

ADDISABABAUNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN
MANAGEMENT



**Supply Chain Management practice and Procurement
Performance:
The Case of the Ethiopian State Owned Commercial Banks and
Insurance Corporation.
By
Senait Resom Gebru**

**A Thesis Submitted to the Addis Ababa University, School of
Business and Economics, in partial fulfillments for the requirement
of the Degree of Masters' of Arts in Logistics and Supply Chain
Management.**

**June, 2018
Addis Ababa, Ethiopia**

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Supply Chain Management**

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DECLARATION

I the undersigned, hereby declared that this thesis paper represents my own original work, except where due acknowledgement is made and has not been previously submitted for any Degree qualification in this or any other University or Collage for academic credit

Declared by

Senait Resom

Signature

Date

STATEMENT OF CERTIFICATION

This is to certify that the thesis carried out by Senait Resom on the topic entitled: “*Supply Chain Management Practices and Procurement performance: The Case of Ethiopian State owned Commercial Banks and Insurance Corporation*” is her original work and is suitable for submission for the award of Masters of Art Degree in Logistics and Supply Chain Management.

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LIST OF ACRONYMS

CBE: Commercial Bank of Ethiopia

DBE: Development Bank of Ethiopian

E.C: Ethiopian Calendar

E.I.C: Ethiopian Insurance Corporation

PFISA: Public Financial Institutions Supervising Agency

ROI: Return on Investment

SC: Supply Chain

SCM: Supply Chain Management

USAID: United States Agency for International Development

Abstract

This particular study conducted to investigate the relationship between the Supply Chain Management practices on Procurement performance in terms of three dimensions, i.e. Strategic Supplier Partnership, information sharing, and logistics integration in the Ethiopian state owned Commercial Banks and Insurance Corporation. As of data analysis and respondents, the study employed census survey and quantitatively assessed the supposed relationship between the dependent and independent variables. Questionnaire has been used as the formal instrument of data collection. A total of 48 questionnaires were distributed and 46 of them who are purchasing managers, purchasing and warehousing staffs were filled and returned to make the response rate about 95.83%. The items were measured on five point Likert scale that range from strongly disagree to strongly agree. Respondents were being requested to allocate scores for each of the items on the instrument by taking their key suppliers in mind. The findings of the study suggested that all the dimensions of the supply chain practices have statistically significant both with the compounded and individual measures of procurement performance despite the fact that the strength of the relationship is relatively higher in the case of logistic integration followed by strategic supplier partnership. The regression result also suggested that, logistic integration have significant impact on determining firms' purchasing performance. Furthermore, It is also suggested that Ethiopian state owned Commercial Banks and Insurance Corporation shall give special emphasis in the improvement of their information sharing through communicating with their key suppliers such as sharing quality information on timely basis, keep up-to-date each other specially when changes occurring, communicate in m about how goods are made, delivered and also have to work more for promoting strong strategic partnership with adequate logistic integration as well to get enhanced procurement performance.

Key Words: Strategic supplier partnership, Information sharing and Logistic integration.

CHAPTER ONE

1.1 INTRODUCTION

1.1.1 Background of the study

Traditionally composed of suppliers, manufacturers, wholesalers, and customers, these partners form a network of relationships that is known as a supply chain. Closely related to supply chain is the concept of supply chain management which emerged from the natural intuition that adequate management of supply chain products, information, and funds will improve supply chain competitiveness and profitability (Chopra and Meindl, 2001). Joel, 2010 defined supply chain management as: Supply chains cover everything from production, to product development, to the information systems needed to direct these undertakings. The foundation of supply chain management is underscored in this definition in that supply chain management focuses on the optimization of system wide performance, not the narrow interests of single partners.

On the other hand, (Corston and Kumar 2005) stressed that, supply chain management practices have become more global. These driving forces have utters changes in the pattern of link in today's inter-organizational vigorous relationship, and this will lead to impression that, the supply chain impact created competition and this is no longer among firms, but among supply chains (Ketchen and Hult, 2007). Hence, firms are now required to form partnership beyond their organizational boundaries and integrate their operations with the operations of members of the supply chains they belong, facilitate and deliver value to their customers, secure and maintain their goals

Despite the supply chain management's goal being straightforward, decision making in order to design, plan, and operate a supply chain in an efficient manner remains challenging. One main concern is that centralized decision settings in a supply chain, are not always present in supply networks (Reiner, 2005). If the blocs and alliances between countries are old, the forms and methods have evolved, diversified and extended to companies, to form giant multinational companies, through horizontal and vertical integration (Shoghari and Abdallah, 2016). As a result, the concept of supply chain emerged and the information and communication technology

revolution facilitated the process of integration between the scattered company entities throughout the world, as well as the integration between independent companies that operate within one supply chain in order to meet their overall firms (Shoghari and Abdallah,2016).

Hence, the potential benefits from successful supply chain management practices, encompass both financial and non-financial (operational) aspects (Daugherty et al., 2005). On the other hand, with respect to firms 'procurement performance by practicing the supply chain management, most researchers choose to look the supply chain management practices and firms procurement performance has a director and indirect impact on the performance of the central company (Fabe - Costes and Jahre, 2008; Van der Vaart and van Donk, 2008).This has a positive impact and would increase revenue, improved profitability and brings a cost reduction and this is a type of long term financial gains; whereas inventory reduction, improved delivery service, shorten order cycle times, and also superior product availability and internal and external customer satisfactions are among the procurement benefits that could be enhanced through supply chain relationship among key strategic suppliers (Ireland and Webb, 2007; Daugherty et al., 2005).In addition, one of the relevant supports of positive relation between the practices of supply chain management and procurement performances is quality of information sharing with integrated logistic with strategic key suppliers in long-term stance; therefore, strategic long term supplier partnership, sharing of quality information with integrated logistics can help to minimize the transaction costs through the development of trust and reputation (Cooper et al., 1997; Mentzer, 2001).Incidentally, several studies have identified that the practice of supply chain management improve both financial and/or procurement performances of firms; (Johnston, McCutcheon, Stuart and Kerwood, 2004; Cristobal, 2009. Romanathan, 2012, Lockamy and McCormack, 2004, Cao Zhang, 2011, and Hayes, 1998) also emphasized that, the supply chain practices has a positive influence over all firm's performances to consider in overall terms.

Therefore, the researcher is intended to test the framework identifying the relationships among SCM practices and procurement performance of the Ethiopian State owned Commercial Banks and Insurance Corporation i.e., Commercial Bank of Ethiopia, Development Bank of Ethiopia and Ethiopian Insurance Corporation.

1.1.2 Background of the organization

State owned Commercial Banks and Insurance Corporation i.e., (Commercial Bank of Ethiopia, Development Bank of Ethiopia and Ethiopian Insurance Corporation) are supervised by the Public Financial Institution. Though the dominance of the public holding is still prevailing, the Ethiopian financial institution industry in general is showing a noticeable growth. Like all other businesses activities, they strive to make profit and grow, contribute to the economy and are essential for the security and stability of the financial system.

Commercial Bank of Ethiopia (CBE) is founded in 1942 as the state bank of Ethiopia but legally established as Share Company in 1963 and merged with privately owned (Addis Ababa Bank) in 1974. CBE is still the largest bank in the sector, with more than 384.6 billion Birr in assets and has 13.3 million account holders, serve in domestic and international banking (more than 50 foreign correspondent banks), E-payment; interest free banking. The bank has more than 30,000 employees in headquarters and over 1160 branches positioned in the main cities and regional towns. The bank also operated two branches in South Sudan and re-opened a branch in Djibouti.

Development Bank of Ethiopia (DBE) operated since 1909 and was formerly known as Agricultural and Industrial Development Bank. The bank promotes the national development agenda through development of finance and close technical support to viable projects from the priority areas of the government by mobilizing funds from domestic and foreign sources while ensuring its sustainability. The main priority areas of the bank are commercial agriculture, agro-processing industries and manufacturing and extractive industries with more than 1700 employees and over 32 branches.

Ethiopian Insurance Corporation (EIC) was established in 1976. The Corporation came into existence by taking over all the assets and liabilities of the thirteen nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming to:-

- Engage in all classes of insurance business in Ethiopia and to
- Ensure the insurance services reach the broad mass of the people.

However, upon re-establishment of the Corporation again in 1994 as state owned financial institution enterprise, the law covers the following new objectives to the corporation.

- Engage in the business of rendering insurance services;
- Engage in any other related activities conducive to the attainment of its purposes.

Ethiopian Insurance Corporation, as a largest financial institution, engaging in the business of rendering insurance services such as general insurance, long – term insurance, reinsurance, finance, investment and international affiliations and other related activities conducive to the attainment of its purposes with more than 1500 employees and 65 branches.

A strong and healthy financial system is a prerequisite for sustainable economic growth and to withstand negative shocks and maintain financial sector stability so as all state owned financial institutions put their vision, to be world class bank and insurer by the year 2025, they set their mission to provide their customers an efficient and reliable bank, giving the best insurance services and engaging in investment activities by deploying the right mix of expertise, using helpful technology and cost effective strategy. In doing so, they retrieve to contribute to the sustainable development of the national economy and play a vital role in the country. Hence, since their value is a belief that are shared among stake holder which is in this case, among their supply chain partners, the priorities is to provide a framework in which decisions are made for company's organization performance in general and procurement performance in particular.

Consequently, this particular study assessed the SCM practices of Ethiopian State owned Commercial Banks and Insurance Corporation and how these practices are associated with their procurement performance. Given the fact that all the three state owned Commercial Banks and Insurance Corporation, mainly centralize their purchasing unit at their headquarters. Accordingly, the study mainly relied on the information obtained from the central purchasing unites of the respective state owned Commercial Banks and Insurance Corporation.

1.2 Statement of the problem

Globally, there are some noticeable shortcomings on the previous conducted empirical studies on supply chain management field. For instance; Gurjan, et al., (2011) stressed that, by doing analysis of selected articles, led to opinion that, in the supply chain management perspective, most authors have a preference to perform empirical studies, but still shall be used at a higher levels and so far needs a better framework that can prevail over the gap of the conducted empirical studies significance on supply chain management and needs to show the better relation within a stated outcome. On the other hand, the relationship between supply chain management practices and procurement performance has been given a lot of consideration in the literature study (Christopher, 2013). However, the outcomes have not been entirely consistent. For instance, in the connection between process management and performance, the direct effect of process management on performance has been acknowledged in several studies (Kaynak, 2003; Kaynak and Hartley, 2008; Sila and Ebrahimpour, 2005; Prajogo and Brown, 2004; Terziovski, 2006, Feng et al., 2006; Fening et al., 2008; Zu, 2009). Nevertheless, according to Tari et al., (2007), they have an indirect relationship. Conversely, Flynn et al., (1995), urged that process management has a negative direct relationship with firm's performance or still they are not related (Powell, 1995, Samson and Terziovski, 1999).

Furthermore, most of the studies conducted on supply chain management congregate in the manufacturing industry and has not been well covered within the financial service giving sectors. This is even true for those developed countries, which are though having greater understanding about supply chain management and put it into practice. Van der Vaart and van Donk (2008) claimed that, most pieces of studies have enclosed variety of firms, yet the automotive and food industries give the impression to have been the most celebrated.

