ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE

THE EFFECT OF SUPPLY CHAIN MANAGEMENT ON HOTEL SERVICE DELIVERY

THE CASE OF ADDIS ABABA HILTON INTERNATIONAL HOTEL

BY

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A THESIS SUBMITTED TO THE ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE DEPARTMENT OF LOGISTIC AND SUPPLYCHAIN MANAGEMENT IN PARTIAL FULFILLEMENT OF THE REQUIREMENTSFOR THE DEGREE OF MASTERS' OF ARTS IN LOGISTIC AND SUPPLY CHAIN MANAGEMENT

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DECLARATION OF ORGINALITY OF WORK

This research is the presentation of my original research work. Whenever contribution of others are involved, every effort is made to indicate this clearly, with due reference to the literature and acknowledgement of collaborative research and discussions. Information taken from published or unpublished work to others has been acknowledged in the text and list of reference is given. I declared that this report has not been submitted in any form for another degree or diploma at any university or other institution of tertiary education.

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LIST OF ABBREVIATIONS/ACRONYMS

CSCMP	Council of Supply Chain Management Professionals
SCM	Supply Chain Management
AAH	Addis Ababa Hilton
SPSS	Statistical Packages for Social Sciences

ABSTRACT

In this paper, the effect of supply chain management on service delivery of the Addis Ababa Hilton is investigated. Supply chain management practice is one of the functions accomplished in the company among other practices. The specific objective of this research is to investigate and understand the key drivers for supply chain management practices of the hotel. Also, to explore determinant variables which affects hotel service deliveries for the hotel customers and to explain the relationship between supply chain management and operational service delivery of the hotel. Moreover, the study covers the relationship between supply chain management and marketing department. The research model is drawn from the literature review section and some empirical studies. Only quantitative data was used in this research. Data analysis was performed with the use of stepwise regression analysis using SPSS 20 statistical software. To check the internal consistency of the data cronbach alpha test was conducted. Finding showed that supply chain management has statistically significant effect on hotel service delivery. The study recommends that SCM is highly important to Addis Ababa Hilton and the company need to give high emphasis on it. The company must give priority to quality and cost efficiency of the service delivery for better profit. The company as much as possible should work for further enhancement of the management of the supply chain activity.

CHAPTER ONE

1. INTRODUCTION

The purpose of this introductory chapter is to present an overview of the research, which will be depicted in the following pages. This introduction starts by presenting background on theresearch, followed by: the research aim and objectives, research problems, purpose and significance, and a brief summary of the structure of the thesis.

1.1 Background of the Study

Hence, good supply chain management has substantial influence on cost, efficiency;effectivenessas well as quality service delivery by the hotel industry having the right thing at the right place and on the right time helps the industry appropriate quality service at minimum cost; as result theoperational profit will be maximized. In fact, supply chain management is not only the management ofphysical movement of raw materials and finished goods but also it is the related flowof information through the organization.

It is the process of strategically managing the procurement, management andstorage of materials, parts and finished goods inventory (and the related flow ofinformation) through the organization and its materials channels in such a way thatcurrent and future profitability are maximized through the cost effective fulfillment oforders. Thus, logistic and supply chain is inseparably connected and both can assistthe cost effective, efficient and quality in the end customer service delivery ofdemands.

Since the system is dealing with a web of interconnected actors such as suppliers ofproducts to customers who have their own suppliers and sub-suppliers, and, often,also intermediaries in the field of service. This means that they participateinsupply chains, i.e. they are not independent creators of quality, efficient and effectivein the end customer service delivery of demands. This is because there are also other supply chain actors who take part in this service and a production companymay not in a position to identify, recognize, coordinate and work with all these value chain actors. This study will conducted concerning the effect of supply chain management practice in hotel service delivery. It aims on describing the proper practice supply chain management on service delivery and problems in misunderstanding of supply chain management in hotel services. It also examine the ways how customer satisfied in the service and how the hotel minimize the cost by using effective supply chain management and its importance in

service delivery to the customer and maximize revenue. If used in the hotel industry to help improve efficiencies and reduce costs, hotel companies will not only save money, but will also position themselves to be leading players in the industry.As hotel companies manage and operate their properties, they should focus on several aspects such as service quality, core competency, management commitment (leadership), internal flexibility and cost. Finally, this paper reconnoiters the competitive benefits that come from applying these concepts.

Ingeneral, itaddresses the effectof supply chain management in the AddisAbaba Hilton hotel service delivery. This study will assess the current practice of supply chain management and will provide the status and recommend the best practice.

1.2 Background of the Company

As per Montgomery (1995), the word hospitality comes from the Latin root meaning host‖ or hospice‖. The first hotels were nothing more than private homes opened to the public. Most, unfortunately, had poor reputations. Under the influence of the Roman Empire Inns hotels began catering to the pleasure travelers in an effort to encourage visitors. The first inn located in America was recorded in the year 1607 and lead the way with many others firsts in the hospitality industry. The first publicly held hotel (the city hotel) opened in New York in 1792. The first modern hotel (The Tremont) opened in Boston in1809 and the first business hotel (the Buffalo Statler) opened in 1908. From there a surge of hotels flooded American and the rest of the world with prominent names such as Radisson, Marriott and Hilton. Cooper (1998)

Hotels can be classified into different categories or classes, based on their operational criteria. For example the type of accommodation they provide, location of the property, type of services provided, facilities given and so on.

A relative increase of investment is recently observed in the hotel & tourism sector. The hotel industry consists of many different services, including accommodation, restaurants, cafes and catering. The market for the hotel industry, especially classified hotels in a developing country like Ethiopia, is closely linked to the tourism industry, because a majority of consumers for the sector services come from international tourists. According to the United Nations Statistical Commission, tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year and staying at least 24

hours in the country visited. The total number of international tourists arriving in Ethiopia is steadily increasing. As the gateway of all international inbound, outbound and transit tourists/ passengers, Addis Ababa has been taking the lion‘s share in the county‘s tourist arrivals hosting an estimated 95-99% of the total international tourist arrivals. (Ebisa&Andualem 2013).

Addis Ababa is the Capital city of the Country where literally says the heartbeat of Ethiopia. Emperor Menelik II and his wife Taitu founded the city in 1889 by constructing his palace in Entoto. Addis Ababa is now a diplomatic city where many international institutions are located, the first hotel also founded by the two couples and named Taitu hotel in 1898 and exists to date, this footstep of the hotel industry followed by many standard hotels in the country. Many other hotels like Ras Hotel, BekeleMolla, Ghion, Guenet, FinifineAdarash, Wabi Shebelle, Hilton, and Ethiopia hotels are among some that followed the tread of Taitu hotel. From 1970-1975 there are many hotels from small to medium range has been developed throughout the country, especially to the northern parts of the country many government hotels flourished following the tourist attractions of Ethiopia. (Ministry of Tourism, 2012).

The hotel industry consists of many different services, including accommodation, restaurants, cafes and catering. The market for the hotel industry, especially classified hotels in a developing country like Ethiopia, is closely linked to the tourism industry, because a majority of consumers for the sector services come from international tourists.

Hilton Hotels & Resorts formerly known as Hilton Hotels is an international chain of full service hotels and resorts and the flagship brand of Hilton world-wide.The original company was founded in 1919 by Conrad Hilton. As of 2010, there were over 530 Hilton branded hotels across the world in 78 countries across six continents. Hilton hotels are either owned by, managed by, or franchised to independent operators by Hilton Worldwide. The Hilton Hotels brand remains one of the company's flagship brands and one of the largest hotel brands in the world. The company places marketing emphasis on both business travel and leisure travel with locations in major city centres, near airports, convention centres, and a number of vacation resorts and leisure-oriented hotels in popular vacation destinations around the world "Company Overview of Hilton Worldwide Holdings Inc". Investing.businessweek.com. Retrieved 21 August 2014.

Hilton Addis Ababa Hotels is a hotel that Provides suitable Rooms ranging from standard to Presidential rooms, Apartments For extended stays, book a studio, one- or two- bedroom apartment with its own kitchen, Recreation Facilities in which one can enjoy the geo-thermal outdoor swimming pool, a squash court, an 18-hole mini-golf course and After a day of work or sightseeing, retreat to the Health Club for a soothing sauna or steam, or book a relaxing massage. Parking is available for more than 650 cars. Six Distinctive Restaurant and Bars, Hilton Addis Ababa offers an enticing range of cuisines and settings, including the popular poolside Sunday brunch with live music and rustic wood-fired specialties from Il Forno. Meeting Facilities that give a first class Banquet events ranging from Hosting a board meeting for 25 delegates in one of three meeting rooms, or for a larger event, the ballroom accommodates more than 800 Guests.

Hilton Addis Ababa was inaugurated in 1969 and was opened by Emperor Haileselase. It is situated in the heart of the political capital of Africa, Addis Ababa. This landmark hotel in Ethiopia, which is inspired by the famous Lalibella Cross Church, is the only hotel with geo-thermal outdoor swimming pool an 18hole mini golf, a squash court and a parking space for more than 650cars. This unique hotel in Ethiopia is set on 15 acres of lush foliage, surrounded by expansive gardens. The hotel is very exotic, lovely and decorated with traditional Ethiopian art.

Hilton is made with an architecture that represents the historical and astonishing church which is registered as a UNESCO World Heritage Site and is carved into a giant rocky massif.

1.3 Statement of the Problems

Literatures indicate that companies are now seeking to integrate their decisions across the supply chain partners globally as a result of increasing awareness about the financial and non – financial impact of supply chain management processes on business companies in particular. In Ethiopia, the concept of supply chain management and measuring its performance for improvement is at the infant stage except very few multinational and international companies investing in Ethiopia. According to my literature reviews, most of the researches on assessment of supply chain management performance were conducted on service companies in the developed countries and very few in developing countries, like Ethiopia. Specifically, the researchers conducted on the supply chain process performance on hotel industry were very rare in Ethiopia in particular. As a result, there was little insight about the performance of supply chain management in the hotel companies of Ethiopia. This knowledge gap in the subject of this thesis in this competitive

industry caused the researcher to incline for conducting this research study. The hugely awaited star-rating program – led by a team of assessors from the United Nations World Tourism Organization (UNWTO) – has been revealed leaving Hilton Addis with three stars from five star. This shows that Addis Ababa Hilton is facing problems. Among the major problems for the poor performance of this hotel this research seeks to bring the effect of supply chain management on hotel service delivery.In summary, this research seeks to bring out the effect of supply chain management practice effectiveness through quality service, cost, internal flexibility, core competency and leadership that affects service delivery.

1.4 Research Questions

This research is guided by the following research questions:

1. What is the dominant driver of supply chain management for the service delivery at Addis Ababa Hilton hotel?
2. What are the significances of the independent variables affecting hotel's operational service delivery?
3. What is the relationship between supply chain management drivers and operational service delivery drivers?

1.5 Objective of the Study

1.5.1 General objectives

The study aims to understand the effect of supply chain management practices in the hotel industry and its contribution towards the performance of service delivery ofhotel industry.

1.5.2 Specific objectives

1. To understand key dominant drivers for effect of supply chain management practices on the service delivery of AddisAbabaHilton hotel;
2. To explore determinant independent variables which affect hotel'soperational service delivery?
3. To measure the relationship between supply chain management and operational service delivery of the hotel.

1.6 Significance of the Study

As different literatures point out, the supply chain management concept and strategy have significant role for any service company, provided that companies implement the supply chain management successfully. Effective and efficient supply chain management creates value to customer as well as the rest of the supply chain actors and enables the supply chain firms to maintain or gain competitive advantages over their competitors. Besides, in the contemporary business environment, individual firms will not perform and compete independently. There is no more competition among individual firms, but it is among the supply chain network.

Therefore, conducting research on supply chain practices performance and identifying gaps will enable firms to plan improvement actions and to fill their gaps. The finding of this study will give an insight on the effect of the supply chain management practices in hotel service deliveryin order to plan for improvement hotel industries under study in particular. The finding will also give an insight to other supply chain partners. In the driver of the SCM to scrutinize their own effects on service delivery. As this research study has its own scope limitation, other researchers can also use it as starting point to capitalize on the different aspects of the supply chain performance analysis which have not been addressed in this study.

