

# Role of Supplier Relationship Management on Procurement Performance in Manufacturing Sector in Rwanda: A Case of Skol Breweries Rwanda Limited

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**Abstract:** *This study aimed to show the effects of electronic tax system on the performance of Rwanda revenue authority Supplier relationship is a long-term cooperative effort between a buying firm and its suppliers to upgrade the supplier's technical, quality, delivery and cost capabilities and to foster ongoing improvements. Generally, the study aimed at determining the role of supplier relationship management on procurement performance in manufacturing sector in Rwanda. The study adopted a descriptive survey design. The target population for this is 108 employees of SKOL Rwanda Limited. Primary data were collected using structured questionnaires. The responses from respondents were analyzed through SPSS version 21. Frequencies and percentages were used to describe the relationship between the variables. The findings of the study revealed that 64.7% of respondents strongly agreed that in procurement process of SKOL Rwanda Limited there is open contract negotiation between the procurement unit and the suppliers, 22.4% of respondents agreed that in procurement process of SKOL Rwanda Limited there is open contract negotiation between the procurement unit and the suppliers, 47.1% of respondents agreed that in procurement process of SKOL Rwanda Limited both parties enter into agreement after understanding the terms of contract, 35.3% strongly agreed that in procurement process of SKOL Rwanda Limited both parties enter into agreement after understanding the terms of contract. The researcher concluded a high and positive effect of supplier integration on procurement performance because the results of correlation between the two variables was at 0.747 meaning that supplier integration influences procurement performance at the level of 74.7% which proves a significant relationship between the role of supplier integration and procurement performance. The researcher concluded a positive and high effect of ICT integration and procurement performance since the results of correlation between ICT integration and procurement performance was at 0.757 meaning that ICT integration influence procurement performance at the level of 75.7% which proves a significant relationship between supplier integration and procurement performance. Finally; the researcher concluded a significant effect between contract management techniques and procurement performance since the results of correlation was at 0.609 mean that contract management techniques affect procurement performance at the level of 60.9% that proves a significant relationship between the contract management techniques and procurement performance. The researcher recommended that owners of manufacturing firms in Rwanda should establish a favorable environment between their suppliers and their companies to ensure that the supplier relationship is effectively managed. The managers of manufacturing firms should actively integrate their suppliers in procurement processes so as to ensure the accuracy of inventory forecast. The procurement specialists of manufacturing firms should integrate ICT in their routine works so that they may reduce the paper works and ensure the security and standards of the goods supplied by their suppliers. The managers of manufacturing firms in Rwanda especially the ones involved in the procurement processes of SKOL Rwanda Limited should adopt adequate contract management techniques by fostering open contract negotiation between the procurement unit and the suppliers. Both parties involved in procurement process should enter into agreement after understanding the terms of contract and finally both parties involved in the procurement contract should put in place the mechanisms that help them to monitor contract compliance and establish mechanisms for disputes resolutions so that the relationship between the suppliers and manufacturing might be well managed.*

**Keywords:** Supplier relationship management, procurement performance, Supplier integration, ICT integration, Contract management

## 1. Introduction

In today's dynamic global business environment, firms are facing a cut-throat competition because focus has steadily increased on delivering value to the customers. Globalization, technological change and demanding customers make the marketplace more fiercely competitive than ever before. Consumers now impose increasing demands on manufacturers for variety, quick order fulfilment and fast delivery. Supplier relationship management has been identified as a purchasing strategy that influences procurement performance of organization. To support this assertion, Wachiuri, Waiganjo and Abdallah (2015) confirm that manufacturing firms have realized the importance of procurement performance in establishing and maintaining their competitive advantage. Supplier development has evolved as an important strategic

instrument to improve buyer supplier relationships (Hilman et al., 2011). According to Watts and Hahn (2013), supplier relationship is a long-term cooperative effort between a buying firm and its suppliers to upgrade the supplier's technical, quality, delivery and cost capabilities and to foster ongoing improvements. Chartered Institute of Purchasing and Supply (CIPS) (2013) defines supplier relationship as the process of working with certain suppliers on a one-to-one basis to improve their performance (and capabilities) for the benefit of the buying organization. Supplier relationship activities are defined as the most important effort that firms undertake not only to gain competitive advantage but to develop suppliers for long term partnership and relationship enhancement (Job, 2015; Rajendra et al., 2012). Wenli, Paul, Andy and Yeung. Cheng (2012) see supplier relationship as a kind of cooperation between a buyer and a supplier to seek continuous improvement in supplier performance and, at the same time, strengthen the buyer's competitive advantage.