In Ethiopian context, Debela F., Melese (2016), highlighted that, supply chain management practices in Ethiopia, are characterized by poor logistic management system which can hinder procurement performance such as, lack of coordination of items transported, low level of development of logistic infrastructures, deterioration of transport handling materials. Besides, Vincent K. Kimechwa (2015) point out that, using the proper SCM practices in financial institution gets a little attention given by the players in the industry, as such it transforms into an

obstacle on the performance of the industries, and the issue of applying SCM practices in the financial institution, apart from manufacturing sector, is fairly a new phenomenon. Likewise, as per the observations of the researcher, SCM practices are not well performed by the organizations. For instance, for purchasing of goods and services, the organizations primarily employed the transactional bid to purchase approach. For instance, in CBE, from 2016/17 budget amount to purchase goods and services which was Birr 2,562,750,602.00, only the amount of Birr 176,245,721.63 were being purchased using long term frame work agreement(CBE2017/18purchase progress report), which is only approximately 7% from the total yearly budget. Besides, the company's procurement procedures do not give enough room or encourage strategically long – term oriented relationship with their key suppliers. Seeing that, the long – term frame work agreement which is meant to be implemented, is too strict and only stresses the relationship by disregarding the benefits of the suppliers, CBE's procurement procedure, 2017 and Public Financial Institutions Supervising Agency procurement procedure (PFISA), 2016.

Accordingly, the existing practices of supply chain along with firm's purchasing policies are not in a pleasing stage in the Ethiopian context and confirms that logistic integration, formation sharing and alignment with strategic key supply chain partners which are the main subsets of supply chain exertion is not getting a proper attention on the practical ground basis.

Bearing in mind, the abovementioned gaps, the anticipated study would stab to assess and try to disclose the practice of supply chain management on procurement performance of firms, i.e. state owned Commercial Banks and Insurance Corporation. Concerning the practical importance, this study was about the foundation for thoughtful understanding of the composed representation of the influence of supply chain management through self-evaluation by Ethiopian state owned Commercial Banks and Insurance Corporation on their practices over such relationships. As for its contributions, the study would bring about the foundation for the better understanding of the established framework of supply chain management practices on procurement performance, narrow the gap of the literature, and help future researchers who are willing to conduct study on this area/topic.

1.3 Research question

- ✚ How does Supply Chain Management practices in the Ethiopian State owned Commercial Banks and Insurance Corporation?
- ✚ What is the level of procurement performance of Ethiopian state owned Commercial Banks and Insurance Corporation?
- ✚ How the dimensions of SCM practice affect the quality, cost, on time delivery, quantity flexibility, product mix flexibility and the internal customer satisfaction.

1.4 Objective of the study

1.4.1 General objective

The general objective of this study is to examine the status and the relationship between supply chain management practices and procurement performance in the case of Ethiopian state owned Commercial Banks and Insurance Corporation.

1.4.2 Specific Objectives

In conjunction with the aforementioned general objective, the study will also have the following specific objectives:

- ✚ To evaluate the level of SCM practice in the Ethiopian State owned Commercial Banks and Insurance Corporation.
- ✚ To determine the level of procurement performance of Ethiopian State owned Commercial Banks and Insurance Corporation.
- ✚ To examine how the dimensions of SCM practices affect the quality, cost, on time delivery, quantity flexibility, product mix flexibility and the internal customer satisfaction.

1.5 Scope of the study

This study was meant to assess supply chain management procurement performance in the Ethiopian Commercial Banks as buying firms. The process and measurement of the SCM practices was made on the bases of three dimensions, namely strategic supplier partnership, information sharing and logistics integration. Moreover, it is the procurement aspect of firm performance that was considered in the study rather than the more generic measure, i.e.

financial performance. Methodologically, the study was delimited to the quantitative analysis of the information gathered through questionnaire. The geographical scope was limited to the domestically operating state owned Commercial Banks and Insurance Corporation. Since all of the state owned domestic Commercial Banks and Insurance Corporation had centralized procurement units, all situated in Addis Ababa, the study data were collected from these units corresponding to the study period that spanned from April to May, 2018 Which then only reflects respondents perception and the state owned Commercial Banks and Insurance Corporation situation in the stated period.

1.6 Significance of the study

In light of the significant gaps in academic and practical concerning under considerations, this study has the following significances.

- ✚ Supply chain practices are an analytical approach which improve the supply chain activities, increase procurement performance and give firms a competitive advantage. Accordingly, one of the main activities in a business company is having a well-developed supply chain management practices. Nowadays, the success of businesses is relying on the very link of SCM practices and its performance. The study is therefore, helps the firms' management to focus their attention on practicing supply chain management activities properly, to get rewarding procurement performance and to achieve the ultimate organizational goal.
- ✚ As far as the practical significance is concerned; the study provided are levant insight on how supply chain management and its implication on the performance of firms are going to be measured. The study also served as the instrument of self-evaluation to Ethiopian state owned Commercial Banks and Insurance Corporation of their practice on such relationships.
- ✚ As for its contributions to the collective learning and knowledge building process on academics and theory, the study would bring about the foundation for the better understanding of the established framework of supply chain management practices on procurement performance, narrow the gap of the literature, and help future researchers who are willing to conduct study on this area/topic.

1.7 Limitation of the study

Like many research works, this particular study would also be subject to some limitations. First and for most important limitation of this study would be the fact that though the unit of analysis between the procurement firms and suppliers, however, the study is purely conducted on the basis of the responses obtained from purchasing firms since it assumed the buying firms' perspective. This entails the need to more fully examine the nature of the exchange relationship from the suppliers' perspective in order to establish whether or not the relationship is reciprocal and mutually beneficial (Chen et al., 2004; Van der Vaart and van Donk, 2008). Similarly, the study didn't include other factors which might affect the overall organizational performance such as financial performance.

1.7 Definition of terms and concepts

Supply chain Management (SCM) it is the streamlining of a business' supply-side activities to maximize customer value and to gain a competitive advantage in the marketplace. Supply chain management (SCM) represents an effort by suppliers to develop and implement supply chains that are as efficient and economical as possible. Supply chains cover everything from production, to product development, to the information systems needed to direct these undertakings (Joel, 2010).

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

Supply chain management practices: It is a set of activities undertaken in an organization to promote effective management of its supply chain (SuhongLi and Subba Rao, 2006).

Procurement Performance: Procurement performance measures, cost, quality, flexibility, and delivery, availability, responsiveness are widely regarded as constituting the major operational performance variables (Vereecke and Muylle, 2006). In a similar approach, Sanchez-Rodriguez (2009) has defined procurement performance as the effectiveness in purchasing materials at the lower total cost of acquisition, on time delivery, of the right quality and in the right quantities.

1.8 Organization of the study

The study organized into five chapters. Chapter one presents the introductory part of the study that comprises, the background of the study, statement of the problem along with the research questions, objectives of the proposed study, scope of the study, significance of the study, limitation of the study, definition of terms and concepts along organization of the study. Chapter two discussed the review of related literature about the subject matter. Whereas, chapter three gives details on account of the design and methodological aspects employed, the analysis of the study, data presentation for the outcomes of the results and corresponding discussions was comprised under chapter four. Chapter five brings to a close the thesis by providing the brief of summary of findings, conclusions and relevant suggestions on the basis of findings.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Introduction

This chapter reviewed conceptual underpinning of theoretical review and empirical literatures related to the study as well as acknowledging the work of other researchers in this study and also includes: concepts, dimensions and practices of supply chain management along conceptual framework to show the relationship between the dependent and independent variables.

2.1.1 Concept of Supply Chain Management

Supply chain management is a cross-functional approach that includes managing the movement of raw materials into an organization, certain aspects of the internal processing of materials into finished goods, and the movement of finished goods out of the organization and toward the end consumer and less control and more supply chain partners lead to the creation of the concept of supply chain management, Griffis, Stanley E. 2014. The purpose of supply chain management is to improve trust and collaboration among supply chain partners thus improving inventory visibility, increasing quality and reducing cost of materials and the velocity of inventory movement. Consequently, many companies have now focused more on their supply chains and hence, have thought of ways to improve their supply chain management, Lotfi, Sahran, and Mukhtar, 2013. As Lambert, 2008 stressed, organizations needs to focus on their core competencies and become more flexible, and this would reduce their transactional costs, give them an opportunity to acquire materials and services in required quality and quantity basis, giving firm's a prospect of consistency for their ownership of raw materials sources and distribution channels more cost effectively. The effect is to increase the number of organizations involved in satisfying customer demand, while reducing managerial control of daily logistics operations.

2.2. Theoretical review

Procurement entails the process from origination to fulfillment of needs, by vetting strategic key suppliers, and is a broad term than purchasing. Procurement is concerned with acquiring of goods, services and work that is vital to an organization and essentially overarching or umbrella

term within purchasing can be found. The system of supply chain management practices as a way of integrating procuring and logistic goals is, a tool which allows the organizations to improve quality of goods, acquisition of goods and services with reasonable price, insures required quantity and availability of materials and with adequate customer service to the competitive advantage (Tan, Lyman and Wisner, 2002). According to Patrick Fung (1999), firms can be responsive to customer needs through aligning supply chain management practices and energizing organizational terms with strategic procurement.

Supply chain management practices can be applied by companies across the globe due to its demonstrated results which is by improved performance, greater customer satisfaction, building trust among suppliers. According to D'Amours, Ronnqvist, and Weintraub (2008), companies advanced to supply chain practices to improve their performance and their competitive advantages.

Supply chain management practices will make a great impact on the performance of the organization. These practices are supposed to improve the organization's procurement performance by adopting a strategic superior relationship with other supplier partner. For instance, the strategic partnership with key suppliers will help in improving the supplier performance, will help to reduce the time to the market (Ragatz, Hand field, and Scannell, 1997), and will also results in the responsiveness, flexibility, availability and this finally brings about customer satisfaction (Power, Sohal, and Rahman, 2001). On the other hand, in order to survive and compete in today's global economy, firms strongly needs to create, share and disseminate up-to-date and appropriate knowledge and information Nunes, et al., 2006. In addition, information sharing will also help to high stage of integration within the supply chain by making enable the organizations for the dependable delivery, also for introducing new product in market quickly (Jarrell, 1998). A supply chain is stays connected by flows of information, finance and material by the suppliers, producers, retailers, distributors and customers, Fiala, 2005. A supply chain management strategy involve an end-to-end integration of business operations such as purchasing, manufacturing, selling, and logistics integration and all through the chain for the intention of providing the best value to final user organ, Wisner, 2003. Alvarado and Kotzab, 2001 also highlighted that, transportation and logistics integration

reduce inventories both within and across the organizations in the supply chain and improve the service level (Alvarado and Kotzab, 2001).

Several studies have focused on SCM practices but most have failed in their quest to provide enough information on the best practices and their effects on performance of financial institutions. As Richard (2008) states, no prominence has been made by financial institutions in the sector in managing and creating the required competence in SCM. This substantiates the existence of supply chain flaws and problems in the financial sectors, restraining the achievement of competitive advantages and drawback for setting the intended goals. Hence, based on the gaps of SCM practices on state owned financial institutions and shortage of conducted literature on the area of the topic, this research would be conducted by evaluating the relationship between the SCM variables and the Ethiopian state owned Commercial Banks and Insurance Corporation procurement performance.

The positive impact of the supply chain management practices and procurement performance can manifest itself in many dimensions. Strategic Supplier partnership, information sharing, leads time and inventory reduction, (Cooper and Ellram, 1993, Bechtel and Jayaram, 1997). What SCM practices should the firm adopt? Various researchers label different factor or dimensions that have been used to practice supply chain management, so far with the incidence of extensive repetition by employing some of the factors or variables in which this research uses to increase procurement performance. Thus, many researchers attempted to comprehend the variables i.e.; - strategic supplier partnership, information sharing and logistics integration to be used for SCM tools for fruitful procurement performance.