1.7 Scope of the Study

The scope of this study is limited to in-bound SCM in the marketing and SCM department of AAH. The topical scope of this study is limited to the supply chain variables including external (Trust among chain actors, commitment and partnership development) and internal drivers (quality, cost, core competency, leadership and internal flexibility) with service delivery. The other components of supply chain management drivers are out of the scope of this study.

1.8 Limitation of the study

Just like any research study, this thesis also has the following limitations the study focused only on limited supply chain variables mentioned above and there are other variables to measure the performance of supply chains like sustainable or green supply chains, strategic alignments, out bound SCM …etc. are out of the limit of this study.

This study does not comprehensively capture all aspects of supply chain practices as applicable to the hotel, rather it made emphasis in assessing the effect of in-bound SCM practice of the hotel service delivery from the perception of the employees.

The other most important limitation of the study is the fact that though the unit of analysis was only the SCM functional unit and marketing department of the hotel, the study was purely conducted on the basis of the responses obtained from the employee of the hotelsince it assumed those perspectives.

1.9 Organization of the study

The research thesis has five chapters. The first chapter deals with research preliminaries including background, statement of the problem, objectives, scope of study, and outline of the paper. In the second chapter, conceptual frame work of the study and review of related literature is presented in a detailed manner. In the third chapter, the research design and methodology is discussed. The fourth chapter discus the finding of the study. Based on the forth chapter, conclusions and possible recommendations is made in the fifth chapter.

CHAPTER TWO

2. RELATED LITERATURE REVIEW

2.1 Introduction

The world is becoming a more complex business environment where offshore production, partnership, time to market, customization and cost reduction, risk mitigation, etc. are essential for survival in the competitive market. In the modern era of technology, service providers are looking forward to increase their efficiencies and performances using advance information technology in supply chain management. Supply chain management is one of the major tools that play a vital role to enhance organizational efficiency. Nowadays, business companies compete on supply chain management rather than competing individually with internal competencies. Any organization can get a competitive advantage over its competitors through effective and efficient supply chain management (Hassini, 2008). According to this author, supply chain management is the basis for all business organizations to compete with each other. It also means supply chain management enables companies even to survive through supply chain effectiveness and efficiency.

2.2 Supply Chain Management

The concept of supply chain management was introduced in the 1980s and today due to the attention given to supply chain management the definition has gone through a significant number of changes. The Council of Supply Chain Management Professionals (CSCMP, 2011) defines supply chain management in the following way:

> "Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies"

There are higher competitions and customer expectations in the supply chain market inareas such as product availability and flexibility in operation, due to many companies focusingon how their supply chain can make them competitive in the market. As the definition of supplychain management continues to gain attention from companies, academicians, many corporationsare applying supply chain management practices in their businesses (Gibson, Mentzer& Cook,2005).

The definitions of supply chain management have been considered from literature in Operations management, marketing, product design, finance, and information technology. The definitions have given knowledge on how these processes are integrated within and outside the company to provide a cohesive and costs-effective advantage against the competition (Mentzer,DeWitt, Keebler,Min&, 2001).

CSCMP (2011) implies that supply chain management is successful when the goal of getting the right product to the right customer at the lowest costs is achieved. This is a situation that will give the highest level of service to the customer and higher competitive advantage to the company. Therefore, supply chain management touches on the mixture of different supply chain activities to help maximize a company's profit and total value.

A supply chain is a network of organizations performing various processes and activities to produce value in the form of products and services for the end customer (Christopher, 1992). SCM concerns the integrated and process-oriented approach to the design, management and control of the supply chain, with the aim of producing value for the end customer, by both improving customer service and lowering cost (Bowersox and Closs, 1996; Giannoccaro and Pontrandolfo, 2002).The concept of SCM has been studied from two perspectives, namely purchasing (supply management), and logistics (transportation, distribution, warehousing, and inventory management) (Tan *et al.,* 1998). According to the purchasing perspective, SCM is synonymous with supplier integration and has evolved from traditional purchasing and materials functions (Banfield, 1999; Lamming, 1993). From the logistics management perspective, SCM is synonymous with distribution, logistics, inventory management, and customer relationships (Alvarado and Kotzab, 2001; Bechtel and Jayaram, 1997; Romano and Vinelli, 2001; RudbergandOlhager, 2003; Van Hoek, 1998). Supply chain management is typically

placedbetween fully vertically integrated firms, where the entire material flow is owned by a single firm, and where each channel member operates independently. Therefore, coordination between the various players to the chain is a key in its effective management. (Chopra S, Meindl, 2004).

The Council of Supply Chain Management Professionals (CSCMP 2004), (formerly The Council of Logistics Management (CLM)), a leading professional organization promoting SCM practice, education, and development, defines SCM as: "SCM encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities, including coordination and collaboration with suppliers, intermediaries, third-party service providers, and customers" (Thus the supply chain encompasses all activities involved in the production and delivery of a final product or service, from the supplier's supplier to the customer's customer). In essence, supply chain management integrates supply and demand management within and across companies. CSCMP emphasizes that SCM encompasses the management of supply and demand, sourcing of raw materials and parts, manufacturing and assembly, warehousing and inventory tracking, order entry and order management, and distribution and delivery to the customer. (Cooper *et al.*1997) define SCM as the management and integration of the entire set of business processes that provides products, services and information that add value for customers.

(Christopher 1998), (New and Payne 1995), and (Simchi-Levi *et al.*2000) define supply chain management as "the integration of key business processes among a network of interdependent suppliers, manufacturers, distribution centers, and retailers in order to improve the flow of goods, services, and information from original suppliers to final customers, with the objectives of reducing system-wide costs while maintaining required service levels" (as cited in Stapleton *et al.,* 2006,). The Global Supply Chain Forum (GSCF) defines supply chain management as "the integration of key business processes from end user through original suppliers, that provides products, services, and information that adds value for customers and other stakeholders" (as cited in Lambert et al., 1998,). The APICS dictionary (1995) 22describes SCM as "the processes from initial raw materials to the ultimate consumption of the finished product, linking across supplier-user companies".

Firms need to know when and where to provide what customers desire in order to win customer loyalty. Maintaining close relationships with suppliers can lead to special orders in times of high demand, thereby satisfying customer expectations. Additional benefits are market responsiveness, added economic value, capital utilization, decreased product time to market, and logistics cost reduction (Lee, 2004; Mentzer*et al.*, 2000; Tyndall et al., 1998; Christopher and Ryals, 1999). There is also a rise in the revenue of the business which occurs as a result of increased responsiveness occurring at low costs as a result of using fewer assets leading to stellar performance.

A range of benefits has been attributed to SCM, including increased market share and sales, and solid customer relations (Ferguson, 2000). Other benefits include:

- Improved strategic sourcing-strategically source direct and indirect materials and can better manage vendors, leading to material cost savings
- Improved customer service
- Information transparency while using SCM
- Improved inventory management that is there are reduced inventory levels and a rise in inventory turns across the network which decreases the overall costs
- Enhance delivery service and minimize delays.

Through SCM, firms can decrease operational expenses planning for procurement; manufacturing and transportation can be done at the right time. Better order, product and execution tracking tend to enhance performance and quality.

SCM enables firms to connect with trading partners thus helps the firm to keep their SC in line with current business strategies and priorities which ultimately lead to improved firms' overall performance and achievement of goals.

The end result and goal of any commercial service provider is to present quality service, satisfy customers in the most efficient and effective manner and in return sustain and gain profit (Saeed Syed Kazemi Amir Arad Sanaei, 2014). Thus, companies need to effectively manage the entire chain of their supplies, from the upstream suppliers to the downstream end customers. According to SaeedSeyedKazemi Amir Arad Sanaei again the concepts of managing end to end supply chain may have begun in the manufacturing industry , however there revealing evidences the

concepts swiftly expanded into service industries. Hotels, as service providing business enterprises must have proper management over their supply chains in order to have satisfied guests, repeat business and profit.

The introduction of SCM changed how things work and introduced the end-to-end processing resulting in customer satisfaction. (Poirier, 2003) The notion of supply chain management began in manufacturing industry. In later years and with the introduction of service industry theories and related academic research, SCM practices were gradually adopted in service industries as well. (Basu and Wright, 2008) However, the transferring of these practices to service industry was relatively slow and began to interest academics much later than the former industry (Aitken *et al.,* 2012).

Hotel managers just as any other service industry managers sensed the growing trend of informed customer expectations brought about by the advent of technology and WEB, ease of travel and also media and were forced to put extra attention and investment on managing the complete value creation system with the help of SCM principles (Basu and Wright, 2008).

"Supply chain management (SCM) was introduced as a common scientific and managerial term in 1982 to describe a hierarchical control system for material, information and financial flows in a potentially multidirectional network of autonomous decision making entities" (Agrel and Hatami-Marbini, 2010,) . It has gained a lot of attention in manufacturing and service industry for the reason that suppliers play a very important role in maintaining the cost and quality of the purchasing firms in the SC (Fantazy, *et al.,* 2010). There are several definitions of SCM. Christopher (1998) defined SCM as managing upstream and downstream relationships with suppliers and customers for the purpose of improving value in the final market place at less cost and to the entire SC. Chandrashekar and Schary (1999) described it as management process to integrate and coordinate activities across organizational boundaries. Mentzer*et al.* (2000) defined it as management of close inter organization relationships while Lummus*et al.* (2001) describes SCM as process which coordinates the different entities participating directly and indirectly in the delivery of product to the final customer.

Moreover, innovation commences through examination of new opportunities (Drucker, 2002). In his famous book, Discipline of Innovation (2002), Drucker identifies several sources of

opportunities within the company and the industry that could be an initial step for the SC's new product and service development process.

SCM is successful when the condition for delivering a product to a customer with the lowest competitive price is possible(Kotari*et al.,* 2007). In this scenario the highest quality product for the customer and highest competitive advantage for the company is achieved. SCM uses different SC activities to maximize total value and profit of the business (CSCMP, 2011). In order to identify and measure the threats and opportunities of any business, it is needed that all the contributing elements of SCM such as customer service, cycle times, satisfaction level, costs, delivery, etc. are evaluated (Kotari*et al.,* 2007).

It also reduces the time for carrying out the processes such as purchasing, production, warehousing and sales, throughout the entire chain of stakeholders in the SC such as customers and service providers (Camerinelli, 2009). Streamlining SC systems can reduce lead time (time spent from ordering a product to its delivery) and demand uncertainty, and help to create reliable supply and quality products. In addition, as customer service level rises, so are the total satisfaction and competitiveness. This leads to the new competitive strategy which is SC to SC competition rather than business to business version. (Kucukusta and Tutuncu, 2007).

Regarding the design, control and monitoring of a chain, SCM takes an integrated system view. This approach is taken for the purposes of coordinating the movement of service and products, in order to serve the ultimate customer (Agrel and Hatami-Marbini, 2010). This makes sure that the right product or service is being delivered at the right time and in the right place. It also indicates that the market must be ready and waiting for the product which is easily transferrable along all the nodes of the SC when the expectations of sales and marketing are balanced with the demands of operations (Camerinelli, 2009).

2.3 Supply Chain in the Service Industry

"A service business is one where the perceived value of the offering to the customer is determined by the service rendered than the product offered" (Basu and Wright, 2008,). In a service, the customer intimacy has led to this idea that service cannot be stored and has to be produced and consumed simultaneously. Services can be grouped into isolated or direct services. Isolated services such as in a hotel business, contrary to direct services such as emergency

medical treatment, can be managed using the methods used in manufacturing operations (Basu and Wright, 2008).

Unlike manufacturing industries, output in the service industries is intangible. In addition, qualitative measurement of performance is a more common practice. (Basu and Wright, 2008) Many of the manufacturing-based SC models have been modified to show the central contribution of customers in order to become applicable to service industry (Aitkenet al., 2012).

