

## **Influence of Supplier Relationship on Performance of Small Scale Enterprises in Bungoma Town, Kenya**

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### **Abstract**

*Small Scale Enterprises (SSEs) contributed 50% of jobs in Kenya in 2013. Statistics indicate that three out of five fail within the first few months of their operations. Efforts to stem these challenges have attributed them to inadequate financing. However, no effort has been made to link these challenges to supplier relationship (SR) activities of the SSEs, when in fact this could be a major contributor. This study sought to establish the effect of supplier relationship on performance of SSEs in Bungoma town. The study adopted correlation design. The target population comprised of 1011 owners of the enterprises. Stratified random sampling was used to select a sample of 287 respondents. Data was collected from secondary and primary sources. The latter from relevant documents, such as records of the enterprises, mobile company reports and publications and; the former by using semi structured questionnaire. Descriptive statistics such as frequency distribution tables was applied to analyze quantitative data while regression analysis and Pearson correlation test was used to establish effect. The study found out that information sharing between the supplier and the SSE organization was very crucial for the performance of these organizations. The study also revealed a strong significant ( $n= 279$ ;  $r = .545$ ;  $p<0.05$ ) positive relationship between information sharing and organizational performance. It was also found that reduced lead time was very important for the organization because it could help in creating supply chain and avoids uncertainty and minimizes potential problem of shifting inventories by the SSEs. Pearson Product-Moment correlation coefficient computed indicated that there was a considerable negative correlation ( $n= 279$ ,  $r = -.577$ ) between lead time and SSE performance. The study recommends that SSEs should be encouraged to extensively adopt information technology in their operations and promote information sharing in the supply chain, SSEs should also come up with various measures and polices that promote reduction in lead time in the supply chain.*

**Keywords:** Supplier relationship, Information exchange, Lead time, Small scale enterprises, Bungama Town

### **1. Introduction**

Supplier Relationship Management (SRM) is very important for Small and Medium Enterprises as it can ensure the supply of reliable and frequent deliveries in today's dynamic and competitive environment. For such relationship to be effective and long-term, it has to be beneficial for all parties, the buying and the supplier firms. Organizations seeking effectiveness and realization of organizational goals such as enhanced competitiveness, better customer care and increased profitability must engage in supply chain management (Gunasekaran, Patel and Tirtiroglu, 2001). Supply chain could be defined as the connected series of activities which are concerned with planning, co-ordinating and controlling material, parts and finished goods from suppliers to the customer (Stevens, 1989).

SRM aims at increasing the efficiency frontier of the chain by minimizing non-value-added activities and associated investment cost and operating cost, increasing customer responsiveness and flexibility in the supply chain, and enhance bottom-line performance and cost competitiveness (Stewart, 1995). Today, organizations are striving to improve their performance in response to turbulent business markets and the need to efficiently control their business activities. They realize efficiency and effectiveness of a supply chain is linked to performance (Gunasekaran, Patel and Tirtiroglu, 2001).

The performance is realized in reduced operating costs, increased customer service in logistics activities, improved firm's revenue growth, and enhanced shareholder value (Keeber, 2000). A supplier relationship is one of the elements of supply chain integration, an important aspect of supply chain management. Effective relationships at inter and intra-firm boundaries and at every link in the supply chain is becoming a prerequisite of business success. Rapid fluctuations in customer demand, unpredictable market trends and increased uncertainty with environmental diversity has made industries and markets volatile. Businesses are encouraged to develop flexible relationships with multiple channel partners to reduce the dependence on the vendor. Maloni and Benton (2000) found that strong supplier relationships have a significant positive effect on manufacturer performance, supplier performance, and performance of the entire supply chain. Monczka et al. (2009) opine that the main idea of the supplier relationship is to create a win-win situation for both the supplier and enterprise owners, compared to the traditional approach where the buyer had the power and could play the suppliers against each other just to minimize cost. The collaboration should enable for example mutual cost sharing, joint improvement efforts, conflict-resolution and better communication.