2.2.1 The Main dimensions of Supply Chain Management practices.

The positive influence of supply chain management on procurement performance can manifest itself in many dimensions. Supplier partnership, information sharing, leads time and inventory reduction, (Cooper and Ellram, 1993, Bechtel and Jayaram, 1997). What SCM practices should the firm adopt? Various researchers label different factor or dimensions that have been used to practice supply chain management, so far with the incidence of extensive repetition by employing some of the factors or variables in which this research uses to increase procurement performance. Thus, many researchers attempted to comprehend the variables i.e.; - strategic

supplier partnership, information sharing and logistics integration to be used for SCM tools for fruitful procurement performance.

2.2.1.1 Strategic Supplier partnership

A strategic supplier partnership is a relationship of procurement firm with the supplier firm and making alliances, or cross-holdings in each other. The strategic supplier partnership is not a new argumentation; however, it is taking a new direction of dynamic aspect of SCM practices (Li et al., 2006). Strategic supplier partnership provide both large and small firms with numerous procurement performance through improving their conduct of business such as risk and reward sharing, resource pooling, reduction transaction costs, ability to concentrate on core competency, and rapid response to market needs (Spekman, Kamauff and Myra, 1998). Strategic supplier partnerships as a supply chain practicing tool provides access to complementary expertise and the support and capacity to further organizational strength and create the innovative approaches to problem-solving and the opportunity for reevaluating institutional operations and practices, Douglas M. Lambert, Cooper C. Martha, Janus D. Pagh (1998), also stated that through strategic partnership, firms can collaborate and share risks and rewards in order to achieve SCM mutual benefits, hence a long term trustworthy. It has been increasingly adopted by firms to manage inter-organizational collaboration in the supply chain. Firms may decide to engage suppliers early and involve them in their operational activities, product development with an effort to achieve designs that are not costly, enjoy improved high quality of products and reduced lead time (Tan et al., 2002). It enables the organization to work effectively and efficiently with the key supplier who are ready to bear the responsibility about the success or failure of the product and services. A well strategized supplier partnership includes purchase products and services from suppliers and influencing the suppliers method and operational competence, adding value and improving the supply chain performance and supplier development, (Sufian, 2010). Strategic supplier partnership in the supply chain management is one of widely accepted organizational forms. Supply chain strategic partnership is intended to influence the strategic and operational capabilities of supply chain participant firms to assist them attaining considerable continues benefits (Stuart, 1997). Strategic partnership with suppliers enables organizations to work more effectively with a few key suppliers who are willing to share accountability and responsibility for the success of the

products and services (Anderson and Katz, 1998; Li, et, al., 2006). Larger and ongoing strategic supplier relationship in parallel with applying supplier risk management tools such as proper selection of supplier and supplier monitoring will lead to company's overall goals and objectives, (G.A. Zsidisin and M.E. Smith, 2005),

The main objective of strategic supplier partnership is increasing the overall organizational performance and benefits to all partners by reducing total cost of ownership, possession, and disposal of goods and services (Maheswari et al., 2006; Li et al., 2006). Strategic supplier partnership is designed to influence the strategic and procurement performance of firms to help them accomplish important continuous payback (Stuart, 1997). Strategic Supplier partnership explained as the long - term based association between the procurement firm and supplier. The main purpose is to achieve the extensive time benefits by facilitating purchasing processes in the way of attaining the firm's intended benefits (Stuart, 1997), (Balsmeier and Vision, 1996), (Monczka, Petersen 1998). On the other hand, (Vereecke and Muylee 2006) suggested that strategic supplier partnership in supply chain management has been reported to yield considerable impact on procurement performance. Therefore, for the purchasing company, building a strategic supplier partnership is one of the most popular SCM practices in the organization.

2.2.1.2 Information Sharing

Quality and relevance information sharing is a significant and fundamental aspect for the relevant SCM success and for sustainable buyer-supplier relationships (Krishnapriya, and Rupashree, 2014; Cao et al., 2009). Furthermore, Janda, 2002, stressed that the procurement firm, by treating suppliers as allies and sharing strategic information with suppliers, can achieve better lead times and quality, increased operation flexibility, and established long-term cost reductions, all of which could help these firms advance the intended value for the final customer or buyer firms. Information sharing is the extent to which a firm shares a variety of appropriate, precise, complete and classified ideas, plans and events with its supply chain partners in an appropriate behavior (Cao et al., 2009; Simatupang and Sridharan, 2004). According to Stein and Sweat (1998), Supply chain partners who exchange information regularly are able to work as a single entity. Together, they can understand the needs of the end customer more and for this reason can respond to the market change faster. Moreover, Tompkins and Ang, 1999

highlighted that considering the effective use of relevant and timely information by all functional elements within the supply chain as a key competitive and distinguishing factor. The empirical findings of Child house and Towill, 2003 revealed that, simplified material flow, including streamlining and making highly visible all information flow all the way through the supply chain, is the key to an integrated and effective supply chain and it has been discovered that strategic information flows certainly influence the relationship-specific performance of both sharing and receiving parties, among which delivery time, quality and responsiveness are prevailing (Klein and Rai, 2009). However, to realize the streamlining effect of information, the information shall be more proprietary, implicit and holistic than the data traded in transactional relationship, given the fact that coverage of information sharing as well as quality and significance of the information shared is the vital aspects to set up achievement in mutual efforts in supply chain participants' relationship and a central part of SCM practice (Krishnapriya, and Rupashree, 2014; Cao et al., 2009).

Logistics integration is one of the main SCM practical tools which provide firms with operational benefits and a way to improve performance in multiple competitive dimensions, most particularly cost, flexibility, availability, responsiveness and delivery performance. Prajogo et al., (2012). Logistic manages the flow of inputs from suppliers, the movement of materials through different operations within the firm, and the flow of materials from end to end through different operations within the business entity, and the flow of materials out to buyers (Wisner, 2003). The notion of logistics integration (external integration) refers to the integration of logistics systems of the members of the supply chain (Stock, Greis and Kasarda, 1998). Logistics integration is a well-coordinated flow of materials, services and information from suppliers, which allow firms to have a smooth process Frohlich and Westbrook, (2001). Besides, Stock et al., (1998) emphasized that logistic integration is highly subject matter in SCM with the extent of which, the logistics activities of purchasing firms are highly integrated with their suppliers and this leads to the way to firm's procurement performance. For purchasing firm, some of the logistic activities such as greater coordination with those of its suppliers, is the expression of higher levels of integrations which improved firm's performance (Stock, Greis and Kasarda, 2000). The product quality and profitability of logistics firms have been improved by better information systems (Stank, Crum, and Arango 1999). Stank, Theodore, Michael Crum, and Miren A., 1999 also emphasized that, capabilities in logistics services are drivers for

superior procurement performance, these include electronic data interchange (EDI) linkage, freight consolidation, warehousing, consulting and freight bill payment. It corresponds to physical equipment and information system that has a LSP to facilitate communication and execution of logistics operations of its customers. It is also related to attributes such as EDI, tracking/tracing, technology capabilities, information accessibility, availability of computer network, information level, technical capability, materials handling equipment and information security Bottani, Eleonora, and Antonio Rizzi. (2006).

Bearing in mind the above three main supply chain management practice tools/variables, the research would review the central/focal firms' office on their procurement performance. The operational successes is mostly gained all the way through effective and efficient procurement performance such as by; quality of purchase, on time delivery, flexibility, responsiveness and availability which have a direct implications on the satisfaction of the user organ, and so, determining the level of internal customers' satisfaction (Sanchez-Rodriguez, 2009).

2.2.1.4 The factor of firm's Procurement performance

It would be very difficult to set up the overall factor to measure supply chain management practices for non-manufacturing firms i.e. financial institutions by the total performance measurements including by financial performance. Because, with these broad-spectrum measures such as:- by measuring market share, Return on Investment (ROI) and profitability since general measures could be other than financial aspects for instance:- (both economic and managerial) variables that impact on organizational performance (Rodriguez, 2009; Van der Vaart and Van Donk, 2008), and they suggested that, for this kind of firms, it seems more likely and fruitful to narrate the practices of supply chain management in relationship with the actual and direct fact supposed to engage mostly, and in this case, it is the operational aspects of procurement performance measures.

On the basis of such arguments, this study would adopt procurement performance of the firms to assess its association between SCM practices on firm's procurement performance. In this regard, it has been stressed that while many performance frameworks have been advanced in the literature on operations and supply chain management, advocating the use of various procurement performance measures which are cost, quality, flexibility, and delivery time are

widely regarded as constituting the major procurement performance variables (Vereecke and Muylle, 2006). In a similar fashion, Sanchez-Rodriguez, (2009) has defined procurement performance as the effectiveness in purchasing of materials at the lower total cost of acquisition, on time, of the right quality and in the right quantities. Similarly, it has been argued that internal customer satisfaction has been also identified as the most important element of procurement performance outcome in several studies since the measures of the operational successes of purchasing such as quality of purchase, cost, on time delivery and both volume and mix determining the level of internal customers' satisfaction (Sanchez-Rodriguez, 2009).

2.3 Conceptual framework

On the basis of the above point of view, relating to the claimed association between the dimensions of supply chain management practices on procurement performance of the firms, with the references and the suggestions of the existing literature, this study imply the following conceptual framework that would pursue in the course of the preceding parts. The conceptual framework is a combined modification of the conceptual frameworks developed by prior studies (i.e. Sanchez-Rodriguez, 2009; Prajogo, 2012; Chen et al., 2004)

Independent variable Dependent variable

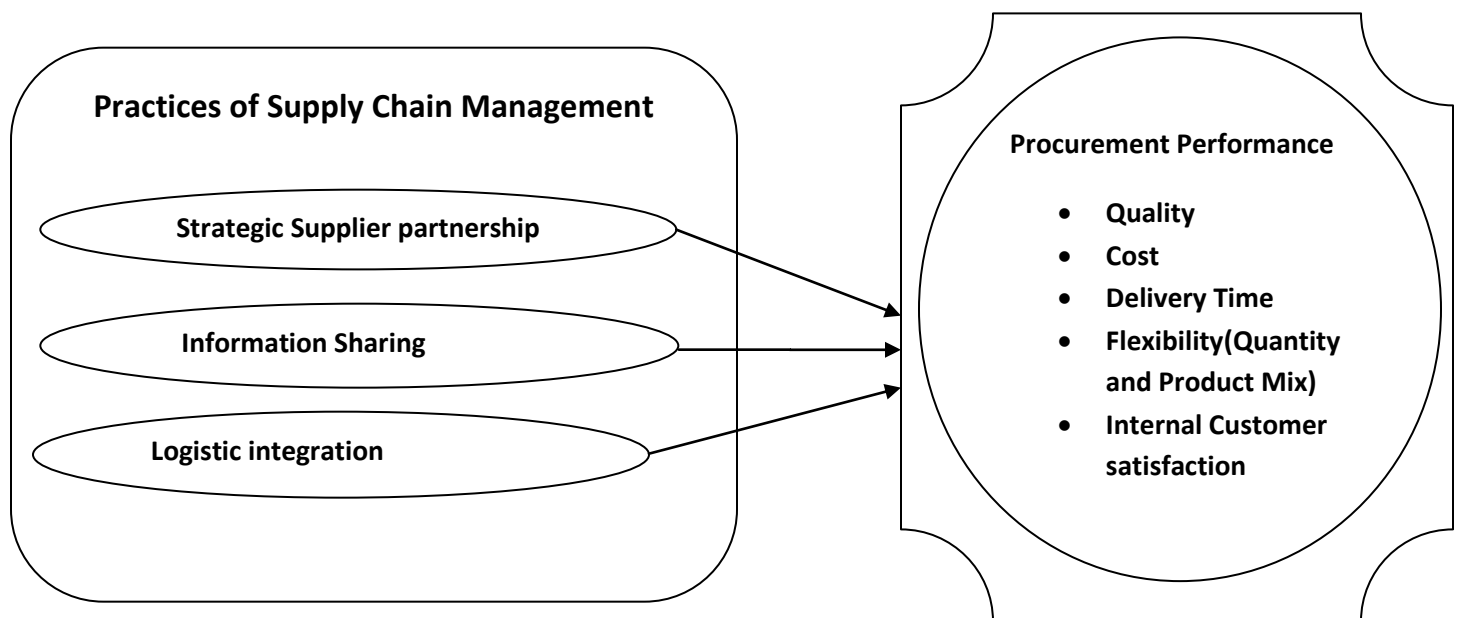


Figure 1.1: Conceptual framework (modified from Sanchez-Rodriguez (2009); Prajogo, (2011).