In the highly competitive market of modern business environment, service industries feel the force to improve their operational efficiency and control costs without compromising service quality. Increasing customer expectation and changing needs, vibrant market condition and technological breakthroughs create further challenges for the service providing businesses. (Boon-itt and Pongpanarat, 2011) In the face of all these challenges, businesses are forced to reduce costs in an efficient manner while maintaining quality, competitive edge and sustainability. Implementation of SC practices helps service providers to make balance between SC capabilities and customer expectations. (Boon-itt and Pongpanarat, 2011).

Their time-sensitive nature and the fact that their capacities cannot be stored easily, leads to possibility of service deterioration and queue-forming in the peak times. (Aitkenet al., 2012) It should be emphasized that cycle time, costs of logistics and inventory are the main focus of SC in manufacturing industries whereas in service industry they prove to be less relevant since the service provided is nontransferable and intangible (Tigu and Calaretu, 2013). The focus of SCM in service industry is finding the most efficient and effective way for value creation. This can happen through cross-functional solutions to major issues related to meeting customer needs efficiently and effectively at the lowest cost. This cross-functionality can happen in an internal or external environment. (Fearne*et al.,* 2001).

Delivering value to the customers in a cost-efficient manner requires managers to control their process and asset's uncertainties to increase coordination and improve their decision making effectiveness. Having safety stocks are true examples of companies dealing with uncertainties whether in supply, demand, process or control. (Aitken*et al.,* 2012) Service industries resort to various strategies such as outsourcing to alleviate these uncertainties.

Wesbter (2011) emphasizes that in order for a hotel to have well-managed supply chain, it should be governed by customer demand rather than supply stream. Tiedemann et al. (2009) and Basuand Wright (2008) also emphasize on the importance of information sharing in SCM and customer responsiveness.

2.4 Supply Chain Management in the Hospitality and Hotel Industry

The success of each company and firm depends on that of the other organization in the chain as they enter into partnership relationship in order to supply products, goods and services. The concept of SCM can also be applicable in hospitality and hotel industry as an amalgam of actions, functions, businesses and stakeholders that together form the distinct SC. (Harewood, 2008) As the competition increases in the accommodation industry, the pressure to find new ways to create and transfer value to the customers rises as well. The growing realization of the importance of SCM led to more emphasis on management and study of contributing agents such as service quality, communication, technology, supplier relationship and financial performances (Fantazy, *et al.,* 2010). In hospitality and hotel operations, the consumption and creation part usually happens at the same time; as the end-product is not physical and is comprised of various services presented by different suppliers at different points of the SC (Harewood, 2008).

Fawcett *et al* (2007), argue that open communication which allows effective information flow has significant role in managing supplier relationship. For instance, sharing long term hotel forecasts that are produced by hotel revenue management department with key hotel suppliers, paves the way for robust and dynamic relationships between hotel and key suppliers.

Fulfilment of promises through time improves trustamong supply chain operators as well. Fawcett *et al*. (2007) cite that intensity of SC relationships differs greatly and thus a company must make strategic decisions to manage a wide range of relationships. They defined two broad categories of relationships: transaction relationships and resource intensive strategic alliances. Transaction relationship is required less managerial time and investment. This kind of relationship has transient nature and is managed for increase of efficiency. (Fawcett *et al.,* 2007) To be more precise; the effort is directed to purchasing the required commodities with the best price available in the market. Contrary; strategic relationship is required management to invest carefully aiming to build a firm groundwork that allows long term relationship prospect. This

kind of relationship needs open communication and share of information (Fawcett *et al.*, 2007). Hotel companies have endeavored improving strategic relationship between different stakeholders including suppliers, customers, distributors and other hotels as Díaz*et al.* (2006) express. They defined such lasting strategic relationship between two or more stakeholders as relational capability. They examined the links between the relational core competencies and the competitiveness of hotel companies. Aiming to improve relational competency; the authors proposed a model of outsourcing activities and collateral relationships maintained between different hotels. (Díaz*et al.* 2006).

The relationships establish between hotel and focal companies such as wholesalers and retailers that have transactional nature, however through time improve to strategic collaborative relationship. (Díaz*et al.*, 2006).

According to Zhang et al. (2012) the impacts of competitive strategies and organizational structure on hotel performance.Paraskevas (2001) illustrated the role of hotel departments within the hotel internal service chain. He believed hotel departments should treat the other hotel departments that are recipients of its output as an internal customer and attempts to provide high quality output in order for achieving effectiveness. This causes a high level of quality that provides to the external hotel customers. In this approach each department is the customer of the department that comes before it and is supplier of the department that follows in the hotel internal service chain. According to Paraskevas (2001) it is defined that an internal service chain as the part of the SC between hotel suppliers and hotel end customers. Relationship and interaction of exist between hotel departments, which are in direct contact with hotel guests and provide added value, as well as other departments that do not directly contact guests and support frontline departments. Some hotel departments are internal supplier in one interdepartmental relationship and internal customer in another relationship. Paraskevas (2001) noted that the implementation of customer orientation within hotel internal SC which is an effective solution for improvement of service quality and added value for hotel customers.

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Elements of service are difficult to assess since quality exists as it is perceived and understood by the customers. Every costumer sees quality as fulfillment and satisfaction of expectations. However it should be noted that service quality relates to consumers' subjective perception of experience which varies depending on the specific and unique situation and circumstance. A business-man has different service criteria for a five-star hotel than a holiday tourist; nevertheless they both have sets of expectations build upon their notion of five-star service standards. (Eccles and Durand, 2007).

The importance of service quality management in achieving such competitive stand point cannot be denied. (Babakus*et al.,* 2003) Service quality is followed by customer satisfaction and customer satisfaction is antecedent of customer loyalty. Perceived level of service is derived from different encounters between the customer and the service provider; during which customers assess the experience based on the prior expectations and form satisfaction or dissatisfaction. Customer expectation is formed by the internal and external cues that give signs regarding the particular encounter in addition to previous experience and other source of information. (Wilkins, 2007). It is the job of hotel staff to anticipate and interpret the often unstated requests and wishes of customers and adjust their performance accordingly. Customers are demanding better and higher quality from hotel's products and services; hence, hotels who fail to meet the increasing demand would eventually fail. On the other hand, hotels that anticipate these customer demands and change accordingly are more likely to benefit from this increasing quality demand and gain market share. (Eccles and Durand, 2007) This makes the measurement methods for assessing service quality a priority for hotels and other service providers. One instrument to measure the level of service is SERVQUAL scale, which explains the service quality by the gap between customer expectations and perception of the service they experience (Eccles and Durand, 2007). Regardless of all the efforts in providing an excellent service quality, failures and mistakes are common occurrence in the service delivery. Service failure if not satisfactory rectified can result in negative outcomes such as negative word of mouth, decline in customer confidence and permanent loss of customers. (Babakus*et al.,* 2003).

Lai and Baum, 2005, the success of hotel business is very much dependent on the technical skills, integrity, hard work, attitude and behavior of its personnel. Effective management of human resource can help hotels create a competitive edge in the fast paced labor intensive

industry (Ubedia-Garcia *et al.,* 2013). Tiedemann *et al.* (2009) explored customer responsiveness in European four and five star hotels as well as the internal and external information sharing in context of SCM and marketing. They found that internal and external information sharing is vital part of customer responsiveness. The study proved that achieving cross-functional and inter-organizational information sharing entails application of market orientation approach. High level of customer responsiveness in hotel industry leads to greater customer's satisfaction and loyalty.

In order to explore the relationship between upstream component of the hotel's SC with the internal operations and downstream component and also the whole SCM system of the hotel; different parts of these components alongside the other influential factors are identified. The different parts of SC should coordinate and communicate for the system to work. The key to SCM in a hotel is to integrate the activities of front-end with the activities of back office (Kothari *et al.,* 2005). Flow of information between different parts of hotel's SC is also a crucial factor (Kothari *et al.,* 2005).

The use of technology and internet is also a big determinant as more hotels are making use of technology in their businesses. By using technology in different parts of SC, hotels can have real-time information about their inventory condition, availability of product and requirement and shipment conditions .(Kothari and Hu c, 2005) The upstream part is comprised of goods and service suppliers who provide the input for the business, alongside with tour operators which provide the customers (Díaz et al., 2006; Feinstein and stefanelli, 2012; Basu and Wright, 2008) and human resource providers which are responsible for training and recruiting competent workforce (Clement, 2013; Shub and Stonebraker, 2009; Jayawardena, 2013;).

On the other hand, downstream component of the SC consists of customers of the hotel which provide hotel with income and profit allowing it to sustain. CRM is used to better manage the downstream component of the SC in order to delight the customers, build long term relationships and shape customer loyalty. (Basu and Wright, 2008) Luck and Lancaster (2013) assert the use of technology in the CRM programs in bringing together, sorting, storing and applying customer s data. Other influential concepts such as application CRM activities, customer dissatisfaction presented by Fawcett *et al.* (2007), information sharing by Tiedemann *et al.* (2009) and guest retention by Lo *et al.* (2010) have also been taken into consideration. Internal operations as Fawcett *et al.* (2007) describe is an array of different functions with the purpose of value

creation. Human resource management plays a crucial role in internal operation section of the SC as well, based on the ideas presented by UbediaGarcia*et al.* (2013) who relates the success of a hotel's SC on the technical skills, integrity, hard work, attitude and behavior of its personnel.

Factor shaping the relationship between different components of the SC with other components is sustainability which as Wang *et al.* (2013) believe influences the process of product and service production, development and organizational systems. Alvarez Gil *et al.* (2001) also lists the stakeholders influencing the hotels sustainability and put hotel chains, travel agencies and tour operators on one end of the spectrum while place ecological groups, customers and government on the other end striving for balance. For exploring the relationship with of suppliers, different supplier relationship choices were identified based on the ideas presented by Fawcett *et al.* (2007). He emphasizes on the notion of trust and open communication in the choice of suppliers and managing supplier relationship. He proposes two types of relationship i.e. transactional and strategic relationship. Díaz*et al.* (2006) also propose the idea of relational capabilities as lasting strategic relationship between two or more stakeholders. The relationships established between hotel and focal companies such as wholesalers and retailers are considered a transactional nature, however through time they should improve to strategic collaborative relationship (Díaz*et al.*, 2006). In the following chapters through using the ideas presented in the conceptual framework, the relationship between the different parts of the hotel SC and the whole SC going to be explored with the help of analyzing Hilton Addis hotel as the case study.

The empirical data proves Fawcett *et al.*, (2007) theory of supplier trust and relationship. They argue that lack of trust leads to several obstacles in supplier relationship improvement and longevity. Empirical data also showed that in case there is not a solid trust between hotel and suppliers, the SC would fail to function. The hotel has to trust that the supplier has its best interest in mind. In case this trust is damaged between the hotel and suppliers, managers should have the authority to change the suppliers. Results revealed that communication also plays a big role shaping trust and relationship with the suppliers proving Fawcett *et al* (2007) declaration that open communication has significant role in managing supplier relationship. It also became obvious that when the demand fluctuates hotels would have difficulties in procuring sufficient amount of supply if there is lack of essential supply forecasting and properly communicating the available forecasts to the suppliers. If there is not a real time communication technology

available as Kothari *et al.* (2005, 2007) argue, hotels would fail to communicate effectively with the key suppliers through the chain. Consequently, the hotel falls short in evolution of open communication and information sharing through the chain and thus disappointment the strategic relationship.

Diaz *et al.* (2006) discussed the relational capabilities of hotels with their suppliers and stakeholders stating that relational capabilities are skills aiming to improve the competitiveness of a hotel and its SC. Diaz *et al*. (2006) also state that the relationship between a hotel and its wholesalers have transactional nature but through time can take the form of strategic relationship. The data gathered from the respondents regarding the supplier relationship and hotel SCM is to some extent congruent to Diaz *et al.* (2006) theory, as it showed that in case the relations between a hotel and suppliers is not strategic and is solely based on personal judgments and decision makings of managers of the chain organization the proper relationship between suppliers and the hotel will not be established. The relationship can be to some degrees categorized as transactional, due to the lower prices of the chain bulk purchases; however it lacks the strategic and relational capabilities required for managing a sound SC. The joint material procurement for properties of a chain hotel organization improves the negotiation power and economic of scale in relationship with upstream supplier. However if this relationship is one-way and does not consider the benefits of both parties the result will be negative. Moreover, if hotels hold strategic relationship with service companies such as employment agencies, engineering and maintenance companies and security companies, it can provide them with competitive advantages through enhanced value creation.