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## 2. Statement of the Problem

The relationship between supplier relationship management and its impacts on procurement performance is an increasingly important area of interest in the academic and the business world today (Burt, Petcavage & Pinkerton, 2010). Most of the established and successful companies focus strongly on the development of closer ties with other organizations in search of competitive advantage and improved market positioning. This has triggered the need to develop better relationships with suppliers to enhance procurement performance. The value of this relationship therefore has been questioned with gains from this relationship hardly being quantifiable. Consequently, some firms have preferred partnerships where the buyers and the suppliers collaborate through good will, but the benefits of these relationships have hardly been studied and consequently its benefits have not been ascertained. SKOL Rwanda Ltd as a manufacturing company has been exposed to global competition with the liberalization of the East African regional markets that were key importers of the Rwanda products. Nowadays; SKOL Rwanda Ltd is facing the challenges of high cost of raw materials, poor transport network, high cost of energy that hinder them to compete favorably (Kamikazi, 2012). This has posed as a challenge to SKOL Rwanda Ltd as it strives to achieve profitability and then compete at regional and global markets.

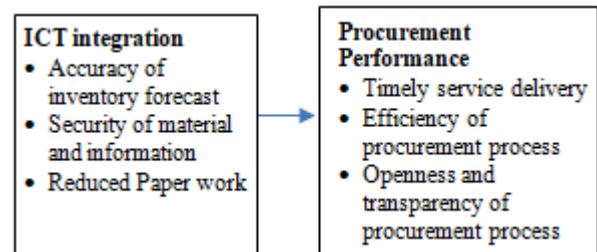
Several scholars and researchers studied supplier Relationship Management and procurement performance. Mettler and Rohner (2009) established that hospitals which exchanged supplier information within their procurement departments, enhanced creation of Supplier Relationship Management. Early supplier involvement in product specification could enhance the negotiating power of the hospital's procurement department. Hospitals with ICT-supported procurement had justifiable reduction in costs. Wachira (2013) established that trust, communication, risk assessment and management as well as strategic supplier partnership were the fundamental supplier relationship features and had a helpful relationship on procurement performance. Ratemo (2011) in his study concluded that it was evident that suppliers failed to preserve proper records, long cycle times and increased costs in procurement. The enterprise failed to maintain good relationships with their suppliers leading to poor procurement performance. From these studies carried out, none of them focused on the role of Supplier relationship management on procurement performance of manufacturing firms especially in Rwandan context. This study therefore seeks to bridge this gap by assessing the role of supplier relationship management on procurement performance in manufacturing firms in Rwanda, with specific reference to SKOL Rwanda Ltd and the study will focus on supplier integration, ICT integration and contract management.

## 3. Objectives of the Study

The general objective of this study was to determine the role of supplier relationship management on procurement performance in manufacturing sector in Rwanda. Its second specific objective was to determine the role of ICT

integration on procurement on performance of SKOL Rwanda Ltd.

## 4. Conceptual Framework



## 5. Research Methodology

- **Research Design:** The researcher used descriptive research design
- **Target Population:** The target population for this is 124 employees of SKOL Rwanda Limited.
- **Sample Size:** The sample size was composed by 95 respondents obtained using the following calculations
- **Data Collection tools:** Questionnaires and interviews were used as main data collection instruments and secondary data were used in this study.

## 6. Summary of Research Findings

### 6.1 ICT integration on procurement on performance of SKOL Rwanda Ltd

The second objective of the study was to assess the effect of ICT integration on procurement on performance of SKOL Rwanda Ltd. To determine the effect of ICT integration on procurement performance in the manufacturing sector in Rwanda, respondents were requested whether ICT integration has an influence on procurement performance in their organization. The study findings of the respondents and the means and standard deviations of each element are tabulated in Table 1

**Table 1:** ICT integration on Institution's performance

ICT integration	N	Mean	Std. Dev
In the procurement process of SKOL Rwanda Limited, there is accuracy of inventory forecast	78	3.66	.945
In the procurement process of SKOL Rwanda Limited, there is security of material and information	78	3.52	1.033
In the procurement process of SKOL Rwanda Limited, there is reduced paper work	78	2.29	1.009

From the obtained results, the procurement process of SKOL Rwanda Limited, there is accuracy of inventory forecast ( $\bar{x}=3.66$ ) followed by the procurement process of SKOL Rwanda Limited, there is security of material and information ( $\bar{x}=3.52$ ). Further it is also eminent that the procurement process of SKOL Rwanda Limited, there is reduced paper work ( $\bar{x}=3.52$ ). The results obtained support SCRLC (2011) who state that, it's important to prioritize risks by the threat as measured by the likelihood and consequence they can pose to a project or firms' operations.

Respondents were requested to rate the effectiveness of various ICT integration management approaches. The results obtained are summarized in table 2;

**Table 2:** Effectiveness of ICT integration management approaches

Statement	N	Mean	Std. Deviation
Availing of performance bonds by the suppliers/contractors	78	3.32	.999
Fixed price contracts	78	3.15	1.070
Setting price variation limits	78	3.22	1.004
Imposing penalties on late deliveries	78	2.65	1.263
Standardizing inputs specifications	78	3.47	.950
Prior assessment of risks through risk mapping	78	3.25	1.101

Respondents were requested to rate the effectiveness of various ICT integration approaches on a scale of 0-100%. From the results presented above a  $(\bar{x}=3.47)$  of the respondents agreed that standardizing inputs specifications would serve as the best way to mitigate supply chain risks that can pause a threat to project performance. This implies that the project inputs would be readily available from different sources thus reduced supply risk. This concurs with European Union Expert Group (2010) who acknowledges that, he better the potential market prospect of suppliers, the higher the likelihood that they will deliver and accept responsibilities hence safeguarding the procuring entity from supply chain disruptions.