CHAPTER THREE

RESEARCH DESIGN AND METHODS

3.1 Introduction

The designing and methodological aspect of a particular study is the roadmap that the study followed in its pursuit of the desired outcome. Hence, due care has been made while spelling out these roadmap. In view of that, a detailed account has been given to the description of the particular design the research would employ; the data sources and methods of collection; the target population, unit of analysis and respondents; the types of instruments and their development procedure; the variables and corresponding measurement items; and data processing, analysis and presentation procedures.

3.2 Research Design

Research design is a blueprint for empirical research aimed at answering specific research questions or testing specific hypotheses through specifying the methods and procedures for collecting and analyzing the needed information (Bhattacharjee, 2012). Therefore, use of an appropriate research design is something that could not be subjected to compromise if a viable research finding is sought to be achieved (John Adams et al., 2007).

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

3.3 Research Approach

The survey method can be used for three types of research, namely descriptive (which focuses on the determination of the frequency with which an event occurs and how variables are related/associated in a particular context), exploratory (which emphasizes on the discovery of ideas and insights), and explanatory (concerned with determining the cause and effect relationships), (Bhattacharjee, 2012; Adams, Khan, Raeside, and White, 2007). Therefore, this research chosen and employed a descriptive and explanatory research approaches in order to give an adequate depiction of the association between supply chain management practice and procurement performance in the context of the Ethiopian State owned Commercial Banks and Insurance Corporation, and revealed the level to which the variables of the supply chain management practices influence on the purchasing performance of firms. Moreover, obtained information from a cross-section of a population at a single point in time is a reasonable strategy for pursuing many descriptive researches (Ruane, 2006), hence justifying the use of a cross-section descriptive analysis in this particular study.

3.4 Data source and method of collection

Primary and secondary sources of data/information used for the purpose of conducting this particular research. Primary data is the information that the researcher finds out by him/herself regarding a specific topic having the likely advantage that the data is collected with the research's purpose in mind, whereby ensuring the resulting consistency of the information with the research questions and purpose (Biggam, 2008). The primary data gathered through a well-developed questionnaire from the focal office procurement department of Ethiopian State owned Commercial Banks and Insurance Corporation.

As far as the secondary source is concerned, journals, books, procedures and guidelines, annual reports, magazines, produced by the state owned Commercial Banks and Insurance Corporation as well used to extract any sort of essential information to strengthen the study findings.

A **multi-item scale** is used to measure the respondent's attitude towards more than one attribute related to the stimulus object and that are meant to capture factors of the theoretical constructs, namely Strategic Supplier partnership, information sharing, logistics integration and

procurement performance, were developed on the basis of an extensive review of the extant literature as recommended by Sanchez-Rodriguez (2009). The items were measured on five point Likert scale that range from strongly disagree to strongly agree. Respondents were being requested to allocate scores for each of the items on the instrument by taking their key suppliers in mind.

3.5 Population of the study

All state owned Commercial Banks and Insurance Corporations i.e., Commercial Bank of Ethiopia, Development Bank of Ethiopia and Ethiopian Insurance Corporation were taken to constitute the study population. Due to the very small number of intended target population which was 48, the study had chosen and considered the entire population in the study, i.e. conducted census survey, rather than sampling form. 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 since virtually all population would have to be sampled in small populations to achieve a desirable level of precision (Israel, 2013).

3.6 Unit of analysis and respondents

Procurement managers was the relevant respondents of study for the firms/unit of analysis i.e., state owned financial institutions; for the reason that, they are most familiar with the SCM joint practices for their organizations with their key suppliers (Sanchez-Rodriguez, 2009), and the status of procurement performance under their respective area. On the other hand, in addition to the purchasing managers that have been identified as the main respondents, fifteen (15) additional purchasing and warehousing staffs participated as well; consequently, the total intended respondents were (48) to make fill the questionnaire. However, the total respondents who filled the questionnaires and returned were 46.

3.7 Variables and Measurement

As far as the study variables are concerned, as described on the research framework part of the literature review, this particular study had involved three independent variables for the measurement of the construct of supply chain management practice, and one dependent variable for the measurement of the construct of firm's procurement performance. The three independent

variables that had been used to construct the influence of supply chain management are strategic supplier partnership, information sharing and logistics integration; whereas the single dependent variable was allocated to the procurement performance of firms which was measured through quality, cost, delivery time, flexibility (in terms of quantity and product mix) and satisfying internal customers. Accordingly, after a comprehensive review of related literature, six items were identified to measure strategic supplier partnership; while information sharing was also measured through five items each and finally, additional four items were set aside for the measurement of logistics integration. Moreover, six separate items were also being assigned for the measurement of the dependent variable, i.e. procurement performance of firms.

Table 3.1: Variables and measurement items

Variable Factor/ Dimension	Measurement Items	Taken From
Strategic Supplier Partnership	Encompassing quality criteria in selection and segmentation of strategic suppliers, provide the essential information to key suppliers for improving product and service quality, perform joint effort with key suppliers to solve problems, perform continuous focus on the improvement programs with the help of key suppliers, involvement of key suppliers in the planning process and in goal setting activities, early engagement of main suppliers for operational activities.	Spekman, Kamauff and Myra, 1998, Douglas M. Lambert, Cooper C. Martha, Janus D. Pagh, 1998.

Variable Factor/ Dimension	Measurement Items	Taken From
Information Sharing	Communicate in advance when there is a need of change; shared necessary information between key suppliers; keep each other up-to-date about events or changes that may affect the other party; exchange information regularly; precise, timely and comprehensive information exchange with key suppliers.	Chen et al., (2004); Krause et al., (2007); Li et al.,(2006).
Logistic Integration	Proper coordinated logistic activities with key suppliers, logistic integration on the foundation of excellent transportation, inventory/and or warehousing facilities, blurred organizational distinction regarding logistic activities, well-organized and effective material flow.	Prajogo et. al (2012); Miguel and Brito (2011). Donald J, David J., and M.B., Copper (2007).
Operational Performance	Minimum total cost of purchased goods and services, quality of goods and services, timely delivery of goods and services; inventory and warehouse performance; internal customer satisfaction.	(Vereecke and Muylle (2006); Sanchez-Rodriguez (2009); Cooper et al., (1997); Huo et al., (2014); Prajogo et. Al., (2012).

3.8 Reliability

Questionnaires were delivered, distributed and collected physically with some time interval and which was spanned from April to May, 2018. The questions were focused on the knowledge of supply chain management practices which are Strategic Supplier Partnership, Information Sharing, and logistic Integration on the procurement performance in the case of Ethiopian state owned Commercial Banks and Insurance Corporation. Hence, as Li et al, 2006 stressed, the reliability of the instruments ensured whether the measurements items in an instrument cover the major content of the construct with one of the most commonly used measurement which is Cronbach's Alpha. The Cronbach Alpha coefficient is an indicator of internal consistency of the scale. A high value of the Cronbach Alpha coefficient suggests that, the items that make up the scale "hang together" and measure the same underlying construct. A value of Cronbach Alpha above 0.70 can be used as a reasonable test of scale reliability (Gaur A. and Guar S., 2009). Hence, all the independent and dependent variables' Cronbach Alpha value was above the minimum required value of 0.70.

3.9 Validity

It is defined as the extent to which data collection method or methods are accurately measure what they were measured and the researcher observation was also contributed for the research validity and used as a reliable source as well. Two different steps had been taken to ensure the validity of the study:

- ✚ Data was collected from the reliable sources and respondents were who had experiences in the subject matter from the Ethiopian State owned Commercial Banks and Insurance Corporation.
- ✚ Survey questions were developed and the valid data were collected based on literature review and frame of references to ensure result validity.

3.10 Ethical Considerations

Ethical considerations are of utmost importance while trying to advance knowledge through scientific inquiry. This is due to the fact that scientific studies usually involve human participants and, hence, if due care is not given to the manner as to how information is obtained from these participants and while disclosing such information, some sort of damage might be inflicted on the study participants. Considering this reality, the study tried to take all the

necessary precautions to protect the study participant from such sort of problematic encounters by applying certain measures. Accordingly, the respondents were informed not to mention their identity, particularly their names while filling questionnaire. Moreover, the researcher assured them there would be no meaningful damage inflicted on them because of their participation in this particular study by boldly explaining to them the apparent purpose of the study (which was actually for academic purpose) and ensuring the confidentiality of their identity and whole part of the information they provide for the purpose of undertaking this study.

3.11 Data analysis

Given the quantitative nature and purpose of the proposed study, which, among other things, is aiming at revealing the association between supply chain management and procurement performance of firms, the application of statistical techniques is a necessary requirement. Hence, the study data analyzed using Statistical Package for the Social Science (SPSS) version 20.0 by adapting descriptive cross-sectional census survey design.

Respondents' profile summarized through the use of frequency tables where frequencies and percentages would be assigned to the categories of the respective profiles of respondents as provide on the questionnaire; whereas, descriptive statistics such as mean and standard deviations of the respondents' scores on the items under all the factors calculated/aggregated for all state owned financial institutions individually and on compound basis in order to determine the extent of supply chain management practices and procurement performance in the firms along the respective factors and to identify the factors of the dependent variable on which the financial institutions performs relatively better. Moreover, the collective analyzed and interpreted by using quantitative technique. Pearson Product Moment Correlation Coefficient was being applied to assess the association between the dimensions/variables of supply chain management and procurement performance of firms. Pearson Product Moment Correlation Coefficient is a widely used statistical method for obtaining an index of the relationship between variables when this relationship is linear (Tharenou, Donohue, and Cooper, 2007). Moreover, multiple regression analysis would also be made as part of the overall data analysis endeavor with the aim of revealing the extent to which the factors of supply chain management practices on procurement performance of the firms, and this would be concluded with the provision of detail interpretation and discussion of the results of the statistical analysis.

CHAPTER FOUR

DATA ANALYSIS, RESULT AND DISCUSSION

4.1. Introduction

This chapter is emphasized on analysis, presentation and discussion based on the data collected through questionnaire from Ethiopian State owned Commercial Banks Insurance Corporation. Accordingly, for the interest of keeping sound flow of the presentation, subsequent to instrument reliability test and the demographic information of respondents is highlighted, followed by the presentation of descriptive statistics, correlation analysis and regression analysis in that order.

