8	We have committed long-term contractual agreements with key suppliers					
9	We collaborate with key suppliers to improve their quality in the long run					
10	The relationship we developed with our long term suppliers has given mutual benefit for both of us					
11	Key suppliers see our relationships as a long-term alliance					
<b>Information Sharing</b>						
12	We share information with our key suppliers in advance for changing needs & other relevant facts.					
13	Proprietary information is shared between us and our key suppliers					

No.	Measurement Items	Score				
		1	2	3	4	5
14	We keep each other informed about events or changes that may affect the other party					
15	Exchange of information with key suppliers takes place frequently					
16	Information exchange between us and our key suppliers is timely, accurate, and complete					
<b>Logistics Integration</b>						
17	Logistics activities are highly coordinated with our suppliers,					
18	Our logistics integration with key suppliers is characterized by excellent transportation facilities					
19	Our logistics integration with key suppliers is characterized by excellent warehousing facilities					
20	The materials flow between us and our key suppliers is efficient					

2.2 The following points are used to identify the competitive purchasing performance of your Bank. Please indicate the degree to which you agree with the statements.

No.	Measurement Items	Score				
		1	2	3	4	5
<b>Competitive Purchasing Performance</b>						
1	We are successful in minimizing cost of purchased materials,					
2	We are successful in assuring predefined quality standards of products,					
3	We are successful in assuring on-time delivery of ordered materials,					
4	Long term relationship has helped us to improved distribution of items (Logistics performance)					
5	Internal customers are much satisfied with the achievements of our purchasing function					

## APENDEX B

### Frequency Table

#### Statistics

		Age	Sex	Education Qualification	Current Position	Year of Service
N	Valid	50	51	50	51	50
	Missing	1	0	1	0	1

#### Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26-35	19	37.3	38.0	38.0
	36-45	24	47.1	48.0	86.0
	Above 45 years	7	13.7	14.0	100.0
	Total	50	98.0	100.0	
Missing	System	1	2.0		
Total		51	100.0		

#### Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	34	66.7	66.7	68.6
	2.00	16	31.4	31.4	100.0
	Total	51	100.0	100.0	
	Missing	System	1	2.0	

#### Education Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First Degree(BSC, BA)	40	78.4	80.0	80.0
	Second Degree(Msc,MA)	10	19.6	20.0	100.0
	Total	50	98.0	100.0	
Missing	System	1	2.0		
Total		51	100.0		

**Current Position**

	Frequency	Percent	Valid Percent	Cumulative Percent
	1	2.0	2.0	2.0
4.00	7	13.7	13.7	15.7
Valid 5.00	23	45.1	45.1	60.8
6.00	20	39.2	39.2	100.0
Total	51	100.0	100.0	

**Year of Service**

	Frequency	Percent	Valid Percent	Cumulative Percent
4 to 7 years	11	21.6	22.0	22.0
Valid 8 to 10 years	15	29.4	30.0	52.0
above 10 years	24	47.1	48.0	100.0
Total	50	98.0	100.0	
Missing System	1	2.0		
Total	51	100.0		

**Descriptive Statistics**

	N	Mean	Std. Deviation
SupDevel	50	2.7490	.84833
LonTeRel	50	3.4380	.81838
InfoShar	50	3.3840	.77179
LogInteg	50	2.7867	.90212
ComPuPer	50	3.4640	.74361
Valid N (listwise)	50		

**Correlations**

		SupDevel	LonTeRel	InfoShar	LogInteg	ComPuPer
SupDevel	Pearson Correlation	1	.692**	.678**	.945**	.584**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	50	50	50	50	50
LonTeRel	Pearson Correlation	.692**	1	.786**	.689**	.746**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	50	50	50	50	50
InfoShar	Pearson Correlation	.678**	.786**	1	.693**	.647**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	50	50	50	50	50

LogInteg	Pearson Correlation	.945**	.689**	.693**	1	.521**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	50	50	50	50	50
ComPuPer	Pearson Correlation	.584**	.746**	.647**	.521**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	50	50	50	50	50

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

## Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777 <sup>a</sup>	.603	.568	.48865

a. Predictors: (Constant), LogInteg, LonTeRel, InfoShar, SupDevel

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.350	4	4.088	17.119	.000 <sup>b</sup>
	Residual	10.745	45	.239		
	Total	27.095	49			

a. Dependent Variable: ComPuPer

b. Predictors: (Constant), LogInteg, LonTeRel, InfoShar, SupDevel

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.928	.328		2.831	.007
	SupDevel	.522	.255	.596	2.050	.046
	LonTeRel	.533	.147	.587	3.617	.001
	InfoShar	.169	.155	.175	1.086	.283
	LogInteg	.468	.242	.568	1.936	.059

a. Dependent Variable: ComPuPer

### Coefficients<sup>a</sup>

Model		Collinearity Statistics	
		Tolerance	VIF
1	SupplierDev	.876	1.142
	LongTerm	.830	1.205
	Information	.749	1.336
	LogistInteg	.871	1.149

a. Dependent Variable: Performance