Literature of channel relationships is largely Western may not fully explain the true essence of cross-cultural contextual factors in the local scene of a developing country such as Kenya, among its small scale businesses in Bungoma town for example. According to Olsen and Ellram (1997), elements of buyer-supplier relationships in supply chains are trust, cooperation, communication, interpersonal relationship, and power-dependence. Several studies on power have shown that channel power has significant impact on the buyer - supplier relationship and performance in channel distribution (Lee, 2001; Liu and Wang, 2000; Maloni and Benton, 2000). Further, studies show that there is a positive relationship between cooperation and satisfaction (Anderson and Narus, 1990; Skinner et al., 1992). These studies are based on the West and do not focus on small scale enterprises. The concept of supplier relationship is applicable at all levels of activities and in all categories of organizations irrespective of size. From the arguments, it can be hypothesized that building supplier relationship has positive effect on performance of businesses. Small scale businesses suffer from more challenges than their large counterparts. Challenges such as lack of credit facilities from suppliers can be addressed using the concept of supplier relationship building.

It is widely accepted that Small Scale Enterprises (SSEs) do make a significant contribution to a country's economy (Agbeibor, 2006). According to the GoK (2013), the sector contributed over 50 percent of new jobs created in the year 2013. The Small Scale Enterprises sub sector, therefore, remains pivotal for developing countries as they strive to improve their economic status. Despite their significance, a large number of Small Scale Traders in developing countries are faced with a lot of challenges as they try to remain relevant and competitive (Ayyagari, Beck and Demircug-kurt, 2007). According to Amyx (2005), one of the most significant challenges is the negative perception towards the performance of the SSEs. Past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). These challenges could be attributed to a number of factors from internal operations and as well as externally linked factors such as under-resourcing. Supplier relationships are one such factor that needs to be investigated in relation to the SSEs performance. In this respect, the contribution of supplier relationships to performance of the SSEs in Bungoma town cannot be underestimated. Bungoma town was established as a trading centre in the early 20th century. Bungoma town has numerous small scale enterprises in various sectors including agriculture, financial services, commercial, manufacturing among others.

### ***Statement of the problem***

Supplier Relationship Management is very important for small scale enterprises as it can ensure the supply of reliable and frequent deliveries in today's dynamic and competitive environment. Small scale enterprises (SSEs) do make a significant contribution to a country's economy, particularly in the developing world such as Kenya. For example, in 2013, they contributed 50% of jobs in Kenya. The performance of the SSEs depends on the way they relate with their suppliers of goods and services. For instance delayed supplies can hurt the enterprises. In Bungoma, town most SSEs fail to realize profitability due many factors affecting SSE operations. Although there are many factors affecting SSE performance, there is scanty empirical information on the effects of supplier relationship on performance of small scale enterprises especially in Bungoma town. Therefore, the study is designed to establish the influence of supplier relationship on performance of small scale enterprises in Bungoma town, Kenya.

**Objectives of the study**

- i. To establish the influence of information exchange on the performance of small scale enterprises in Bungoma town, Kenya.
- ii. To Establish the relationship between the lead time and performance of small scale enterprises in Bungoma town, Kenya

**Null Hypotheses**

H<sub>01</sub>: There is no significant influence of information exchange on performance of small scale enterprises in Bungoma town, Kenya.

H<sub>02</sub>: There is no significant influence of lead time on performance of small scale enterprises in Bungoma town, Kenya.

**Literature Review**

Mac Duffie and Helper (1997) indicated that suppliers in lean production setting are expected to have the ability of meeting quality, delivery, and responsiveness requirements. They further pointed out the difficulty for customers to meet these requirements unless suppliers themselves have adopted lean practices. This pointed to one key problem in just-in-time (JIT) environment associated with moving the inventories from the buyer's firm to its suppliers. Such a situation will reduce inventory and related costs in the buying firm while increase inventories and costs in the supplier firm (Romero, 1991). Handfield et al. (1999) when studying involvement of supplier in new product development argued that the effective incorporation of suppliers into the supply is a major factor for plants to maintain their competitiveness. In addition, Performance improvement and competitive advantage can be achieved by cooperative relations with suppliers, which include: trust, supporting suppliers to improve their processes, information sharing, supplier involvement in new products development, and long-term relationships (Langfield-Smith and Greenwood, 1998). Krause, Handfield and Tyler (2007) found that commitment of the buying firm to long-term relationships with major suppliers, shared goals and values with suppliers, and the involvement in supplier development initiatives were positively associated with the buying firm competitive performance in US automotive and electronics industries.