4.2. Reliability Test.

Internal consistency of the items organizing the dimensions of the independent and dependent variables was checked by using Cronbach's alpha. Consequently, the reliability of the study instrument has been determined by evaluating the average correlation among items in the scales of the respective dimensions representing the independent and dependent variables as suggested by Chen et al. (2004). The resulting Cronbach's alpha values of the dimensions are presented in the subsequent table.

Table 4.1: Cronbach's alpha

Dimension	No. of Items	Firms Cronbach's Alpha (Individually)			Combined Cronbach's Alpha
		CBE	DBE	EIC	
Strategic Supplier Partnership	6	.76	.77	.83	0.77
Information Sharing	5	.75	.73	.88	0.79
Logistics Integration	4	.76	.75	.76	0.72
Purchasing Performance	6	.76	.74	.89	0.82

Source: Own Survey Result, 2018

As the above table implies, all Cronbach's Alpha values of state owned Commercial Banks and Insurance Corporation i.e., Commercial Bank of Ethiopia, Development Bank of Ethiopia and Ethiopian Insurance Corporation individually and their combined Cronbach's Alpha of the respective dimensions were suggested in accordance of the minimal value of 0.7 (Cronbach, 1951), consequently, it is implying that the reliability of the instrument that measures the study was persistent, i.e. the items under the respective scales could suitably measure the dimension or variables of the study. Hence, from the compound score value, the lowest alpha value was 0.72 and it was in the case of Logistics Integration, whereas the highest was for Information Sharing with the alpha value of 0.79 with the value of .82 for procurement performance.

4.3. Respondents' Demographic Information

As implied in the preceding part of this study, the entire population of Ethiopian State owned Commercial Banks and Insurance Corporation was considered in the study. The managers at the central procurement departments of the respective Ethiopian state owned financial institutions and fifteen (15) additional senior purchasing and warehousing staffs were chosen as the appropriate respondents to the study, hence making the total number of respondents 48. However, from this intended number, the total respondents who were filled and returned the questionnaire were 46, which basically made the response rate about 95.83%. The demographic information of the respondents who have filled and returned the questionnaire is presented on Table 4.2.

As indicated on the table, the combined respondents' gender gap is not that much significant. i.e., male respondents consisted of 52.18% and female respondents taking the remaining of 47.82% of respondents. As far as respondents' age is concerned, the majority of the respondents (39.13%) were aged between 26 to 35 years followed by the age categories of 36 to 45 years, above 45 years age and the age group between 18 to 25 years had percentage scores of 36.95%, 19.57% and 4.35% respectively.

With regard to educational qualification, a higher percentage of the respondents which is (67.39%) were first degree holders, whereas those having second degree and diploma stand second and third in the steps of educational qualification which were 19.57% and 13.04% of the total number of respondents.

In contrast, the key essential representing factor of the respondents which is years of experience, under the related job position was also revealed that, those who have served 4 to 7 years dominate the list by taking 45.65% of the entire respondents. Those who have served 8 to 10 years on the assessment came second on the ladder followed by the category of respondents who have served above 10 years respectively with the corresponding percentage scores of 32.61% and 21.74%. Considering the fact that all respondents' relative work experience in the job positions of the area of the study, had a direct bearing on the quality of response for which was provided, it seems very desirable to have the great number of respondents with the highest score o (45.65%) having served 4 years and above on the positions of the area of the study.

Table 4.2: Respondents demographic information

Variable	Choice	Frequency	Percent
Gender	Female	22	47.82
	Male	24	52.18
	Total	49	100.00
Age	18-28 Years	2	4.35
	26-35 Years	18	39.13
	36-45 Years	17	36.95
	Above 45 Years	9	19.57
	Total	49	100.0
Educational Qualification	College Diploma	6	13.04
	First Degree (BSc, BA)	31	67.39
	Second Degree (MSc, MA)	9	19.57
	Total	49	100.0
Service Year on the current Position	4 to 7 Years	21	45.65
	8 to 10 Years	15	32.61
	Above 10 Years	10	21.74
	Total	49	100.0

Source: Own Survey Result, 2018

4.4. Descriptive Analysis

Descriptive statistics of firms was reviewed individually in an attempt of examining the mean scores and the subsequent standard deviations under the respective scales of both the dimensions of the independent variable, i.e., the influence of SCM practices, and the dependent variable, that is procurement performance. Hence, these particular assessments has worthily responding the research questions on the basis of the verdict of the respondents, and attain the level of the practice of SCM in the firms and the related performance of their procurement functions accordingly. Hence, individual and composite firm's mean and standard deviation scores were calculated for the three scales of SCM practices, that are to say strategic supplier partnership, information sharing and logistics integration of Ethiopian state owned Commercial Banks and Insurance Corporation. The resulting individual and composite scores of mean and standard deviation are presented on Table 4.3 as follows.

Table 4.3: Composite scores of mean and standard deviation

Mean is the most commonly used index of central tendency. Given a data set the mean is calculated by taking the sum of all the data values and then dividing it by the number of data whereas standard deviation is the most commonly used index of dispersion or standard deviation is a measure of dispersion from the center, whereas mean measures the location of the center of a data set. Accordingly, the mean value of State owned commercial Banks and Insurance Corporation is calculated as follows. Accordingly, the eminent scores of mean value can be considered for Likert scale as; from mean value of $1.0 - 2.4 =$ low score, from mean value of $2.5 - 3.4 =$ can be scored Median and finally, from mean value of $3.5 - 5.0 =$ can be scored the high score (Oxford and Burry Stock, 1995).

Dimension/Scale	Firms Mean (Individually)			Combined Mean	Standard Deviation (Individually)			Combined Standard Deviation
	CBE	DBE	EIC		CBE	DBE	EIC	
Strategic Supplier Partnership	3.19	3.34	3.21	3.24	.67	.69	.69	.66
Information Sharing	3.43	3.68	3.32	3.47	.59	.63	.69	.64
Logistics Integration	3.19	3.18	3.47	3.28	.67	.52	.54	.57
Purchasing Performance	3.10	3.51	3.41	3.33	.61	.56	.74	.65

Source: Own Survey Result, 2018

4.4.1. The Respondents' discernments on SCM practices on their company.

Hence, the variables mean values of Commercial Bank of Ethiopia, calculated between 3.19 and 3.43, Development Bank of Ethiopia between 3.18 and 3.68 and Ethiopian Insurance Corporation calculated between 3.21 and 3.47 respectively. Comparing the mean value of the three state owned Commercial Banks and Insurance Corporation, almost all firms has got median and relatively high eminent scores of mean value. Development Bank of Ethiopia scores the highest on Information sharing followed by Commercial Bank of Ethiopia while comparing with the two remaining dimensions of supply chain practices which are Strategic Supplier Partnership and logistic Integration. On the other hand, the Ethiopian Insurance Corporation's the Logistics Integration's mean score result showed highest comparing with two state owned Commercial Banks and Insurance Corporation and from the other two remaining supply chain dimensions. Consequently, the highest individual mean score of the SCM practices showed 3.68 at (Development Bank of Ethiopia) for the dimension of Information Sharing and followed by Logistics Integration which is 3.47 at (Ethiopian Insurance Corporation), and the smallest score revealed 3.18 for Logistics Integration at (Development Bank of Ethiopia) as well and followed by the mean score of 3.19 at (Commercial Bank of Ethiopia) for both Strategic Supplier Partnership and logistic Integration.

In contrast, the least standard deviation score result was showed on logistic integration by the score result of .52 at Development Bank of Ethiopia and followed by Ethiopian Insurance

Corporation with the score of .54. The highest result of standard deviation was .69 in Ethiopian Insurance Corporation for the (Strategic Supplier Partnership and Information sharing) and the same highest score showed on Development Bank of Ethiopia for Strategic Supplier Partnership. The combined standard deviations were range between 0.57 and 0.66. In addition, the combined impact result of the above supply chain practices which is the Procurement Performance has got 3.33 for the mean value with the .65 of standard deviation.

Comparing each other the three institutions for their practices of the SCM, the respective Commercial Bank of Ethiopia respondents believed that, their company practicing the supply chain practices on median level which is between “neutral” and “agree” and exert at a high level for information sharing dimension and meanwhile, scores relatively lower moderate score on Strategic Supplier Partnership while comparing with two remaining state owned financial institutions.

On the other hand, respective respondents of the Development Bank of Ethiopia as well perceived that their company practicing the supply chain dimensions in a moderate lever. However, the level of practice for the integration of logistic activities was relatively lower while comparing with other two remaining state owned financial institutions. Nevertheless, the company exerted highly on practicing the information sharing aspects followed by Commercial Bank of Ethiopia.

Besides, the respondent of the Ethiopian Insurance Corporation also perceived that the overall their company practice of the supply chain was almost alike with the remaining two financial institutions i.e., a moderate level except on logistic integration which they exerted relatively higher on practicing an integrated logistic activities with key suppliers to obtain the benefits of the logistic assimilation while comparing with two remaining state owned financial institutions.

Besides, as the compound mean result indicated that, the respective Ethiopian State owned Commercial Banks and Insurance Corporation respondents believed that, supply chain practices positioning on significant moderate and considerable high rate as well depending on the respective companies. However, as respondents indicated, the attempts made by the Ethiopian state-owned Commercial Banks and Insurance Corporation were not as such in a very high significant stage on conducting the SCM practices to have long term strategic partnership with

key suppliers and to obtain a magnificent logistic performance with key suppliers. Nevertheless, the existing platform for the timely sharing of the relevant information with key suppliers is high and relatively better compared to the remaining dimensions of SCM practices.

4.4.2. The Respondents' discernments on purchasing performance at their company

The mean score of state owned Commercial Banks and Insurance Corporation i.e., Commercial Bank of Ethiopia, Development Bank of Ethiopia and Ethiopian Insurance Corporation for the scale of procurement performance were 3.10, 3.51 and 3.41 respectively with the combined score showed 3.33 and the score of standard deviation was .61, .56 and .74 respectively with a combined score 0.65 as well. This score is marginally indicated a moderate procurement performance result on the combined practices of SCM by the state owned Commercial Banks and Insurance Corporation thus, the fact that, respondents were rating their respective company's procurement performance as moderate while they were evaluation their company through the dimensions of the practices of SCM.

4.5. Analyzing the Correlation between supply chain management practices and Purchasing Performance

The goal of Correlation analysis is to see whether two measurement variables co vary, and to quantify the strength of the relationship between the variables or in this case to determine whether a statistically significant relationship exists between the dimensions of practices of SCM (i.e. strategic supplier development, information sharing and logistics integration) and procurement performance. Hence, it helps to determine the relationship among variables by giving insight on the strength and direction of relationship. The coefficient of correlation could take values ranging from -1 to +1, where the signs signifying the direction of relationship. A correlation value of 0 implies the absence of relationship among variables, a result between 0.1 and 0.3 (-0.1 and -0.3) indicates weak positive/negative interrelationship, whereas a result between 0.3 and 0.7 (-0.3 and -0.7) indicates moderate positive/negative linear relationship and values between 0.7 and 1.0 (-0.7 and -1.0) indicates strong positive/negative linear relationships among one variable explained by the other variable while a correlation coefficient of 1 or -1 it suggests a perfect positive/negative linear relationship. (DM STAT – CONSULTING br@dmstart1.com)

The result of the correlation analysis conducted to assess the association between the dimensions of the practices of SCM and procurement performance is presented on the subsequent table:

Table 4.4: Firms compounded correlation matrix

		Procurement Performance
Strategic Supplier Partnership	Pearson Correlation	.557**
	Sig. (2-tailed)	.000
	N	46
Information Sharing	Pearson Correlation	.504**
	Sig. (2-tailed)	.000
	N	46
Logistics Integration	Pearson Correlation	.632**
	Sig. (2-tailed)	.000
	N	46
*. Correlation is significant at the 0.01 level (2-tailed).		