(Saeed*et al,* 2014) Poor communication and dissemination of information between the hotel departments could lead to inefficient service delivery. Their finding provide that if communication and collaboration of different hotel department are not at the acceptable degree, the communication lines would be blurred; interdepartmental relationships would be broken and managers cannot communicate clearly to the staff. Kothari et al.

According to Clement (2013), Shub and Stonebraker (2009) and Jayawardena (2013) there is a believe common problem in the most hotels is lack of understanding the effect of core competency such skills are among hotel other factors contributing for an effective supply chain management.

2.5 Conceptual Frameworks and Empirical Studies on Key Variables of SCM in Hotel Industries

In this section, the researcher will discuss some empirical findings on key variables that are important in SCM of hotel industries. The first part of this section discusses the internal variables and the latter part discusses on the external variables. After a detailed research from various literatures available on SCM in hotel industries, the researcher identified the following internal variables: leadership and core competency; cost; internal flexibility and quality. Also, the following are the external variables: resource commitment of chain actors; trust and partnership development; information flow; financial flow and goods and service flows. These two variables are used in the latter section to develop the model of this research.

2.5.1 Internal Variables

2.5.1.1 Leadership and Core Competency

Having an excellent leadership and a core competency within a hotel industry is vital for SCM. These two key internal variables help a specific hotel to excel in its SCM endeavors. The success of hotel business is very much dependent on the technical skills, integrity, hard work, attitude and behavior of its personnel (Lai and Baum, 2005). The writer first discusses leadership as an internal variable followed by core competency.

2.5.1.1.1 Leadership

In order to succeed at supply chain management, one requires a strong leadership. Also, successful and committed leadership takes into account the long run interest of a given organization. Leadership is essential and plays a key role in galvanizing employees to be completely involved in reaching an already set out objectives of an organization. Moreover, it is important to pay attention to appropriate leadership styles that are responsible for sustaining supply chains and managing their performance and improvement (Sharif and Irani, 2012). In addition, leadership is believed to be a key contributor to organizational strategic source of competitive advantages (Bass, 1991; Waldman *et al.*, 2001).

Lockstrom*et al*. (2010) defines leadership in the context of SCM as "[…] the ability to influence one's own organization and the suppliers' organizations in order to establish and accomplish common goals and objectives." In addition, Defee*et al*. (2010) extended the definition to "[…] a relational concept involving the supply chain leader and one or more supply chain follower organizations that interact in a dynamic, co-influencing process." Furthermore, Lambert *et al.*(1998) point out that unless one organization takes the leadership role for strategic supply chain decisions, risk will occur throughout the chain and lead to chaos. This indicates that the role of leadership in SCM extends to establishing sound relational structure in individual, departmental and organizational level. Also, improving relational capabilities with suppliers and other stakeholders will improve the competitiveness of the hotel (Diaz *et al*. 2006).

According to Kothari et al., (2005), leaders in a hotel management should coordinate and communicate well in order for information to flow between different departments such as marketing, customer care, supply and operational management departments of a hotel. This is important because through effective communication a leader in a hotel can easily integrate the activities of front-end with the activities of back office. This is key for a hotel SCM. Also, the leadership of a hotel must be acquainted with technology and current trends. By integrating technology in different parts of supply chain, hotels can have real-time information about their inventory condition, availability of product and requirement and shipment conditions (Kothari and Hu c, 2005).

An empirical study that was done by Deloitte on Global Supply Chain suggests that there might be a direct correlation between senior leadership performance and supply chain leaders. This is because a senior leader with a greater standing and commitment is more likely to understand how the organization perform and at the same time can allocate the resources required for supply chain leader. Also, a senior leader can strike a balance and prioritize between the overall objective of an organization and supply chain department. In the other hand, an empirical study from APICS Insights and Innovation suggests that leadership should not only be left to senior leaders. APICS study indicates that every supply chain employee is a potential supply chain leader even if he or she does not hold a leadership position or title in the organization.

Moreover, the study suggests that a leader is required to change, minimize his or her weaknesses, and create or accept new leadership assignments with the goal of continuous improvement.

2.5.1.1.2 Core Competency

At the center of a hotel SCM, maintaining a strong core competency is required in order to strengthen and maximize the hotel's ability to benefit from supply chain. The hotel management must understand its strength where its core competency lays. This will assist the SCM to focus on its strength within the hotel and design strategies which will help to increase market share and profits.

Vickery *et al.,* (1999) defines core competency as "any function which a firm does well at performing." He further defines it as a processes which are primary business activities that enable companies to obtain a better average degree of business success over long term." Any long term plan or strategy in SCM that did not take into consideration the core competency of a hotel requires a revision and needs to devise a new strategy that understands its comparative advantage. However, according to Clement (2013), Shub and Stonebraker (2009) and Jayawardena (2013) the main common shared problem in most hotels is lack of understanding the effect of core competency. Hotels must align and strengthen their core competency skills in relation to the customer needs. Customer satisfaction should take the center stage in assessing the core competency of a given hotel. Moreover, the hotel must come up with a communication channel that could assist to gather a feedback from its customers (Saeed*et al,* 2014). In addition, the core competence paradigm is based on companies understanding what internal skills and resources they should own and control through internal contracts in order to sustain their business success. Therefore, maintaining core competency is an underlining factor that contributes for an effective supply chain management in the hotel industry.

2.5.1.2 Operation Cost of Supply Chain Management

Hotels should offer products and services while keeping costs low. Also, the hotel industry can profit from complete and integrated practices of logistics and supply chain management, by delivering a reliable and high quality service at the best costs. CSCMP (2011) implies that supply chain management is successful when the goal of getting the right product to the right customer at the lowest costs is achieved. SCM is successful when the condition for delivering a product to a customer with the lowest competitive price is possible (Kotari*et al.,* 2007). This can be achieved by using the right logistics and supply chain strategies that improve the quality and service of the hotel, and drive down costs.

Empirical studies show that having a reliable and speedy procurement process has helped hotels to purchase supplies with larger discounts. This discount led to obtaining supplies in low cost. A hotel can speed up the procurement process and reduce the time necessary for ordering by using technology that helps the flow of important information within each departments of hotel (Kothari, Hu, & Roehl, 2005). Moreover, it is important for any hotel to improve its relationship with vendors and increase the accuracy of orders in order to save time and reduce costs.

Moreover, hotels must use distribution management as a strategy to minimize the transportation costs required to move goods from its network of suppliers to the company for consolidation, before being sent to the customer (Zhang, Song, & Huang, 2009). In addition, investing in warehouse management systems have helped reducing costs of a hotel. The warehouse management also helps the hotel to store products that are needed by customers and keep track with ever changing customer requirements and needs.

Furthermore, inventory management systems are used to generate reports and track costs on suppliers that have the best costs as well as used to reconcile inventory after physical counts. Here, information technology plays a vital role in inventory levels by making sure customers get the products they want (Ricker &Kalakota, 1999). As a result, a hotel must give the utmost emphasis on proper inventory management system in order to obtain a competitive advantage (Ruteri&Xu, 2009).

In addition, SCM of a hotel must focus on information technology practices and tap in to the important information that is available within its supply chain. Companies integrate and use multiple systems to distribute information about customer orders electronically which help to save costs. According to Gunasekaran&Ngai, (2004), information technology has changed the

manner in which businesses interact with suppliers and customers. Moreover, a proper use of information technology helps a hotel to be able to exchange real-time data within its supply chain (Supasansanee&Kasiphongphaisan, 2009). Because of these hotels must use technologies in order to enhance its supply chain performance.

At the end it is important for hotels to place a greater emphasis on increasing efficiency and reducing total cost in their supply chain management strategies to stay competitive.

2.5.1.2 Internal Flexibility

At the current market place where the need of a customer fluctuates frequently, flexibility is considered to be an important differentiator since it helps the hotels management to adjust and align their services in line with the needs of customers. In 1950s and 1960s, traditional supply chain was merely technology driven: great emphasis was put on minimizing unit production costs with little product or process flexibility (Tan, 2001). However, these traditional supply chains were not able to react on sudden changes in demand. At this time and age equal or more emphasis should be given to internal flexibility in order to succeed in SCM of a hotel.

According to Giannoccaro*et al,* 2003, changing market demand, differing supplier lead time, product quality and information delay further underlines the importance of internal flexibility for a hotel management in order not to be behind from their competitors. In other words, such uncertainty in the market place creates a need for establishing flexible supply chain management. Moreover, Viswanadham&Raghavan (1997) describe this concept as the ability of a business process to effectively manage or react to changes with little penalty in time, cost, quality or performance. Similarly, Lee (2004), defines flexibility in supply chains as a mechanism that mix agility and adaptability in its internal structure that helps the SCM to respond properly to short terms changes in demand or supply. Likewise, Beaman, 1999, describes flexibility as an ability to change product offerings according to customer's requirements. Furthermore, Lee (2004), puts adaptability as a supply chain's design that adjusts to meet structural shifts in markets, modify supply network strategies, products and technologies. In addition, agility is defined as "the ability of a supply chain to respond to short-term changes in demand or supply quickly and handle external disruptions smoothly" (Lee, 2004).

In order to keep pace with ever changing needs of a customer, the role of marketing is immense. This is because without a proper marketing strategies and activities, it will be hard for SCM to find out what customer needs and values (Rainbird, 2004). Some empirical studies show that companies that are ready to design their services and products based on real-time information do well compared to those companies that are slow to adjust to the needs of customers. For this reason, the SCM in hotels must incorporate flexibility in order to react on ever changing customer demand.

2.5.1.2 Quality

Hotel industry like other industries is concerned with management and provision of service quality. The problem of poor service is interpreted differently based on the perspectives that it is looked upon. Regardless of the perspective, if the customer is not satisfied with the service presented, it means there is a problem somewhere along the service process (Riley, 2007) Elements of service are difficult to assess since quality exists as it is perceived and understood by the customers. Every costumer sees quality as fulfillment and satisfaction of expectations. However it should be noted that service quality relates to consumers' subjective perception of experience which varies depending on the specific and unique situation and circumstance. A business-man has different service criteria for a five-star hotel than a holiday tourist; nevertheless they both have sets of expectations build upon their notion of five-star service standards. (Eccles and Durand, 2007).

The importance of service quality management in achieving such competitive stand point cannot be denied. (Babakus*et al.,* 2003) Service quality is followed by customer satisfaction and customer satisfaction is antecedent of customer loyalty. Perceived level of service is derived from different encounters between the customer and the service provider; during which customers assess the experience based on the prior expectations and form satisfaction or dissatisfaction. Customer expectation is formed by the internal and external cues that give signs regarding the particular encounter in addition to previous experience and other source of information. (Wilkins, 2007). It is the job of hotel staff to anticipate and interpret the often unstated requests and wishes of customers and adjust their performance accordingly. Customers are demanding better and higher quality from hotel's products and services; hence, hotels who

fail to meet the increasing demand would eventually fail. On the other hand, hotels that anticipate these customer demands and change accordingly are more likely to benefit from this increasing quality demand and gain market share. (Eccles and Durand, 2007) This makes the measurement methods for assessing service quality a priority for hotels and other service providers. One instrument to measure the level of service is SERVQUAL scale, which explains the service quality by the gap between customer expectations and perception of the service they experience (Eccles and Durand, 2007). Regardless of all the efforts in providing an excellent service quality, failures and mistakes are common occurrence in the service delivery. Service failure if not satisfactory rectified can result in negative outcomes such as negative word of mouth, decline in customer confidence and permanent loss of customers. (Babakus*et al.,* 2003).