Langfield-Smith and Greenwood (1998) concluded based on a case study on Toyota Australia that the effectiveness of the supplier-buyer relationship was influenced by several factors, such as communication and information sharing, learning and the involvement of workers in the buying firm's programs, and similarities in technologies and industry. Scannell Vickery and Droge (2000) investigated supply chain management efforts with first tier suppliers in 57 automotive firms in the US. Using a survey questionnaire; they found that first tier supplier development is associated with innovation and cost measures, but not associated with flexibility and quality measures. They also found that the use of JIT purchasing by first-tier suppliers is strongly associated with their performance measures of flexibility, slightly associated with quality and cost, and not associated with innovation. They called for further research with larger sample in order to improve the generalize-ability of the results.

Shin, Collier and Wilson (2000) investigated supply management orientation (SMO) on supplier's and buyer's performances in 176 automotive firms in the US. They measured SMO in terms of long-term relationships with suppliers, supplier participation in new product development, limited number of suppliers, and selecting suppliers based on quality considerations. They found that SMO positively affected supplier's and buyer's performance in terms of quality and delivery. However, they found that SMO did not affect buyer's performance in terms of cost and flexibility. Wisner (2003) found that supplier and customer management strategy have positive effect on supply chain strategy and on competitive performance. His empirical results were achieved using a data from 350 US and European manufacturing firms. One of the critical requirements of efficient supply chain management is the creation of a synchronized flow of materials and information from suppliers to their customers (Krajewski and Ritzman, 2004). Information sharing between partners is found to be the most vital driver for the presence of trust between them (Leverick and Cooper, 1998). Communication methods used by buyers to communicate with their suppliers are categorized into two main groups: traditional communication methods and advanced communication methods. Traditional methods are those that involve the use of telephone, fax, email, written, and face-to-face contact.

On the other hand, advance communication methods refer to computer-to-computer links, electronic data interchange (EDI), and enterprise resource planning (ERP). The use of electronic mail, electronic data exchange, fax, computer to computer links, and EDI broaden and deepens accessible information about business activity (Bhatt, 2000) and facilitates user participation in a variety of information networks (Dewett and Jones, 2001). However, face-to face communication between supplier and buyer is still considered an important method for information exchange (Dyer, 1997).

A Study by Kaemey (2013) in Korea on procurement analytical solution shows that suppliers are equally important and integral part of supply chain management and supplier management is an important part of any organization's strategies, having the right information on suppliers and supplier's performance becomes imperative. The timely information delivered on the supplies is crucial in ensuring that the businesses remain competitive in the market. Veludo, Macbeth and Purchase (2004) also assert that effective two-way communications enriches knowledge about the products and services offered by the enterprises. The information sharing within the supply chain can be quality requirements, mutually achieve goals, responsibilities, and jointly making decision or solving problems. It should be detailed enough, frequent enough and timely enough in order to increase understanding between partners.

Burton (1988) when investigating JIT/sourcing repetitive strategy indicated that suppliers account for approximately 80% of lead-time problems. In lean production environment, JIT purchasing requires the supplier firms to deliver frequent supplies in small lots. This would require perfect synchronization between the supplier and the buyer, which can be achieved by integrating their production planning and control systems (De Toni and Nassimbeni, 2000).

Hernandez (1993) pointed to the crucial role of reducing lead time on the ability of the supplier to become lean and responsive. He further indicated that supplier lead time reduction minimizes the potential problem of shifting inventories to the supplier firm and eliminates quality problems associated with holding buffer inventories.

Larson and Kulchitsky (2000) empirically found that lead time performance was affected by information quality and close relationships between the buying firm and the supplier firm. Further, De Toni and Nassimbeni (1999) pointed to the importance of the logistic link between the buyer and supplier, particularly under JIT system, where suppliers have to completely respond to the requirements of the buyer in terms of quality and quantity. They argued that such link would be enhanced by small lot size and coordinated schedules between the two parties.

Koh, Demirbag, Tatoglu and Zaim (2007) pointed that use of few suppliers enable effective communication and a supplier relationship that promotes the growth of SCM performance. Increased financial performance is a result of well integrated industrial relations that lead to speedy delivery and quality of goods. Furthermore supplier's involvement in the design and development of new and existing products is easier when there are fewer suppliers as dealing with many suppliers for one product line is pricier than monitoring a single supplier. According to Kannan and Tan (2005), involving suppliers early in the design and development of the product is essential towards enhancing the product development stage. The involvement of suppliers in the design and development leverages the level of communication between buyer and supplier, and is precarious for good relationships between these parties (Lee, Kwon and Severance, 2007). This involvement also leads to satisfied customers who are actually the main target in the value chain because without them SCM is not significant in terms of the success of the SME manufacturer. In order for a manufacturing firm to be in a competitive environment its customers must take priority at a service delivery level that aims for shorter lead times (Stevenson and Spring, 2007).