Source: Own Survey Result, 2018

As clearly indicated on the above table a positive relationships have been identified between Strategic Supplier Partnership, Information Sharing, Logistic Integration ($r=0.557$, $p=0.01$), ($r=0.504$, $p=0.01$) and ($r=0.632$, $p=0.01$) respectively. All the relationships are statistically significant at 99% confidence level.

The results suggest that all the dimensions of the practices of SCM have positive moderate relationship with the procurement performance of Ethiopian state owned Financial Institutions even if the strengthen of relationship is somehow different for the dimensions involved. Hence, it has been revealed that though all dimensions have moderate relationship with dependent variable, Logistics Integration and Strategic Supplier Partnership have exhibited moderately better correlation with the dependent variable than in the case of Information Sharing which is also moderate. This implies that all supply chain practices and initiatives, such as developing the best criterion in selection of strategic suppliers, providing the essential information to key suppliers for improving firm's product or service quality, execution of continues problem solving activities by joint effort with key suppliers, conducting continuous focus on the improvement programs which is done with the help of our main suppliers, involving key suppliers in the planning processes and in goal-setting activities of the organizations and

engaging main suppliers early in firm's operational activities and carefully coordinated inter-organizational logistic activities such as excellent transportation, efficient inventory and warehousing activities, excellent flow of materials, service and sharing information among firms' key suppliers have moderate relationship with firm's procurement performance which includes purchasing with reasonable cost, to acquire goods and services with intended quality, to get goods on time basis, efficient inventory performance and to gain internal user organs satisfaction have a relationship with procurement performance.

On the other hand, a separate correlation analyses had also been made to reveal the relationship between the three dimensions of the practices of SCM and the individual measures of procurement performance. This is to see that the effects of one dimension/variable of SCM practices on the combining different performance measures, and to point out what effect has the variable on the different procurement performance measures, since emphasizing on the effects of compounding different supply chain management practices at with performance outcome only without put emphasis on the different performance measurement parameters does not help firms to identify the individual contribution of any supply chain practice to a specific type of performance (Prajogo et al., 2012).Hence, the results of the separate correlation analyses made between the dimensions of the dependent variable and the individual measures of procurement performance are provided as follows:

Table 4.5: Strategic Supplier Partnership Vs. Procurement Performance's Measurement Items

		Minimum Cost of materials	Quality of materials	On-time delivery	Quantity Flexibility	Product Mix Flexibility	Internal customers' satisfaction
Strategic Supplier Partnership	Pearson Correlation	.425**	.380**	.356*	.352*	.379**	.531**
	Sig. (2-tailed)	.003	.009	.015	.016	.009	.007
	N	46	46	46	46	46	46
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Source:Own Survey Result, 2018

As the above table shows, Strategic Supplier Partnership has a statistically significant positive relationship with all the individual measures of procurement performance taken separately (at $p < 0.01$ and at $p < 0.05$ which is implying that, comparing the obtained significance value to the 0.05 confidence level suggested of 95% confidence that your decision is true and only 5% unsure and can give a determination of whether there is correlation or not). To put this into context, the result correlation coefficients are between 0.01 and 0.5 and this clearly indicated that strategic Supplier Partnership relate to all procurement performance items) along with and as clearly shown on the table, the strengths of the correlations are comparatively have weaker relation comparing to the compounded correlation coefficient as shown on table 4.4. As far as the comparison of the strengths of relationship that Strategic Supplier Partnership has with the items of measurements of procurement performance is concerned, it has been found that Strategic Supplier Partnership has relatively strong relationship with internal customer satisfaction and followed by the relationship it has exhibited with reduced cost of materials. Thus, the finding indicated that Strategic Supplier Partnership has positive relationship with procurement performance have been supported also by Sanchez-Rodriguez (2009). However, as the abovementioned table indicates, the relationship with quantity flexibility, on time delivery followed by product mix flexibility, the strengths of relationship are relatively smaller significance to get quality of materials as well

The fact that Strategic Supplier Partnership identified to have positive association with procurement performance is a reflection of the suggestion that Strategic Supplier Partnerships vital in supporting firm's operational strategy by ensuring the suppliers' performance and capabilities meet the needs of the buying firm (Wagner, 2011; Humphreys et al., 2004). According to Humphreys et al. (2004) companies have to establish strong strategic long term partnership with key suppliers and put significant efforts into increasing capable supply chain networks.

Table 4.6: Information sharing Vs. Procurement Performance's Measurement Items

		Minimum Cost of materials	Quality of materials	On-time delivery	Quantity Flexibility	Product Mix Flexibility	Internal customers' satisfaction
Information Sharing	Pearson Correlation	.391**	.399**	.293*	.370*	.424**	.367*
	Sig. (2-tailed)	.007	.006	.048	.011	.003	.012
	N	46	46	46	46	46	46
		**. Correlation is significant at the 0.01 level (2-tailed).					
		*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Own Survey Result, 2018

As the above table revealed the significant result which has less than 0.01 indicates 99% confidence that the decision is true and the significant result which has less than 0.05 also showed 95% confidence that the decision is true and the only 5% unsure. Accordingly, information sharing has statistically significant and has a positive relationship with $p < 0.01$, and $p < 0.05$ level. On the other hand, the result score indicating that information sharing relationship with procurement performance items specifying weaker relationship strength while comparing with the compounded measure of procurement performance as shown on table 4.4. Furthermore, as illustrated on the above table, information sharing found to have relatively moderate high relationship with product mix flexibility as compared to the other procurement performance constraints. However, even though information sharing has moderate relationship the remaining procurement performance measurements, the relationship strength is weak on prompt delivery of materials aspect of performance.

According to some studies the level of frequency and the quality information shared with key suppliers has positive impact on firm's high procurement performance. For instance, according to C. Marinagi and P. Pekilits (2015), the quality information sharing between key suppliers has a vital role on procurement performance such as to facilitate supplier – customer satisfaction with a higher overall performance as a result of enforcing this supply chain management practices which elevating performance effectiveness.

On the other hand, the level and quality of information shared among key suppliers acknowledged to have long term strategic partnership with the procurement performance aspects of firms; such as getting higher procurement performance for instance; quantity and

high inventory performance (Togar M. Simatup ang and R. Sridhara, 2013). Moreover, Yuliang Yao,(2008) also stressed that, by sharing real time information, SC partners can able to monitor the development of their business relationships and spot possible trends before procuring or supplying materials or services. Hence, this would help both SC partners for quality production and quality ordering and reducing the risk of cost incurring due to the bullwhip effect.

Table 4.7: Logistic Integration Vs Procurement Performance's Measurement Items

		Minimum Cost of materials	Quality of materials	On-time delivery	Quantity Flexibility	Product Mix Flexibility	Internal customers' satisfaction
Logistics Integration	Pearson Correlation	.537**	.559**	.499**	.462**	.315*	.390**
	Sig. (2-tailed)	.000	.000	.000	.001	.033	.007
	N	46	46	46	46	46	46
		**. Correlation is significant at the 0.01 level (2-tailed).					
		*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Own Survey Result, 2018

As the previous discussed two supply chain dimensions, the above table also shows, the separate analysis of the correlation between logistics integration and procurement performance items carry out statistically significant values (at $p=0.01$ and $p<0.05$) that moderate relationship that is between 0.3 – 0.7 but relatively stronger than the previous discussed supply chain practices. In particular this dimension has a better strength with certain performance measurement items such as quality of materials and minimum cost of materials. However, while comparing the relationship strength with compound procurement performance shown on Table: 4.4, still indicating weaker correlation relationship the logistics integration had, and along with the result of product mix flexibility and internal customer satisfaction showed moderate relationship but weaker while comparing the relationship with other different performance measurement constraints such as purchasing materials with minimum cost and quality aspects.

Miguel and Brito (2011) has highlighted that esteemed logistics activities, such as efficient warehousing and smooth transportation processes with uninterrupted flow of materials through the introduction of precise integrated logistics activities have a positive relationship with the assertion of reasonable cost of purchased materials and warehouse flexibility of firms'

procurement performance. Bryan Ashenbaum, (2007) have also confirmed that, logistics integration has the positive relationship with cost reduction of procurement performance in general. The fact that effective integrated logistics management bind all the logistics activities together could minimize the total purchasing cost and attain the desired customer level (Daugherty et al., 2005). On the other hand, Prajogoet al., 2012 also justified that, logistics integration has a strong positive association with procurement performance, in particular, and firm's operational performance in general.

4.6. Regression Analysis

Used to understand which among the independent variables are related to the dependent variables and to explore the forms these relationship. In restricted circumstances, regression analysis can be used to infer causal relationships between the independent and dependent variables and unlike correlations, the primary purpose of regression is prediction (Marczyk G.R., DeMatteo D., and Festinger D., 2005). Hence, through the analysis of multiple linear regressions, an attempt has been made to determine the scale of the predicting power of the dimensions of the independent variable (i.e. Strategic Supplier Partnership, information sharing and logistics integration) on the dependent variable (i.e., procurement performance). Accordingly, multicollinearity test also conducted as well.

4.6.1. Multicollinearity Analysis

Multicollinearity refers a state of very high inter correlations or inter associations among the independent variables. It is therefore, a type of disturbance in the data, and if present in the data the statistical inferences made about the data may not be reliable and refers to the situation in which the independent variables are highly correlated in a way that has undesirable implication on the outcome of regression analysis. According to Robert (2006), if collinearity is discovered then one can either remove one of the variables or create a new variable that combine the previous two that were highly inter-correlated because when the predictor variables are highly correlated, they predict basically very similar information and putting them jointly may explain a great deal of the dependent variable, but likely may not separately contribute significantly to the model. Thus, the effect of multicollinearity is to condense any individual independent variable's predictive power by the extent to which it is associated with the other independent variables Baghari, A., H. Baghari, Modi and A.H.M.R. Imon, 2009.

Tolerance and Variance Inflation Factor (VIF) values measures the impact to collinearity among the variables in the regression mode to check multi collinearity. The Tolerance value is an indication of the percentage of variance in the predictor that cannot be accounted for by the other predictors implying the fact that very small values indicate overlap or sharing of predictive power and VIF values measures the impact of collinearity among the variables in the regression model to check multicollinearity. A., H. Baghari, Modi and A.H.M.R. Imon, 2009. Consequently, the result is presented on table 4.8 below.

Table 4.8: Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Strategic Supplier Partnership	.719	1.390
	Information Sharing	.844	1.187
	Logistics Integration	.682	1.465

Source: Own Survey Result, 2018

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

4.6.2. Multiple Regression Analysis Result

ANOVA test analyze to compare or testing variables for statistical significance and the acceptability of the model from statistical perspective. Accordingly, the regression row indicates the extent of variation explained by the model, whereas the residual row indicates information about the variation that is not accounted for the model, i.e. variation on the dependent variable explained by factors not included in the model.

Table 4.9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.234	3	3.411	16.190	.000 ^b
	Residual	8.849	42	.211		
	Total	19.083	45			
a. Dependent Variable: Procurement Performance						
b. Predictors: (Constant), Strategic Supplier Partnership, Information Sharing, Logistics Integration,						

Source: Own Survey Result, 2018

In the case of this particular analysis, it has been identified that an observed significance level is 0.000, signifying that the model is the statistical fit enough of the regression model to the data.