CRM is used to better manage the downstream component of the SC in order to delight the customers, build long term relationships and shape customer loyalty. (Basu and Wright, 2008) Luck and Lancaster (2013) assert the use of technology in the CRM programs in bringing together, sorting, storing and applying customer s data. Other influential concepts such as application CRM activities, customer dissatisfaction presented by Fawcett et al. (2007), information sharing by Tiedemann et al. (2009) and guest retention by Lo et al. (2010) have also been taken into consideration. Internal operations as Fawcett et al. (2007) describe is an array of different functions with the purpose of value creation. Human resource management plays a crucial role in internal operation section of the SC as well, based on the ideas presented by UbediaGarcia*et al.* (2013) who relates the success of a hotel's SC on the technical skills, integrity, hard work, attitude and behavior of its personnel.

In the highly competitive market of modern business environment, service industries feel the force to improve their operational efficiency and control costs without compromising service quality. Increasing customer expectation and changing needs, vibrant market condition and technological breakthroughs create further challenges for the service providing businesses. (Boon-itt and Pongpanarat, 2011) In the face of all these challenges, businesses are forced to reduce costs in an efficient manner while maintaining quality, competitive edge and sustainability. Implementation of SC practices helps service providers to make balance between SC capabilities and customer expectations. (Boon-itt and Pongpanarat, 2011).

Their time-sensitive nature and the fact that their capacities cannot be stored easily, leads to possibility of service deterioration and queue-forming in the peak times. (Aitkenet al., 2012) It should be emphasized that cycle time, costs of logistics and inventory are the main focus of SC in manufacturing industries whereas in service industry they prove to be less relevant since the service provided is nontransferable and intangible (Tigu and Calaretu, 2013). The focus of SCM in service industry is finding the most efficient and effective way for value creation. This can happen through cross-functional solutions to major issues related to meeting customer needs efficiently and effectively at the lowest cost. This cross-functionality can happen in an internal or external environment. (Fearne*et al.,* 2001).

Delivering value to the customers in a cost-efficient manner requires managers to control their process and asset's uncertainties to increase coordination and improve their decision making effectiveness. Having safety stocks are true examples of companies dealing with uncertainties whether in supply, demand, process or control. (Aitkenet al., 2012) Service industries resort to various strategies such as outsourcing to alleviate these uncertainties.Wesbter (2011) emphasizes that in order for a hotel to have well-managed supply chain, it should be governed by customer demand rather than supply stream. Tiedemann et al. (2009) and Basu and Wright (2008) also emphasize on the importance of information sharing in SCM and customer responsiveness.

2.5.2 External Variables

2.5.2.1 Resource Commitment of Chain Actors

Commitment between chain actors is very crucial for flow and quality of supplies. A hotel should strive for long term commitment with its chain actors as long as the supplies are of quality and can be obtained with minimum price. According to La Londe et al. 1994, supply chain strategy must include "two or more firms in a supply chain entering into a long term agreement; the development of mutual trust and commitment to the relationship; the integration of logistics events involving the sharing of demand and supply data; the potential for a change in the locus of control of the logistics process."

When it comes to commitment between chain actors, a full exchange of information, and more importantly a commitment to improve quality is paramount (Ellram, 1999). In other words, it is important for each party to have the same interest and commitment that targets quality,

continuity and long last relationship that is based on mutual trust. It is necessary that in today's competitive environment, hotels need to look for chain actors that add values into its brand. Having trust and a strong commitment between chain actors will improve efficiency across the supply chain (Ragatz*et al.* 1997).

Each chain actors must completely commit at all levels of their organizations in order to enhance a positive organizational performance. Moreover, Kannan and Tan (2005) indicated on their research that at both strategic and operational levels, commitment to quality of supply chain has the greatest effect on the company's performance. Additionally, trust and commitment are very important factors if a company is going to succeed with its relationship marketing. Thus, commitment between chain actors that is based on quality and trust benefits the hotel to deliver its service at low cost and high quality.

2.5.2.2 Trust and Partnership Development

Trust is defined as "the extent to which one believes that others will not act to exploit one's vulnerabilities" (Morrow, Hansen & Pearson, 2004). This definition indicates that the two parties are simultaneously trustor and trustee. Trust is considered to exist if one party believes that the other party is honest or benevolent (Doney and Cannon, 1997). Similarly, this shows that trust can be positively affected by shared values and communication among supply chain partners. In supply chain management trust has been a determinant factor for establishing a long term partnership (Cannon, Doney, Mullen, & Petersen, 2010). Trust can exist in interpersonal level or inter-firm level (Johnston, Mccutcheon, Stuart, &Kerwood, 2004).

Building trust between chain actors reduces uncertainty and avoids information asymmetry. This can be a very good foundation for building trusting relationship. Also, the existence of trust between chain actors reduces transaction costs. In addition, trust may also reduce the need for buyers to monitor supplier deliveries and quality of inputs as well as reduce the need to enforce penalties in the case of lower quality inputs (Dyer & Chu, 2003). For a buyer uncertainty might mean less quality, unreliable supply, or not delivering on time. On the other hand, for the seller it means searching for new buyers. Moreover, price can be uncertain for both buyers and sellers

(Hobbs & Young, 2000). As a result, if there is less trust and high level of uncertainty between chain actors, parties will incur a higher transaction costs.

Moreover, establishing a long lasting relationship with chain suppliers is key for success in SCM. It is important to note that trust is a key ingredient for establishing a long lasting partnership that benefits all involved chain actors (Johnston, Mccutcheon, Stuart, &Kerwood, 2004). After building trust the next step could be establishing partnership. Partnerships in the supply chain are defined as "the means by which companies within the supply chain work together towards mutual objectives, sharing ideas, information, knowledge, risks, rewards, and solutions to common problems" (Benton, 2007; Bowersox, Closs, & Cooper, 2002; Cohen &Roussel, 2004).

According to Croom, 2001; Zsidisin&Ellram (2001), companies that are involved in long term transactions has less tendency to engage in untrustworthy behavior. Partnership is a more advanced state in a relationship between chain actors than mere involvement or sharing of activities between the chain actors. Moreover, a company must focus on establishing supply chain partnership to manage their suppliers and reduce cost of supplies (Flynn, Huo, & Zhao, 2010; Sheth& Sharma, 2006). Furthermore, developing a closely integrated and mutually relationships leads to partnership which results in enhancing supply chain performance (Lambert 2006).

2.5.2.3 Information Flow

In supply chain management, information flow is a key factor in managing and coordinating supply chain. If there is smooth information flow between supply chain members, then all members can easily achieve their objectives. It is important to share the right information at the right time in order to improve the performance of each chain actors (Chopra &Meindl, 2004) by reducing the bullwhip effect (Hav, Padmanabhan, &Whang, 1997). Also, sharing information between chain actors encourages transparency. Moreover, information flow is necessary to strengthen the relationship between different chain actors (Tiedemann *et al.*, 2009). In addition, Fawcett *et al* (2007), argue that open communication which allows effective information flow has significant role in managing supplier relationship.

Leaders in a hotel management should coordinate and communicate well in order for information to flow between different departments such as marketing, customer care, supply and operational management departments of a hotel (Kothari, 2005). Moreover, internal and external information sharing helps in gauging customers' responsiveness towards the hotels service. According to Tiedemann *et al.*, 2009, this will help the management of a hotel to design new products and improve existing products in order to increase customer's satisfaction and loyalty. Technology and social media must be the tool to collect information from customers. By using technology in different parts of SC, hotels can have real-time information about their inventory condition, availability of product and requirement and shipment conditions (Kothari and Hu c, 2005). Thus, internal and external information flow is vital in supply chain management.

2.5.2.4. Financial Flow

Managing financial flows in supply chains is key for increasing profit and reduce unnecessary cost. A hotel that addresses its financial flows issue will make a tremendous stride by increasing supply chain efficiencies, reduce lead times, lower inventories, more responsiveness, increased variety, more collaboration with partners and improved customer service. When it comes to financial flows in SCM, there are many challenges that a given company might face which might require higher working capital than expected. However, if that given company could able to overcome these challenges, the money saved can be used to more valuable uses (Andrea Klein, 2004).

According to Visa's empirical study, one of the main challenges of financial flows in supply chain management is the accumulation of thousands of invoices and payments. This is a challenge because it requires companies to streamline their effort in processing invoices and try to trace them before and after delivery of a given supplies. In most cases, different orders with different dates are handled by a single payment. In this situation it will be challenging to reconcile payments. In order to solve this problem, an organization must adopt new technologies and move from manual and standalone process. This way the organization can have smooth financial flow.

Also, it is important to treat financial flows together with information flows. This is because financial flows in SCM can narrate and show trends of purchase, shelf life of a products and share valuable information across the supply chain. Separating financial flow from information

flow will expose an organization to human errors, increase reconciliation time and create loosely integrated supply chain. The other challenge that the Visa empirical study identified is what is called “bullwhip effect”. “Bullwhip effect” is a term that refers to amplifications of end consumer demand as one moves up the supply chain. This happens when there is a distortion of information. The solution for this is to ensure rapid information exchange along the chain. Moreover, it is important to collaborate and partner with suppliers and share the right information. Thus, it is important to have an up to date system that allows an efficient financial flows that saves time and money for the company.

2.5.2.5 Flow of Goods and Services

Supply chain management includes operational management of the flows of physical materials, good and services for the transformation of the final products and distribution to the end user (Forrester 1958; Forrester 1961). Efficiency of the SCM is measured how quickly goods are channeled with a minimum cost through all chain actors. The flow of goods will be accomplished by trading, sales, logistic service through the coordination of person, location and information.

Also, supply chain encompasses all organizations and activities associated with the flow and transformation of good from the raw materials stage, through to the end user, as well as the associated information flow (Handfield and Nichols, 2002). This description is used because it includes both organizations and activities within the supply chain and its focus is on the flow and transformation of goods. Good that are purchased as an input from suppliers are used to render hotel services. This shows that goods are used to produce tailored service that complements the overall activity of the hotel. Because of this the demand for hotel services translates into demand for goods or services from other sectors that supply to hotels, as well as demand for goods or services provided by suppliers of hotels’ suppliers (Cooper 2008). Thus, mastering the flow of goods which translates into services in a hotel industry must be the heartbeat of the SCM of a hotel.

Addressing the Research Questions

To better understand the SC of a hotel and answer the following research questions a model is presented by the student researcher which makes use of different concepts based on the above empirical studies done on internal and external drivers of SCM. The researcher would like to repeat the research question below in order to help the reader to remember it before heading to the analysis part.

1 What are the key drivers for supply chain management practices of hotel?

2 What is the determinant variables affecting hotel's operational service delivery?

3 What is the relationship between supply chain management drivers and operational service delivery drivers?

In order to answer these questions, the following describes a constructs of dependent and independent variables which has been used while designing questionnaires for research participants. The construct variables were divided into two categories which determine effective functioning of hotel service delivery. These are internal and external variables.