### **Research Methodology**

The research design adopted for this study was correlation design which is a specific type of non-experimental design used to describe the relationship between or among variables. The target population comprised of 1011 owners of small scale enterprises in Bungoma town according to the county entrepreneurial report (2015). Stratified random sampling techniques were used to select the sample. The firms were categorized based on the sectors namely; agricultural, financial services, commercial, manufacturing and others. A sample of 287 was arrived at by using Yamane (1967) rule.

The study collected both primary and secondary data. Primary data was obtained from respondents through the use of structured questionnaire while secondary data was collected from document reviews such as administration records, related reports and journals on the supplier relationship and small scale enterprises.

## Data analysis and presentation

Data was analyzed using descriptive statistics such as frequency distributions, percentages and inferential statistics involved Pearson correlation and regression analysis. The regression analysis was used to test the level of independence among the variables. Results were presented in tables and graphs.

### Data Analysis and Presentation

#### Descriptive Analysis

The study found that most of the SSE business enterprises at 49.1% had taken less than 20 years in existence, 30.8% indicated 21-40 years, while only 20.1% had taken more than 40 years. These shows that majority of the business enterprises had not lasted long in the area, which could be attributed to the fact that they were mostly owned by youth, who had not lasted long in the business. Most of the SSE organizations (43.7%) were also found to be agricultural oriented such as selling of glossaries, while substantial amount at 32.6% were financial especially the m-pesa outlets.

#### Enterprise Performance

The performance of small scale enterprises was investigated by use of pre-designed questionnaire in form of Likert scale. The respondents were given 9-itemmed statements based on the concept of SSE Enterprise Performance. The respondents were expected to respond on each statement based on their personal believe on the statement. Their responses were summarized in percentages frequencies and tabulated as in Table 1

**Table 1: Measurement of Enterprise Performance**

| Statements                                                    | SA         | A         | U         | D         | SD        |
|---------------------------------------------------------------|------------|-----------|-----------|-----------|-----------|
| Customers are satisfied with the supplier relationship        | 86(30.8%)  | 74(26.5%) | 56(20.1%) | 35(12.5%) | 28(10.0%) |
| Customer retention is very achieved                           | 97(34.8%)  | 98(35.1%) | 42(15.1%) | 27(9.7%)  | 15(5.4%)  |
| Customers are loyal to our products and services              | 83(29.7%)  | 96(34.4%) | 62(22.2%) | 21(7.5%)  | 17(6.1%)  |
| There is reduction in defective products                      | 92(33.0%)  | 93(33.3%) | 41(14.7%) | 32(11.5%) | 21(7.5%)  |
| Our Products and services conforms with the quality standards | 94(33.7%)  | 83(29.7%) | 61(21.9%) | 21(7.5%)  | 20(7.2%)  |
| There is increased volume of business growth                  | 102(36.6%) | 91(32.6%) | 59(21.1%) | 23(8.2%)  | 4(1.4%)   |
| Increased sales growth                                        | 98(35.1%)  | 85(30.5%) | 56(20.1%) | 34(12.2%) | 6(2.2%)   |
| There is widened customer base                                | 97(34.8%)  | 76(27.2%) | 54(19.4%) | 39(14.0%) | 13(4.7%)  |
| There is addition of more physical assets                     | 103(36.9%) | 81(29.0%) | 46(16.5%) | 41(14.7%) | 8(2.9%)   |

The study found that customers were satisfied with the supplier relationship as indicated by cumulatively 57.3% of the respondents. Only 10.0% strongly disagreed with the statement that customers were satisfied with the supplier relationship. On customer retention, majority of the respondents at 69.1% supported the statement that customer retention was achieved in their business organizations. The study also found that customer loyalty was attained as confirmed by most of the respondents at 64.1% collectively. Only less than a quarter (13.5%) refuted this statement.