Table 4.10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.732 ^a	.536	.503	.45901

a. Predictors: (Constant), Strategic Supplier Partnership, Information Sharing, Logistics Integration

R square measures the proportion of the variation in dependent variable and explained by the independent variable for linier regression model. The Adjusted R Square adjusts the statistic based on the number of independent variables in the model and the value on the above model summary table is a representation of the correlation between the observed values of the dependent variable, i.e. procurement performance of firms, and the values of dependent variable predicted by the multiple regression models.

Hence, the above model summary table indicating that the Adjusted R Square is 0.503explaining that 50.3% of the variation in the dependent variable (i.e. Procurement performance of firms) is explained by the model, i.e. by the combined variance in the dimensions of the independent variable, i.e. strategic supplier development, information sharing and logistics integration, and the remaining 49.7% of the variation on the dependent variable is, therefore, explained by factors not incorporated in the model.

Table 4.11: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.037	.482		.077	.939
	Strategic Supplier Partnership	.268	.122	.273	2.205	.033
	Information Sharing	.280	.116	.276	2.413	.020
	Logistics Integration	.444	.146	.388	3.050	.004
a. Dependent Variable: Procurement Performance						
b. Predictors: (Constant), SSP, IS and LI						

he established regression equation was

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$$

Where; β_0 = constant, β_1 , β_2 , β_3 , β_4 , β_5 , β_6 , =coefficient, x_1 = Strategic supplier partnership, x_2 = Information sharing, x_3 = Logistic integration, and ε = error term

Therefore, the regression equation becomes;

$$Y = .037 + .268x_1 + .280x_2 + .444x_3 + \varepsilon$$

The regression equation established above that holding all factors (Strategic Supplier Partnerships, Information Sharing and Logistic Integration) constant, factors affecting procurement performance.

On the other hand, as shown on the ANOVA on Table 4.9 and the coefficients of the independent variable shows all variables have statistically significant and their respective standardized coefficients (beta values) $p=0.01$ and $p<0.5$ also indicated the relative importance of all dimensions in predicting and explaining the dependent variable that is procurement performance. As far as the strength of the predicting power of the all three, statistically significant dimensions is revealed and it is indicated that logistic integration has the strongest positive predicting influence on the dependent variable with standardized coefficient of 0.388, followed by information sharing with standardized Coefficients 0.276.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This research was presents the discussion of major findings, conclusions, recommendations and suggestions for further studies according to the effect of supply chain practices on performance of state owned Commercial Banks and Insurance corporation. The presentation of the findings is in the order of the sought aspects of the study which were; to find out on awareness of supply chain practices at Ethiopian state owned Commercial Banks and Insurance Corporationand to establish the influence of supply chain practices on procurement performance of the firms.

5.2. Summary of findings

This research was conducted in an attempt to reveal the influence of supply chain management practices on the procurement performance in the Ethiopian state owned Commercial Banks and Insurance Corporation by making particular emphasis and measurements on the association and impact relationship between the two. Comparing the mean value of the three state owned Commercial Banks and Insurance Corporations, almost all firms has got modest and relatively eminent scores of mean value by considering the value of the mean from mean value of 1.0 – 2.4= low score, from mean value of 2.5 – 3.4= Median and finally, from mean value of 3.5 – 5 = high score (Oxford and Burry Stock, 1995).

Hence, the Commercial Bank of Ethiopia respondents believed that their company practicing the supply chain dimensions is high on information sharing aspect. However, the level of effort and exertion had been moderate on the strategic supplier partnership with key suppliers while comparing with two remaining state owned Commercial Banks and Insurance Corporation. On the other hand, respective respondent of the Development Bank of Ethiopia as well perceived that, their company practicing the supply chain dimensions i.e., strategic Supplier Partnership and logistic integration moderately. Nevertheless, the company performed highly on practicing the information sharing aspects followed by Commercial Bank of Ethiopia. Besides, the respondent of the Ethiopian Insurance Corporation also perceived that the overall their company practice of the supply chain was almost alike with the remaining two financial institutions.

However, the level of practice for integrated logistic activities with key suppliers was high while comparing with two other remaining SCM practice dimensions.

As respondents indicated, the compound mean result of state owned Commercial Banks and Insurance Corporation on the independent variables i.e., strategic supplier partnership, and logistics integration also indicated that, the Ethiopian State owned Commercial Banks and Insurance Corporations exerted moderately with the result between 2.5 - 3.4 or can be said the respondents response is nearly between neutral and agree of the practicing level of the above mentioned SC dimensions. However, information level is practiced highly while comparing with the remaining two dimensions. On the other hand, pertaining to procurement performance, the respondents believed that the compound procurement performance is also middling which were 3.3.

On the other hand, all the dimensions of Supply Chain Management practices, i.e., strategic supplier partnership, information sharing and logistics integration, have a statistically significant positive relationship on compounded measures of procurement performance of firms. On the other hand, the split analysis of the relationship between the dimensions of supply chain practices and the different procurement performance measurement items i.e., minimum cost of materials, quality of materials., on-time delivery, quality flexibility, product mix flexibility and internal customers' satisfaction also indicated that, all of the dimensions of supply chain practices have statistically significant.

As far as the predictive power of the dimensions on the dependent variable is concerned, it has been identified that still all dimensions have statistically significant beta values and this is clearly indicating that all dimensions have an effect on the dependent variable, i.e. procurement performance of Ethiopian State owned Commercial Banks and Insurance Corporation. Meanwhile, the strength of influence is higher in the case of logistic integration followed by information sharing on procurement performance of the buying firms.

5.3. Conclusions

- According to Oxford and Burry Stock, 1995, the Likert scale mean value which is between; $1.0 - 2.4$ = low score, from mean value of $2.5 - 3.4$ = Median and finally, from mean value of $3.5 - 5$ = high score. Hence, The descriptive result of companies' procurement performance showed 3.33 which is median level, and the level of practices of the of SCM dimensions are 3.24, and 3.28 in strategic supplier partnership and logistic integration respectively, and this implies that, the value of the mean result showed between “neutral” and “agreed” respond for practicing this dimensions so as to consider moderately practiced and in contrast, information sharing has got a mean value of 3.47 which showed Ethiopian state owned financial institutions practiced highly according to Oxford and Burry Stock, 1995.
- This implies that:-
 - ✓ The response obtained through this study indicated, companies were involving their suppliers in their initial planning process and goal setting activities, proper segments of the supply base by viewing quality is their best criterion in selection of strategic supplier partners and companies' exertion of measurement and improvement of the supply performance was exerted in moderate position.
 - ✓ Information sharing and communication flow with key suppliers are better exerted while comparing with the two remaining dimensions. This indicates, companies make use of information sharing with their key strategic suppliers in advance specially when change occurred, they keep each other up-to-date in precise and comprehensive manner,
 - ✓ As response obtained and as the descriptive analysis indicates, companies' inter-organizational logistic activities characterized by moderately integrated organized materials, service and flow of information, by restrained transportation, inventory and warehouse facilities.
 - ✓ The Ethiopian state owned Commercial Banks and Insurance Corporation respondent perceived, companies' procurement performance is staged at a promising fair stage in accordance of quality of materials, minimum cost of

material, on-time-delivery, quantity flexibility, product mix flexibility and internal customer satisfaction aspect.

- All the dimensions i.e., have moderate (between 3-7) positive significant effect on quality of materials, cost of materials, on-time delivery, quantity flexibility, product mix flexibility and internal customer satisfactions and except the information sharing which had a positive significant but weaker relationship while comparing with other two remaining dimensions. This indicates that, there are other factors which can explain other than this dimensions to explain timely delivery of goods and services.
- All of the dimensions of practices of SCM have statistically significant and have positive relationship with procurement performance, the strength of relationship was moderate and relatively higher in the case of logistic integration while comparing with the remaining two dimensions.
- All dimensions have statistically significant predictive power on the purchasing performance of Ethiopian state owned Commercial Banks and Insurance Corporation.

5.4. Recommendations

The main purpose of this study is to examine the influence of supply chain management on procurement performance of Ethiopian state owned Commercial Banks and Insurance Corporation. Based on the findings and conclusion presented in the previous section, the following recommendations are suggested.

- As far as the individual firm concerns, the supply chain practice on Commercial Bank of Ethiopia staged on moderate level and needs to promote and exert highly specially on practicing strategic supplier partnership and logistic integration with full commitment such as by engaging their suppliers early in their operational activities, involving key suppliers in the planning process and goal setting activities, improving their logistic activities through an efficient streamlining logistic process in order to come up to higher level of concern i.e., procurement performance since all variables have a positive relationship with the operational performance.
- On the other hand, Development Bank of Ethiopia had practiced at higher level on information sharing while comparing with the remaining two institutions; the company has also put forth moderately on the remaining supply chain practice dimensions.

However, better to improve logistic integration aspect more which the company exert moderate; yet lower while comparing with two other remaining dimensions and need to grow it into higher level as well by integrating logistic with key suppliers such as; through well-organized tracking system, efficient transportation facilities, man power training and by applying adequate information technology to facilitate logistic assimilation in well-organized approach.

- Besides, even if the Ethiopian Insurance Corporation relatively practiced high in logistic integrations, while comparing with the remaining two state-owned Commercial Banks and Insurance Corporation the company still positioned in moderate level. Thus, the institution needs also to improve the remaining two dimensions in a higher level, to obtain a higher procurement performance since all dimensions have a positive relationship with procurement performance such as by conducting an effective communication platform regularly with strategic key suppliers to prevent and reduce the risk of cost incurring due to bullwhip effect, involving suppliers in advance to know how the product is produced and delivered.
- Moreover, as the findings revealed noticeably, the compound supply chain practices on state owned financial institutions indicated that information sharing had been relatively highly practiced while comparing with the other two remaining supply chain dimensions, on the other hand, the remaining two dimensions that is strategic supplier partnership and logistic integration are also practicing at moderate level. Hence, state owned financial institutions need to accelerate their level of practice to higher level. Such as; by working together with their key strategic suppliers for mutual benefits, sharing relevant information on timely and quality basis, integrated delivery tracking system and consequently, they can increase their moderate procurement performance to the higher level as the study findings indicated.
- On the other hand, as the above findings witnessed, all the dimensions of the independent variable have also a positive correlation relationship with the dependent variable i.e., procurement performance. Hence, the Ethiopian State owned Financial Institutions need to uphold effort, work with dedication and exert more highly in carrying out all the supply chain practices.

- Accordingly, all dimensions have significant impact in explaining and predicting the dependent variable that is procurement performance, Then, Ethiopian State owned Commercial Banks and Insurance Corporation shall give special emphasis in improving their supply chain practices through an efficient progression with that of their key strategic suppliers by the application of adequate techniques and communicating practices with key suppliers, perform communication in advance with key suppliers such as how goods are made and delivered, intercompany integration via information technology to have valid and secured information for company use and/or to share this information for intended use with key suppliers, keep each other informed specially when changes occurring, use their information and/or the other party information in responsible manner, give and take quality information on timely and quality basis with key suppliers, on the other hand, promoting strong strategic supplier partnership with key suppliers to improve their material and service quality in the long-run and gaining confidence of company's key suppliers by involving them on initial stage specially on planning process, goal setting activities and technology development, alternatively, align internal procurement objectives and key performance indicators with that of the strategic partner such as measuring and benchmarking procurement performance process, building robust contract management and supplier performance systems, give adequate special emphasize on improving their logistic integration through an efficient streamlining of their logistic process with their strategic suppliers through integrating delivery tracking and tracing system using appropriate information technology throughout product or materials movement and storage, apply flexible facilities and use skilled work force by giving adequate training to achieve a higher procurement performance.