The first set construct variables are internal factors while the second is external factors which determines the level of performance of supply chain management practices for affecting the hotel service delivery includes:

Internal Variables

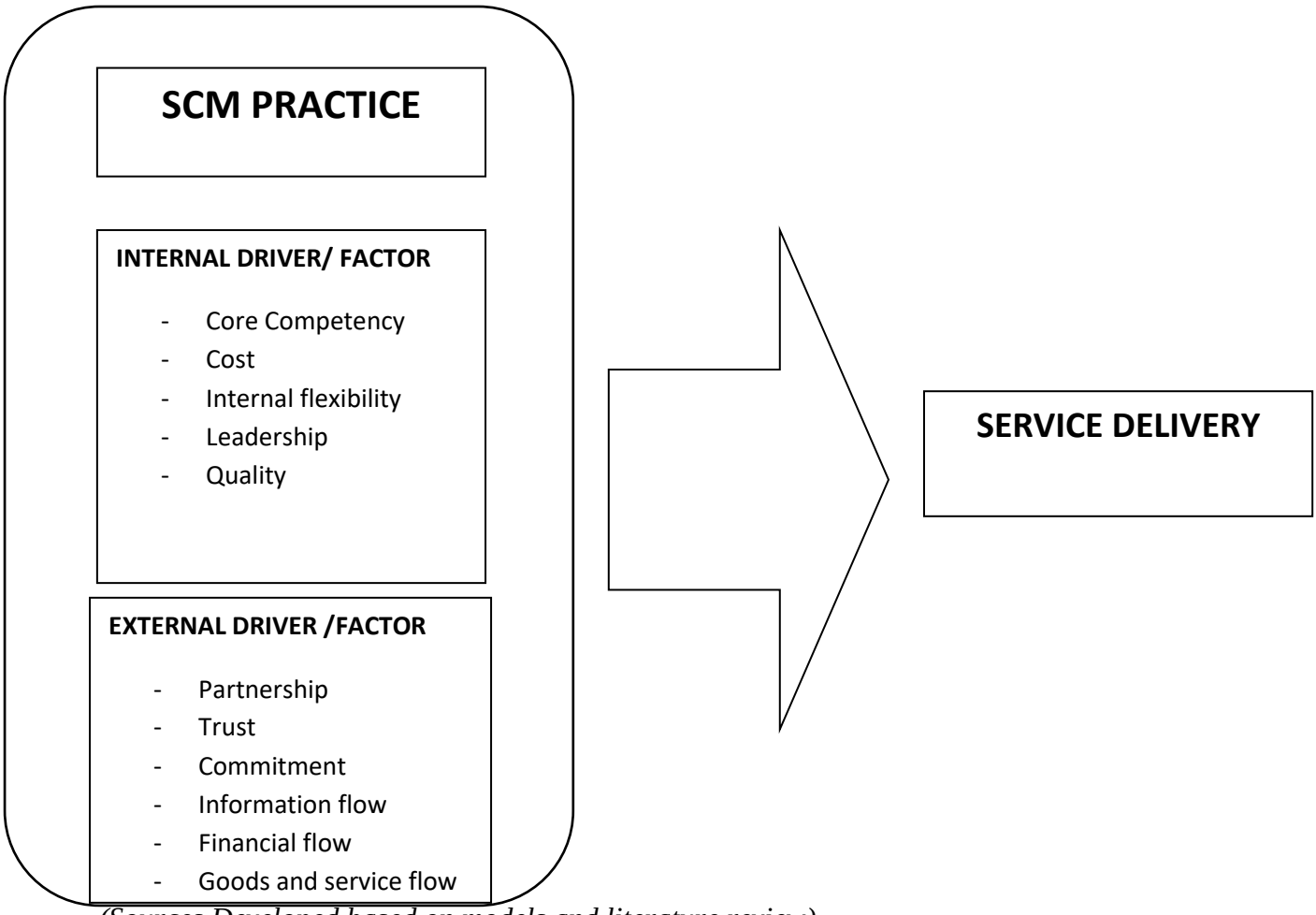
i. Core Competency
ii. Cost
iii. Internal flexibility
iv. Leadership
v. Quality

External Variables

i) Partnership
ii) Trust

iii) Commitment
iv) Information flow
v) Financial flow
vi) Goods and service flows

Fig 2.1, Aconceptual framework of supply chain management effect on service delivery.



(Sources Developed based on models and literature review)

CHAPTER THREE

3. METHODOLOGY OF THE STUDY

3.1 Introduction

In this chapter the research design and methodology used in the study has been described. The geographical area where the study will be conducted, the research design, the research approach, the subject of the study, the case companies, the participants of the study, the type of data source, the type of research, the research instrument used to collect the data, the methods of data collection, method of data analysis, validity and reliability of the instrument, the limitation of the research, and the ethical consideration have been discussed in this part of the research. Determining an appropriate research methodology is considered as an important element in this research study. Establishing the research methodology involves approach to the entire process of a research study, starting from the theoretical underpinnings and spanning to data collection and analysis, and extends to developing the solutions for the research problems being investigated.

Research methodology in essence is focused around the problems to be investigated in a research study and therefore varies according to the problems investigated. It is important to have consistency between research questions, the research methodology and theoretical approaches. Research strategy is one of the components of research methodology. Research strategy provides overall direction of the research including the process by which the research is conducted (Churchill and Sanders, 2007). . The different components of the research methodology used in this study are discussed below.

3.1 Description of the study area

3.1.2 Research Design

There are two basic research designs in research, quantitative and qualitative design. The third is mixed research design which is formulated by combining the two approaches mentioned above to get the advantages of both. Quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis using statistical tools and qualitative approach is concerned with subjective assessment of attitudes, perceptions, opinions and behavior.

Generally, qualitative techniques including focus group discussion, key informant semi structured interviews and unstructured in-depth interviews are used for data collection (Kothari, 2004).Quantitative research as a formal, objective, systematic process are used to describe and test relationships and examine cause and effect interactions among variables. Surveys may be used for descriptive, explanatory and exploratory research. A survey is used to collect original data for describing a population too large to observe directly (Kothari, 2004). A survey obtains data from a sample of the population and infers that the population will have the same characteristics as that of the population.

Again according to Creswell (2013), there are three research approaches: qualitative, quantitative, and mixed methods. Mixed research methods are used when it incorporates elements of both qualitative and quantitative approaches and the findings are also more reliable using one of the approaches. Mixed research design is an approach to inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks. The core assumption of this form of inquiry is that the combination of qualitative and quantitative approaches provides a more complete understanding of a research problem than either approach alone.

The most appropriate research design for this study is quantitative research design. The researcher collected quantitative data using self-administered questionnaires with five points Likert scale distributed personally to the subjects by the researcher to measure the effect of supply chain management in the hotel service delivery.

3.1.2 Sampling Technique

Due to the very small number of the target population, which is 80 in number, it has been decided to consider the entire population in the study, i.e. to conduct census survey, rather than sampling from the population. This is on the basis of the suggestion that if the target population is smaller (e.g. 100 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).

3.2 Data Source And Data Collection Instrument

The methods that were used in this study is quantitative. The data sources are primary and secondary. The primary data is through questionnaire for AddisAbaba Hilton hotel supply chain activity and marketing area employer. Questionnaire related to the objective of the study was distributed which help the researcher to meet the objective of the study. So questionnaire were distributed to all supply chain activity and marketing area staffs and the data collected through questionnaire was summarized. It is tried to make the questionnaires clear, specific and written in simple language, that can provided the required information.

In this study quantitative research methodologies were used. The data is collected through questionnaires. To ensure data quality, questionnaires were pre-tested together with enumerators tohave a common understanding on how to ask questions and record responses accurately. During data collection there were on the spot cross checking andvalidation of responses. Validation of results was done through critical reflectionsand constantly looking back and forth between data and analysis for furtherelaborations. The major emphasis is placed on the effect of supply chain management in hotel service delivery. All staffs of the hotel under the functional unit of SCM is taken to constitute the study population. In this study a total of 80 questionnaires were distributed and out of which 78 questionnaires responded and primary data obtained from structured questionnaireswere cleaned, descriptive information coded and data entered in SPSS version 20for analysis. The SPSS outputs were exported to Microsoft excel to simplify theanalysis and generate outputs for reporting. After the completion of the crucial data collection, proper tools and techniques wereused for classification and analysis of data. The study primarily relied on perception of the employee of the company, review ofliteratures and analysis of responses to the Hilton Addis staffs. By using this method the researcher makes an interpretation of data. This includesdeveloping a description of an individual or setting, analyzing data categories andfinally making an interpretation or drawing conclusions about its meaning personallyand theoretically, stating the lessons learned.

In this study, the mean, standard deviation, Cranach's alpha Regression andANOVA were used as a cutoff point decision making of each item with a mean of 2.5and above was considered adequate and cronbach's alpha with a cut-off point of 0.7and above considered as reliable

3.3 Reliability And Validity Of Data

Reliability and validity are terms that refer to the quality of the measures used in a research study. Reliability refers to the internal consistency and validity refers to the accuracy of the measure.

3.3.1 Validity

According to Kothari (2004), the respondents, the situations, the interviewer, and the data collection instrument can be sources of error in research. Error may arise because of the defective measuring instrument (E.g. questionnaire in this study). The use of complex words, beyond the comprehension of the respondents, ambiguous meanings, poor printing, inadequate space for replies, response choice omissions, etc. are some of the things that make the measuring instrument defective and may result in research measurement errors.

Validity is concerned with two main issues: whether the instruments used for measurement are accurate and whether they are actually measuring what they want to measure. The two different dimensions to the concept of validity (Winter, 2000) are: internal and external validity. Internal validity ensures that the researcher investigates what s/he claims to be investigating. Internal validity is the extent to which the measurements of the questionnaire provides the data needed to meet the purpose of the study or validity refers to the extent to which the questionnaire measures what the researcher intends to measure to ensure internal validly. External validity concerned with the extent to which the research findings can be generalized to wider population.

In this study, the questionnaire is developed based on intensive related literature review. Therefore, the researcher believes that the data collection tool will measure what it is intended to measure. This means, internal validity is achieved.

3.3.2 Reliability

Reliability test is another important test of measurement tools in research. A measuring instrument (questionnaire) is reliable if it provides consistent results. A reliable data collection questionnaire provides consistent result with repeated measurements of the same subject of the study and with the same instrument. This reliability can be tested by comparing the results of repeated measurements. Reliability is the degree of consistency with which an instrument measures the constructs it is designed to measure. Reliability is known as to what extent the

research findings can be replicated, if another study is undertaken using the same research methods (Ritchie and Lewis, 2003). This means the measure (data collection tools) should provide the same answer on another occasion or similar result should be obtained by another researcher using the same measuring instrument (Saunders et. al., 2007). There are four treats for reliability including participant error, participant bias (may not tell the truth for fear of top managements), interviewer error (when different people undertake the interview), and researcher's bias during interpretation (Robson, 2002).

During data collection for this study, the researcher officially requested with support letters from the Addis Ababa University School of Commerce to the Addis Ababa Hilton hotel for data collection for the respondents to have convenient condition and 45 minutes to respond to the questionnaires. Therefore, the researcher believed that the respondents' error and bias is minimal to affect the reliability of the findings. The researcher's error and bias will not affect the reliability of the study due to the fact that the data collection instrument is a well-structured and self-administrated questionnaire and the data will be analysed objectively using statistical tools (SPSS). Cronbach's alpha coefficient is a measure of internal consistency. It is considered to be a measure of scale reliability. Technically speaking, Cronbach's alpha is not a statistical test - it is a coefficient of reliability (or consistency).

According to George and Mallery (2003), Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer Cronbach's alpha coefficient to 1.0 the greater the internal consistency of the items in the scale. George and Mallery (2003) suggested that Cronbach's alpha coefficient greater than 7.0 is acceptable.

3.4 Ethical Considerations

Ethics is becoming an increasingly prominent issue for all researchers. Researchers are encouraged to employ knowledge of research ethics in practice. Ethical issues were prominent throughout this research process, including during the data collection, during the analysis and writing up of the final report.

The researcher clarified to the respondents about the objectives of the study and explains that the information would be used only for research and academic purposes. During conducting data collection, both honesty and respect for the rights of the respondents were in place. Again, the researcher respected the rights to anonymity, confidentiality and informed consent of the

respondents. The researcher also requested the consent of the respondents to conduct the research study with official letter and finally permission was given.

CHAPTER FOUR

RESULT DISCUSSION AND INTERPRETATION

4.1 Introduction

The results of the study were presented according to the data analysis procedureoutline in the methodology section. The collected data was analyzed in line with theobjectives. The analysis results were presented in tables. Factors affectingorganizational performance were analyzed using Liner Regression model and as perthe given objectives, namely the effect of supply chain management on service delivery.

4.2 Profile of Respondents

In this study quantitative method is used by using prepared questionnaires. A total of 80 questionnaires were distributed and out of which 78 is returned.