**Table 3:** Correlations between the role of ICT integration and procurement performance

Variables		ICT integration	Procurement performance
ICT integration	Pearson Correlation	1	.757*
	Sig. (2-tailed)		.000
	N	78	78
Procurement Performance	Pearson Correlation	.757**	1
	Sig. (2-tailed)	.000	
	N	78	78

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

The results in Table 3 illustrate that the results of correlation were at (0.757) meaning that supplier integration influence procurement performance at the level of 75.7% which proves a significant relationship between ICT integration and procurement performance. If the researcher considers the level of significance equivalent to 0.05; there is therefore a significant relationship between the variables because their p – value (0.000) is statistically significant at 5% level of significance.

**6.2 Procurement performance**

Respondents indicated that procurement planning affects performance in state corporations. They noted that proper planning before procuring goods and services ensures that these corporations get the best goods and services at competitive rates. They argued that organizations risk losing money whenever goods and services are procuring haphazardly. They argued that it is only through proper planning that organizations are able to draft clear terms of reference for procurement as well as statements of work for

service delivery. The mean scores and standard deviations for element under procurement planning are indicated in Table 4

**Table 4:** Institution’s performance

Statements	Mean	Std Dev
The organization is efficient and effective in-procurement performance	3.29	1.096
Procurement planning helps budgetary proposals that seek to approval procurement performance.	3.56	1.210
Procurement planning identifies sources of funding hence procurement performance	3.75	0.784
Procurement planning ensures that the organization makes clear Terms of Reference (TOR) for procurement performance	4.00	1.344

Basheka, (2008) in his findings concludes that planning is a process that consists of many steps and the bottom line is that planning is not concerned with future decisions but rather with the future impact of decisions made today. The results further revealed that the departments prepared annual procurement plans and that the procurement plans were prepared, and the goals set participatory. Procurement plans therefore influence procurement performance in the sense that they provide focused and efficient utilization of available resources, help in budgeting and planning and therefore with adequate provision of funds due to procurement plans, performance is assured.

**7. Conclusions and Recommendations**

**7.1 Conclusions**

The first objective of the study was to assess the role of supplier integration on procurement performance of SKOL Rwanda Ltd. Firstly, the researcher concluded a high and positive effect of supplier integration on procurement performance because the results of correlation between the two variables was at 0.747 meaning that supplier integration influences procurement performance at the level of 74.7% which proves a significant relationship between the role of supplier integration and procurement performance.

The second objective of the study was to assess the effect of ICT integration on procurement on performance of SKOL Rwanda Ltd. The researcher concluded a positive and high effect of ICT integration and procurement performance since the results of correlation between ICT integration and procurement performance was at 0.757 meaning that ICT integration influence procurement performance at the level of 75.7% which proves a significant relationship between supplier integration and procurement performance.

The third objective of the study to analyze the effect of contract management techniques on performance of SKOL Rwanda Ltd. Finally; the researcher concluded a significant effect between contract management techniques and procurement performance since the results of correlation was at 0.609 mean that contract management techniques affect procurement performance at the level of 60.9% that proves a significant relationship



between the contract management techniques and procurement performance.

## 7.2 Recommendations

The researcher made the following recommendations:

The study recommended that in order for the manufacturing firms in Rwanda to realize better procurement performance, emphasis should be made on supplier integration, ICT integration and lead time. Suppliers should be seen as an extension of the business. The firms should ensure integration of the information systems and also encourage electronic catalogues, provide delivery flexibility, ensure timely responsiveness and address environmental uncertainties in order to have better procurement performance. With regards to Organizational policy, the policies should promote interorganizational trust. The support and commitment from top management should be sought to ensure that the policies are institutionalized. These policies should be standardized to enhance consistency between the partner organizations. Further, management should allocate appropriate resources to ensure implementation of the policies. Manufacturing Companies should take advantage of ICT to reduce paperwork and

The owners of manufacturing firms in Rwanda should establish a favorable environment between their suppliers and their companies to ensure that the supplier relationship is effectively managed. The managers of manufacturing firms should actively integrate their suppliers in procurement processes so as to ensure the accuracy of inventory forecast. The procurement specialists of manufacturing firms should integrate ICT in their routine works so that they may reduce the paper works and ensure the security and standards of the goods supplied by their suppliers.

The managers of manufacturing firms in Rwanda especially the ones involved in the procurement processes of SKOL Rwanda Limited should adopt adequate contract management techniques by fostering open contract negotiation between the procurement unit and the suppliers. Both parties involved in procurement process should enter into agreement after understanding the terms of contract and finally both parties involved in the procurement contract should put in place the mechanisms that help them to monitor contract compliance and establish mechanisms for disputes resolutions so that the relationship between the suppliers and manufacturing might be well managed.

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