5.4.1. Limitation and Suggestions for Future Studies

As much as the study was able to meet its objectives, has got also some limitations. First and for most, this study does not comprehensively capture all aspects of supply chain practices as applicable, rather it made emphasis on revealing the associations and the impact of SCM practices on procurement performance of firms. In order to benefit from a comprehensive assessment of the factors that truly affect the performance of firms purchasing performance, future studies shall consider more dimensions of SCM practices that haven't been considered in this particular study.

The other limitation of the study is though the unit of analysis was the procurement and the supplier perspective the study was only carry out on the basis of the responses obtained from the purchasing institutions since it implicit only on the purchasing firms' point of view. To have the all rounded insight, further abundant studies require to measure about the supply chain practices from the suppliers' perspective in order to establish whether or not the relationship is reciprocal and gives a shared benefits..

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APPENDIX A:

QUESTIONNAIRE

ADDIS ABABA UNIVERSITY

COLLEGE OF COMMERCE SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Dear respondents:

I'm a graduate student at Addis Ababa University College of Commerce in the Department of Logistics and Supply Chain Management. Currently, I'm conducting a research titled ***'the influence of supply chain management on Procurement Performance: the Case of the state owned Commercial Banks and Insurance Corporation*** as a partial requirement for the award of Masters of Art in Logistics and Supply Chain Management.

The purpose of this questionnaire is to gather data for the proposed study, and hence you are kindly requested to assist the successful completion of the study by providing the necessary information. Your participation is entirely voluntary and the questionnaire is completely anonymous. I confirm you that the information you share will stay confidential and only used for the aforementioned academic purpose, thus not affects you in any way. So, your genuine, frank and timely response is vital for the success of the study. I want to thank you in advance for your kind cooperation and dedication of your precious time to fill this questionnaire.

Sincerely yours,

Senait Resom

Note:

1. No need of writing your name.
2. Indicate your answer with a check mark (✓) on the appropriate block.
3. If you need further explanation, you can contact me at (Telephone No. 0911303327, E-mail senir2003@yahoo.com) and discuss the matter.

Section I: Respondents Profile:

1. Age: ☐ 18-25 years ☐ 26-35 years ☐ 36-45 years ☐ above 45 years
2. Sex: ☐ Male ☐ Female
3. Educational Qualification:
☐ Below college diploma ☐ College diploma ☐ First Degree (BSc, BA)
☐ Second Degree (MSc, MA) ☐ PHD and above
4. Current Position _____
5. Year of service in the current position:
☐ 1 to 3 years ☐ 4 to 7 years ☐ 8 to 10 years ☐ above 10 years

Section II: Main Questionnaire

Indicate your choice by putting the tick mark (✓) on the appropriate cell or block.

Where, (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

The influence of supply chain management practices on purchasing performance.

6. Please indicate the degree to which you agree with the following statements concerning the practices of collaborative buyer-supplier relationship in your company.

No.	Measurement Items	Score				
		1	2	3	4	5
Strategic Supplier Partnership						
6.1	We think quality is our best criterion in selection of strategic suppliers.					
6.2	We regularly have provided the essential information to our key suppliers for improving their product or service quality					
6.3	We continuously solve problems by joint effort with our key suppliers.					
6.4	We have made continuous focus on the improvement programs which is done with the help of our main suppliers.					
6.5	We involve our key suppliers in the planning processes and in goal-setting activities of our organization.					
6.6	We engage our main suppliers early in our procurement activities.					
Information Sharing						
6.7	We communicate our key suppliers in advance when there is a need of change.					
6.8	Necessary information is shared between us and our key suppliers.					
6.9	We keep each other up-to-date about events or changes that may affect the other party.					
6.10	We exchange information with our key suppliers regularly.					
6.11	Information exchange between us and our key suppliers is timely, precise, and comprehensive.					
Logistics Integration						
6.12	Inter-organizational logistic activities are carefully coordinated between us and our key suppliers					
6.13	Our logistics integration with key suppliers is characterized by excellent transportation, inventory and/or warehousing facilities					
6.14	There is more blurred organizational distinction between the logistics activities of us and our key suppliers'					
6.15	We flow of materials, service and information among our key suppliers is efficient and well- organized.					

7. Please indicate the degree to which you agree with the following statements concerning the purchasing performance of your company.

No.	Measurement Items	Score				
		1	2	3	4	5
Procurement Performance						
7.1	Does the existing procurement practice ensure us for the overall quality of procuring materials and services?					
7.2	Does our procurement practice enable us to minimize total procurement cost?					
7.3	Are our goods and services delivered on time?					
7.4	Do our suppliers are flexible and responsive when the need arise?					
7.5	Do our procurement experiences enable us to get product mix flexibility?					
7.6	Do our internal customers are greatly satisfied with the achievements of our procurement functions					

APPENDIX B:

COMPOUNDED CORRELATION TABLE

		Strategic Supplier Partnership	Information Sharing	Logistics Integration	Purchasing Performance
Strategic Supplier Partnership	Pearson Correlation	1	.304*	.516**	.557**
	Sig. (2-tailed)		.040	.000	.000
	N	46	46	46	46
Information Sharing	Pearson Correlation	.304*	1	.373*	.504**
	Sig. (2-tailed)	.040		.011	.000
	N	46	46	46	46
Logistics Integration	Pearson Correlation	.516**	.373*	1	.632**
	Sig. (2-tailed)	.000	.011		.000
	N	46	46	46	46
Purchasing Performance	Pearson Correlation	.557**	.504**	.632**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	46	46	46	46

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

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

APPENDIX C:

CORRELATION OF STRATEGIC SUPPLIER PARTNERSHIP DIMENSION

WITH PURCHASING PERFORMANCE ITEMS TABLE

		Strategic supplier partner ship	Quality of materials	Minimum Cost of materials	On-time delivery	Quantity Flexibility	Product Mix Flexibility	Internal customers' satisfaction
Strategic supplier partnership	Pearson Correlation	1	.380**	.425**	.356*	.352*	.379**	.531**
	Sig. (2-tailed)		.009	.003	.015	.016	.009	.000
	N	46	46	46	46	46	46	46
Quality of materials	Pearson Correlation	.380**	1	.527**	.416**	.421**	.253	.391**
	Sig. (2-tailed)	.009		.000	.004	.004	.089	.007
	N	46	46	46	46	46	46	46
Minimum Cost of materials	Pearson Correlation	.425**	.527**	1	.564**	.302*	.339*	.464**
	Sig. (2-tailed)	.003	.000		.000	.041	.021	.001
	N	46	46	46	46	46	46	46
On-time delivery	Pearson Correlation	.356*	.416**	.564**	1	.505**	.454**	.428**
	Sig. (2-tailed)	.015	.004	.000		.000	.002	.003
	N	46	46	46	46	46	46	46
Quantity Flexibility	Pearson Correlation	.352*	.421**	.302*	.505**	1	.549**	.408**
	Sig. (2-tailed)	.016	.004	.041	.000		.000	.005
	N	46	46	46	46	46	46	46
Product Mix Flexibility	Pearson Correlation	.379**	.253	.339*	.454**	.549**	1	.515**
	Sig. (2-tailed)	.009	.089	.021	.002	.000		.000
	N	46	46	46	46	46	46	46
Internal customers' satisfaction	Pearson Correlation	.531**	.391**	.464**	.428**	.408**	.515**	1
	Sig. (2-tailed)	.000	.007	.001	.003	.005	.000	
	N	46	46	46	46	46	46	46

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

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

APPENDIX D:
CORRELATION OF INFORMATION SHARING DIMENSION
WITH PURCHASING PERFORMANCE ITEMS TABLE

		Information Sharing	Quality of materials	Minimum Cost of materials	On-time delivery	Quantity Flexibility	Product Mix Flexibility	Internal customers' satisfaction
Information Sharing	Pearson Correlation	1	.399**	.391**	.293*	.370*	.424**	.367*
	Sig. (2-tailed)		.006	.007	.048	.011	.003	.012
	N	46	46	46	46	46	46	46
Quality of materials	Pearson Correlation	.399**	1	.527**	.416**	.421**	.253	.391**
	Sig. (2-tailed)	.006		.000	.004	.004	.089	.007
	N	46	46	46	46	46	46	46
Minimum Cost of materials	Pearson Correlation	.391**	.527**	1	.564**	.302*	.339*	.464**
	Sig. (2-tailed)	.007	.000		.000	.041	.021	.001
	N	46	46	46	46	46	46	46
On-time delivery	Pearson Correlation	.293*	.416**	.564**	1	.505**	.454**	.428**
	Sig. (2-tailed)	.048	.004	.000		.000	.002	.003
	N	46	46	46	46	46	46	46
Quantity Flexibility	Pearson Correlation	.370*	.421**	.302*	.505**	1	.549**	.408**
	Sig. (2-tailed)	.011	.004	.041	.000		.000	.005
	N	46	46	46	46	46	46	46
Product Mix Flexibility	Pearson Correlation	.424**	.253	.339*	.454**	.549**	1	.515**
	Sig. (2-tailed)	.003	.089	.021	.002	.000		.000
	N	46	46	46	46	46	46	46
Internal customers' satisfaction	Pearson Correlation	.367*	.391**	.464**	.428**	.408**	.515**	1
	Sig. (2-tailed)	.012	.007	.001	.003	.005	.000	
	N	46	46	46	46	46	46	46

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

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

APPENDIX E:

CORRELATION OF LOGISTIC INTEGRATION DIMENSION

WITH PURCHASING PERFORMANCE ITEMS TABLE

		Logistic Integration	Quality of materials	Minimum Cost of materials	On-time delivery	Quantity Flexibility	Product Mix Flexibility	Internal customers' satisfaction
Logistic Integration	Pearson Correlation	1	.559**	.537**	.499**	.462**	.315*	.390**
	Sig. (2-tailed)		.000	.000	.000	.001	.033	.007
	N	46	46	46	46	46	46	46
Quality of materials	Pearson Correlation	.559**	1	.527**	.416**	.421**	.253	.391**
	Sig. (2-tailed)	.000		.000	.004	.004	.089	.007
	N	46	46	46	46	46	46	46
Minimum Cost of materials	Pearson Correlation	.537**	.527**	1	.564**	.302*	.339*	.464**
	Sig. (2-tailed)	.000	.000		.000	.041	.021	.001
	N	46	46	46	46	46	46	46
On- time delivery	Pearson Correlation	.499**	.416**	.564**	1	.505**	.454**	.428**
	Sig. (2-tailed)	.000	.004	.000		.000	.002	.003
	N	46	46	46	46	46	46	46
Quantity Flexibility	Pearson Correlation	.462**	.421**	.302*	.505**	1	.549**	.408**
	Sig. (2-tailed)	.001	.004	.041	.000		.000	.005
	N	46	46	46	46	46	46	46
Product Mix Flexibility	Pearson Correlation	.315*	.253	.339*	.454**	.549**	1	.515**
	Sig. (2-tailed)	.033	.089	.021	.002	.000		.000
	N	46	46	46	46	46	46	46
Internal customers' satisfaction	Pearson Correlation	.390**	.391**	.464**	.428**	.408**	.515**	1
	Sig. (2-tailed)	.007	.007	.001	.003	.005	.000	
	N	46	46	46	46	46	46	46

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

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