Table 4.1 Education Background of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	3	3.8	3.8	3.8
	Degree	71	91.0	91.0	94.9
	Master	4	5.1	5.1	100.0
	Total	78	100.0	100.0	

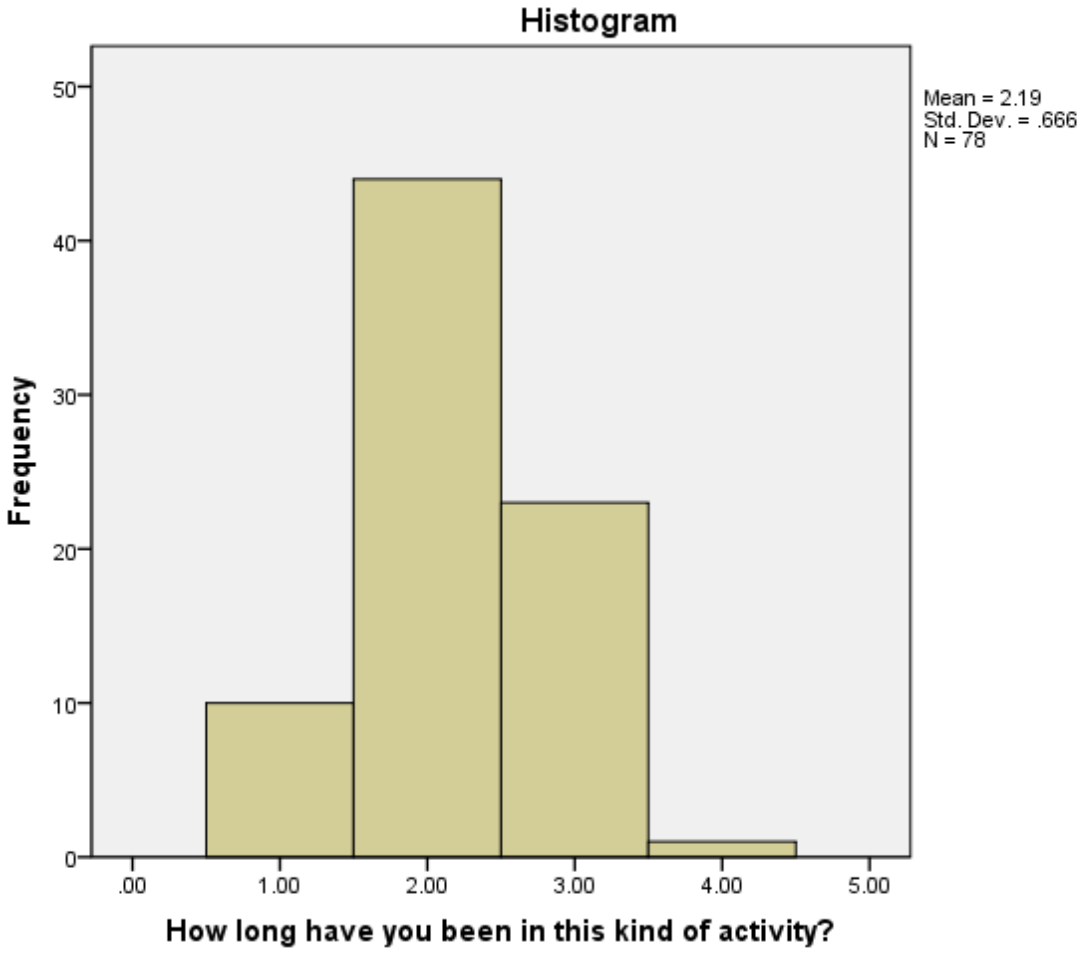
Educational qualification of the majority of our respondents about 91% are degree holders,5.1% have masters and the remaining 3.8% percent are diploma.

Table 4.2 Sector or Functions ofthe Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Logistics and Supply chain Management activities	54	69.2	69.2	69.2
Marketing Management Activities	24	30.8	30.8	100.0
Total	78	100.0	100.0	

As above describe 69.2% of the respondents are in the area of supply chain management and 30.8% are in the area of marketing.

Fig 4.1 Respondents Profile



As far as the experience of doing in the area with the company is concerned, majority of the respondent have an experience with company. Fromthe total number of respondents most have more than three years' experience in the area.

4.3 Quantitative Data Analysis

Considering the existing supply chain management experiences, respondents were asked to indicate the level of their agreement about supply chain management related to their respective companies from the alternative questions arranged in five point Likert scale method, where 1 stands for strong disagreement (the worst performance) and where 5 stands for strong agreement (the best performance). For the purpose of the analysis three (average) was used as a cut-off point. Where, more than three is considered as better level of performance while less than three was considered as low level of performance which needs improvement and management concern. In addition, three (average level) was also considered by the researcher as an indication of the area where improvement action plan and attention is needed. Mean performance score 4.0 and above are considered by the researcher to be high level of performance.

Table 4.3 Supply Chain Management recognized in the organization

	N	Mean	Std. Deviation
Strategic Function	78	3.4744	.69739
Tactical Functions	78	3.3462	.85016
Operational Functions	78	3.2179	.96224
Valid N	78		

As indicated in the above Table 4.3, all of the mean performance score is above 3.0 which is considered high level of recognition of SCM.

Table 4.4 Marketing Management recognized in the organization

	N	Mean	Std. Deviation
Strategic Function	78	3.2051	1.48025
Tactical Functions	78	3.2308	.83624
Operational Functions	78	3.3333	1.10096
Valid N	78		

As indicated in the above Table 4.4, all of the mean performance score is above 3.0 which is considered high level of recognition of marketing management.

Table 4.5 The Relationship between Marketing and SCM Activity

	N	Mean	Std. Deviation
Shared visions	78	3.2179	1.40174
Shared competencies	78	3.1026	.78276
Shared resources	78	3.0897	1.27091
Vertical relationship	78	1.7564	.98279
Horizontal relationship	78	4.1154	.60261
Matrix relationship	78	1.7436	.67296
Valid N	78		

As indicated in the above Table 4.5, marketing management department and supply chain management department share their vision, competency and resources. As indicated in the table above the relationship between marketing management department and SCM department is Horizontal.

Table 4.6 External Drivers that affect SCM activity

	N	Mean	Std. Deviation
Resource commitment of chain actors	78	3.2308	.64311
Partnership development	78	3.4744	.69739
Trust among chain actors	78	2.4615	1.31616
Information flow	78	3.7179	.82016
Financial flow	78	3.3462	.85016
Goods and services flow	78	3.4744	.86376
Valid N	78		

According to the data in the Table 4.6, 83% of the mean performance score is above 3.0 which show external drivers highly affect SCM activity. The mean scores of information flow (Mean of 3.7179 and std. Deviation of 0.82016) is higher than other variables and Trust among chain factors (Mean of 2.4615 and Std. Deviation of 1.31616) is the least external driver that affect SCM activity. This implied that information flow is the most external driver that affect SCM activity. Partnership development and goods and service flow are other external drivers that affect SCM activity next to information flow.

Internal and external information sharing helps in gauging customers' responsiveness towards the hotels service this will help the management of a hotel to design new products and improve existing products in order to increase customer's satisfaction and loyalty. Hilton Addis Ababa must give high emphasis for information flow for maximize there service delivery.

Table 4.7 Internal Drivers that affect SCM activity

	N	Mean	Std. Deviation
Cost Minimization Orientations	78	4.1026	.59412
Maintaining core competencies	78	2.8333	1.36198
Leadership/Management Commitment	78	2.8462	.92690
Internal Flexibility	78	3.4615	1.32599
Quality Orientations	78	4.1154	.60261
Valid N	78		

According to the data in the Table 4.7 above, 60 % of the mean supply chain internal drivers is above 3.0 which is high and the remaining 40% is below 3.0 which is low. The mean scores of Quality Orientations (Mean of 4.1154 and Std. Deviation of 0.60261) higher than other variables and Maintaining Core Competencies (Mean of 2.8333 and Std. Deviation of 1.36198) is the least internal driver that affects SCM activity. This implied that Quality Orientations is the most internal driver that affects SCM activity. Cost Minimization Orientations and Internal Flexibility are other internal drivers that affect SCM activity next to Quality Orientations respectively. Service quality is followed by customer satisfaction and customer satisfaction is antecedent of customer loyalty. Based on the result above Hilton Addis Ababa must give high attention to service quality to satisfy the customer.

Table 4.8 Factors of Service Delivery

	N	Mean	Std. Deviation
Cost minimization	78	3.7308	.83235
Dependability	78	3.9872	.71157
Flexibility	78	3.8462	.77421
Physical infrastructures	78	3.4872	.86405
Valid N	78		

According to the data in the Table 4.8 above, 100 % of the mean customer service delivery is above 3.0, which is high. Dependability, Flexibility, Cost Minimization, and Physical

Infrastructures highly affects service delivery respectively. Dependability (Mean of 3.9872 and Std. Deviation of 0.71157) is the most factors that affect service delivery.

Table 4.9 The Effect of External Drivers of SCM on Service Delivery

	N	Mean	Std. Deviation
Resource commitment of chain actors	78	3.6026	.77421
Partnership development	78	3.0897	.91433
Trust among chain actors	78	3.0897	1.04677
Information flow	78	3.8462	.85796
Financial flow	78	3.7308	.65808
Goods and services flow	78	3.7179	.82016
Valid N	78		

In the Table 4.9 above, 100 % of the mean of External drivers of SCM on Service Delivery is above 3.0, which is high. Information Flow (Mean of 3.8462 and Std. Deviation of 0.77421) is the most external factor of SCM that affect service delivery. Financial Flow is the second external SCM factor that highly affects service delivery with Mean of 3.7308 and Std. Deviation of 0.65808. As compared to other external SCM factor Partnership Development and Trust among Chain Actors are the least factors that affect Service Delivery.

Table 4.10 the Effect of Internal Drivers of SCM on Service Delivery

	N	Mean	Std. Deviation
Cost minimization	78	3.9744	.86751
Maintaining core competencies	78	2.9615	1.22148
Leadership/Management Commitment	78	3.2179	.96224
Internal Flexibility	78	2.7308	.83235
Quality Orientations	78	3.7308	.97599
Valid N	78		

In the Table 4.10 above, Cost Minimization (Mean of 3.9744 and Std. Deviation of 0.86751) is the most internal factor of SCM that affect service delivery. Quality Orientation is the second internal SCM factors that highly affect service delivery with Mean of 3.7308 and Std. Deviation of 0.97599. As compared to other internals SCM factors Maintaining Core Competencies and Internal Flexibility are the least factors that affect Service Delivery.

4.4 Cronbach's Alpha

As outlined in the previous chapter, Cronbach's Alpha tests were conducted in order to assess the internal reliability of the study's measures. As it can be seen in table 4.11 below, all measures showed Cronbach's Alpha coefficients higher than 0.7 which is the threshold indicating whether or not a measure should be seen as reliable (Schutteetal., 2000,) Measure for future analyses. A total of 80 questionnaires were distributed to participants and out of which 78 is returned. Therefore the response rate were 97.5% which helps the study to incorporated the all the relevant research participants perception towards service delivery in Addis Ababa Hilton International Hotel.

Table 4.11 Case Processing Summary

		N	%
Cases	Valid	78	100.0
	Excluded[a]	0	.0
	Total	78	100.0

a. Listwise deletion based on all variables in the procedure.

Table 4.12 Reliability Statistics

Cronbach's Alpha	N of Items
.965	44

4.5 Descriptive Statistics

Descriptive statistics were calculated in order to get an overview of the results of the data collection. To assess the central tendency of each construct their means were calculated and to evaluate the dispersion of the constructs - meaning how much the opinions of the respondents regarding that construct varied - their standard deviations were included. The mean and standard deviation of each construct can be seen in table 4.13.

Table 4.13Descriptive Statistics

	Mean	Std. Deviation	N
Internal Drivers	26.6538	5.87273	78
External Drivers	17.2308	3.50481	78
SD (Service Delivery)	12.9231	1.84299	78

4.6 Pearson Correlation

The Pearson Correlation analysis was conducted in order to assess the strength and direction of the relationships between the different constructs. As outlined in the previous chapter, the rule of thumb for assessing the strength and direction of a relationship between two constructs proposed by (Pallant, 2007,) has been for this. Table 4.14 shows that all of the correlations were significant at the level of $p < 0.01$. All significant relationships were positive. Correlation analysis is an analytical procedure which measures the relationship between two variables through; the power and way of the linear association (Palllant, 2007). The strength of the relationship is measured by the value range from -1.00 to 1.00. The value 0 describes no association between variables and 1 is complete positive and -1 indicates complete negative association existing between variables (Pallant, 2007). Cohen (1988, cited in Pallant, 2007,) has recommended power range, where r = .10-.29 little, r = .30-.49 medium and r = .50-1.0 is high relation.

Table 4.14 Bivariate Correlation among independent variable and dependent variable:

Table: Correlations		Internal Drivers	External drivers	SD
Internal Drivers	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	78		
External Drivers	Pearson Correlation	.695**	1	
	Sig. (2-tailed)	.000		
	N	78	78	
SD(service Delivery)	Pearson Correlation	.740**	.835**	1
	Sig. (2-tailed)	.000	.000	
	N	78	78	78
**. Correlation is significant at the 0.01 level (2-tailed).				

Therefore the researcher has conducted correlation analysis between independent and dependent variables. The above table shows that the bivariate correlation between the variables. The Internal and external drivers dimension shows significant correlation with Service delivery. The Service Delivery is dependent variables which are comprised of flexibility, dependability, cost and quality including physical structure. And Internal Drivers (cost, quality, core competency,

flexibility and leadership), and External drivers (trust, partnership, information flow, financial flow and commitment) are the independent variables. Correlation between Service Delivery and External Drivers shows the highest positive relation (r =.835; Sig. = .000). Internal Drivers also showed high positive relationship with Service delivery (r =.740; Sig. =000). External Drivers and internal drivers shows the same high positive relationship (r=.695; sig=00, sig=000). (Table 4.14)

4.7 Regressions

In order to measure the effect of different types of internal and external drivers on Service delivery multivariate regression analyses were conducted. As we can see from the following regression analysis conducted using the "enter" method in the statistical analysis program SPSS version 20.

Table 4.15 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.719	.562		8.389	.000		
	Internal Driver	.097	.025	.309	3.818	.000	.516	1.937
	External Driver	.326	.043	.620	7.672	.000	.516	1.937

a. Dependent Variable: SD(Service Delivery)

Beta is used to compare the involvement of each specific independent variable on the dependent variable. The standardized coefficients part of the analysis shows the contribution of the independent variable. Strong contribution on the depended variable is considered by calculating the maximum value of Beta for each specific variable. Finally contribution of these variables needs validity through the Sig. value (.000) for each individual variable certified the unique significant contribution on dependent variable. On the other hand to identify the contribution of independent variable as partially on the R square value the researcher needs to follow ―part‖ option in the coefficient table. Finally here; the researcher needs to square the part value of each

variable and multiply with 100 tells the contribution of each variable on the R square (Pallant, 2007,).

These variables include Internal Drivers (B = 0.097; $p < 0.01$), and Eternal Drivers (B = 0.326; $p < 0.01$) was therefore considered as significant.

As the different independent variables included in this model were measured by the same type of scale, it is possible to consider the unstandardized coefficient instead of the standardised coefficient Beta which is used to assess relationships between variables that have been measured by different units of measurement (Shiu, 2009) as cited in (Alena Recker,2014). The unstandardized coefficient B indicates how big the influence of the independent variable is on the dependent variable ibd - in this case the effects on supply chain management on service delivery. The regression model shows that both independent variables exert the strongest effect on Service delivery with an unstandardized coefficient of 0.097 (9.7%) and 0.326 (32.6%) Internal Driver and external drivers respectively. This means that around 9.7 % and 32.6% of variation in service Delivery can be explained by each, internal drivers and External Drivers.

The collinearity statistics presented in the above table shows the tolerance and VIF value. Tolerance is an indicator of how much of the variability of the independent variables is not explained by other independent variables in the model. If this value is very small (less than 0.10), it indicates the possibility of multicollinearity. The VIF (variance inflation factor), which is just the inverse of tolerance value. If VIF vale is above 10 it indicates the existence of multicollinearity (Julie pallant, 2005).

The collinearity statistics in the table shows that the tolerance value for all of the independent value is above 0.10 and the VIF value for all independent variable is below 10, which imply that there is no violation of multicolinearity.

Table 4.16ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	195.297	2	97.648	110.559	.000[a]
	Residual	66.242	75	.883		
	Total	261.538	77			

a. Predictors: (Constant), External Driver , Internal Driver

b. Dependent Variable: SD(Service Delivery)

The ANOVA table helps to show the adequacy of the model. The regression sum of squares indicates information about the variation accounted by the model, while the residual sum of squares indicate information about variance not accounted for the model. The significance value of the F statistic is less than 0.05 which is an indication of the variance explained by the model is statistically significant. Overall the model can be considered statistically significant as the F-test result is 110.559 and as the model is significant at a level of 0.000 meaning that the probability that the results of this model occurred by chance is less than 0.0005 (Table 4.16) (Saunders et al., 2009).

Table 4.17Final Model summary of multiple regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864[a]	.747	.740	.93980

a. Predictors: (Constant), External Driver , Internal Driver

b. Dependent variable: Service Delivery

The model summary table shows the strength of relationship between the model and the dependent variable. R is the multiple correlation coefficients which is the linear correlation between the observed and predicted values of the dependent variable. The larger its value is the stronger the relationship. This model had a very strong coefficient of determination R-square=0.747 which means about 74.7 % of the variation in supply Chain Service Delivery is explained by the model. As R^2 for this model amounts 0.747 it can be seen as having a good fit,

as around 74.7% (approximately more than two third) of variation in the dependent variable Service delivery can be explained by the independent variables considered in the model .

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This last part of the paper put summary and conclude the findings of the study, that is, the effect of supply chain management practice on service delivery in hotel industry in case study of Addis Ababa Hilton and finally suggest possible recommendations.

5.1Summary

Supply Chain management has become an integral part of companies' business due to increased competition among companies. Supply chain management excellence in terms of cost reduction, responsiveness, reliability, integration and collaboration with supply chain partners' quality of services, inventory management effectiveness, efficiency, flexibility and customer service creates a competitive advantage to companies in the competitive business environment like the growing hotel industry in Ethiopia. The hotel industry in Ethiopia is at growth stage and it is highly competitive among the existing companies in the country. The researcher was interested in assessing and getting in-depth insight about the level of supply chain management effect on service delivery due to time and resource constraint. The first purpose of this study is to investigate and describe the effect of supply chain management on service delivery of Addis Ababa Hilton and pass recommendations (if found to be appropriate) which may help to improve its performance. By having this purpose in mind, investigation was made with regard to quality of service, delivery time, cost, core competency, partnership, leadership and trust that can affect service delivery which in return affect performance of the company. In the process of finding the required data, questionnaire is prepared and distributed for 80 employers of Addis Ababa Hilton and of which 78 returned. The collected data is analyzed using SPSS 20 software and the analysis result shows that those variables (quality of service, delivery time, cost, core competency, partnership, leadership and trust) has positive effect on service delivery which directly affect the performance of Addis Ababa Hilton.

5.2 Conclusion

Based on the findings presented in the previous section, the following conclusions are drawn. The two drivers internal (quality, core competency,leadership,delivery time, and flexibility) and external drivers (trust, commitment, partnership, information flow, financial flow and goods and service flow) had a strong positive correlation with Service delivery. Cost and Quality are the most internal SCM drivers of service delivery. Information flow is the most external SCM driver of service delivery. From the behavior of the variables in this research, quality is statistically significant to service delivery as well as other variables such as cost, flexibility, leadership and core competency are also vital for service delivery.

5.3 Recommendation

Based on the findings and the conclusions drawn, the following recommendations are forwarded.

- To maximize its service delivery Addis Ababa Hilton need to give consideration to quality, of the service, maintaining core competency, leadership, cost and flexibility.
- If the SCM practice is improved, the profit and market share of the company will increase. So, Hilton Addis Ababa should give high to SCM.
- Above all as my finding showed the effect of SCM is great influence on Service Delivery and so I still recommend that SCM is highly important to Addis Ababa Hilton and the company need to give high weight for it.

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APPENDICES

Survey Instruments

Dear Sir/Madam,

Addis Ababa

This research is conducted as a partial fulfillment of Master of Arts (MA) graduate studies of Logistics and Supply Chain Management at School of Commerce of College of Business and Economics of The Addis Ababa University. This research is designed to gather primary data to assess the effect supply chain management practice on customer service delivery in hotel industry: The case Hilton international hotel Addis Ababa.

I would be grateful if you would be so kind as to take 45 minutes to fill in this short questionnaire. We would like to ask you to be realistic and objective in assessing your organization. We assure **complete anonymity** of the gathered data. These will be represented on aggregate level alone. Please provide answers on all questions even though you feel that they repeat themselves occasionally. This is the only way we can assure statistical validity of the questionnaire. I would like to assure you that information provided will be kept and treated with strict confidential.

If you need further information please contact me at rmekides@gmail.com

Sincerely

MekidesRedae

General Information

Respondent information	
Respondent function:	
Core activity:	
Respondent name:	
Position	
E-mail:	

1. **Education background**

   ○ Diploma

   ○ Degree

   ○ Master

   ○ Above

2. **How long have you been in this kind of activity?**

   ○ < 3 years

   ○ 3-5 year

   ○ 5-8 years

   ○ > 8 years

3. **In what sector or function are you operating (Please put a tic mark)?**

   ○ Logistics and Supply Chain Management

   ○ Marketing Management Department

   ○ Other

4. **Please indicate your level of agreement how supply chain management recognized in your organization? (1= strongly disagree; 5 = strongly agree)**

Strategic Function	1	2	3	4	5
Tactical Functions	1	2	3	4	5
Operational Functions	1	2	3	4	5

5. **Please indicate your level of agreement how marketing management recognized in your organization?(1= strongly disagree; 5 = strongly agree)**

Strategic Function	1	2	3	4	5
Tactical Functions	1	2	3	4	5
Operational Functions	1	2	3	4	5

6. **How do you explain the supply chain management department and marketing department relationship? (1= strongly disagree; 5 = strongly agree)**

Shared visions	1	2	3	4	5
Shared competencies	1	2	3	4	5
Shared resources	1	2	3	4	5
Vertical relationship					
Horizontal relationship					
Matrix relationship					

7. **Please show your level of agreement which factors affects most the supply chain management practice in your organization? (1= strongly disagree; 5 = strongly agree)**

Internal driving factors	1	2	3	4	5
External driving factors	1	2	3	4	5

8. **Please indicate your level of agreement on the following external drivers most affects your companies supply chain management (1= strongly disagree; 5 = strongly agree)**

Resource commitment of chain actors	1	2	3	4	5
Partnership development	1	2	3	4	5
Trust among chain actors	1	2	3	4	5
Information flow	1	2	3	4	5
Financial flow	1	2	3	4	5
Goods and services flow	1	2	3	4	5

9. Please indicate your level of agreement on the following internal drivers most affects your companies supply chain management (1= strongly disagree; 5 = strongly agree)

Cost minimization orientations	1	2	3	4	5
Maintaining core competencies	1	2	3	4	5
Leadership/Management Commitment	1	2	3	4	5
Internal Flexibility	1	2	3	4	5
Quality Orientations	1	2	3	4	5

10. Please indicated your level of agreement how effective service delivery for customer most likely influence by (1= strongly disagree; 5 = strongly agree)

Cost minimization orientations	1	2	3	4	5
Dependability	1	2	3	4	5
Flexibility	1	2	3	4	5
Physical infrastructures	1	2	3	4	5

11. Please indicate your level of agreement on the following matrix how supply chain management relates with the functions of marketingdepartment?

11.1. External drivers

Resource commitment of chain actors	1	2	3	4	5
Partnership development	1	2	3	4	5
Trust among chain actors	1	2	3	4	5
Information flow	1	2	3	4	5
Financial flow	1	2	3	4	5
Goods and services flow	1	2	3	4	5

11.2. Internal drivers

Cost minimization orientations	1	2	3	4	5
Maintaining core competencies	1	2	3	4	5
Leadership/Management Commitment	1	2	3	4	5
Internal Flexibility	1	2	3	4	5
Quality Orientations	1	2	3	4	5

12. Please indicate your level of agreement on the following matrix how relates marketing department with the functions of supply chain management?

Cost minimization orientations	1	2	3	4	5
Dependability	1	2	3	4	5
Flexibility	1	2	3	4	5
Physical infrastructures	1	2	3	4	5

13. **Please any additional information which we might not asked but you think helpful for the survey**.

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