**Null Hypothesis:** *There is no significant influence of information exchange on performance of small scale enterprises in Bungoma town*

To establish whether there was any significant relationship between information sharing and SSE organization performance, the researcher computed Pearson's Product-Moment Coefficient of correlation between the scores of the two variables. Thus, hypotheses were brought forward and tested and inferences made as follows:

**Table 2 Correlations between Information Sharing and Organizational performance**

|                            |                     | Information Sharing | Organizational performance |
|----------------------------|---------------------|---------------------|----------------------------|
| Information Sharing        | Pearson Correlation | 1                   | .545**                     |
|                            | Sig. (2-tailed)     |                     | .000                       |
|                            | N                   | 279                 | 279                        |
| Organizational performance | Pearson Correlation | .545**              | 1                          |
|                            | Sig. (2-tailed)     | .000                |                            |
|                            | N                   | 279                 | 279                        |

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

The analysis revealed a strong significant ( $n= 279$ ;  $r = .545$ ;  $p<0.05$ ) positive relationship between information sharing and organizational performance, as indicated in the table above. Since the significance ( $p$  value) is less than  $\alpha$  level (0 .05) then we reject the null hypothesis that the variances of the two groups are equal, implying that the variances are not equal. The findings show that  $p$ -value is less than the significance level (0.05). That is,  $0.00 < 0.05$ .

### **Lead Time and Enterprise Performance**

The second objective was to establish the relationship between lead time and performance of small scale enterprises in Bungoma town, Kenya. Respondents were asked to indicate their level of agreement or disagreement with each of statement related to lead time written in five point likert scale, which is Strongly Disagree (SD) Disagree (D) Undecided (U) Agree (A) Strongly Agree (SA).

**Table 3: Measurement of Lead Time**

| Statement                                                                                    | SA         | A         | U         | D         | SD        |
|----------------------------------------------------------------------------------------------|------------|-----------|-----------|-----------|-----------|
| We have adopted the JIT systems                                                              | 51(18.3%)  | 37(13.3%) | 53(19.0%) | 75(26.9%) | 63(22.6%) |
| Lead time reduction can help to create supply chain and avoid uncertainty                    | 117(41.9%) | 64(22.9%) | 69(24.7%) | 14(5.0%)  | 15(5.4%)  |
| Lead time reduction affects the quantity and quality of SSEs operations                      | 101(36.2%) | 81(29.0%) | 77(27.6%) | 8(2.9%)   | 12(4.3%)  |
| Supplier lead time reduction minimizes potential problem of shifting inventories by the SSEs | 112(40.1%) | 83(29.7%) | 51(18.3%) | 20(7.2%)  | 13(4.7%)  |

The study found that most of the SSEs had not adopted JIT systems as indicated by 49.5% of the respondents who refuted the statement. Lead time reduction was found to be important for organization performance. For instance, 63.8% of the respondents confirmed that Lead time reduction could help in creating supply chain and avoid uncertainty. Another 69.8% cumulatively, agreed that supplier lead time reduction minimizes potential problem of shifting inventories by the SSEs. Generally, lead time reduction affected the quantity and quality of SSEs operations as also confirmed by majority of the respondents at 55.2%. This shows that lead time would also influence the organization performance of the SSEs and its reduction would related positively with the performance.

**Null Hypothesis:** *There is no significant influence of lead time on performance of small scale enterprises in Bungoma town*

The score on the lead time was used as the independent variable while scores from on performance of SSE was used as the explanatory variable (dependant variable). Thus, hypotheses were brought forward and tested at 0.05 significance level and inferences made as follows:

**Table: 4 Correlations between lead time and SSE performance**

|                 |                     | Lead Time | SSE performance |
|-----------------|---------------------|-----------|-----------------|
| Lead Time       | Pearson Correlation | 1         | -.577**         |
|                 | Sig. (2-tailed)     |           | .000            |
|                 | N                   | 279       | 279             |
| SSE performance | Pearson Correlation | -.577**   | 1               |
|                 | Sig. (2-tailed)     | .000      |                 |
|                 | N                   | 279       | 279             |

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

*Primary Data, 2016*

The Pearson Product-Moment correlation coefficient computed indicated that there was a considerable negative correlation ( $n= 279$ ,  $r = -.577$ ) between lead time and SSE performance, as indicated in the Table above. This implies that as lead time reduces, the SSE performance increases. Since the significance ( $p$  value) (0.00) is less than  $\alpha$  level (0 .05) then we reject the null hypothesis that the variances of the two groups are equal, implying that the variances are not equal. The findings show that  $p$ - value is less than the significance level (0.05). That is,  $0.000 < 0.05$ .

### Regression Analysis of supplier relationship and Organization performance

A multiple regression analysis was conducted for the various supplier relationship indicators and SSE performance. Consequently ANOVA analysis was used to test the hypotheses. The results of the regression analysis are shown in the subsequent Tables.

**Table 5: Regression Analysis Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .794 <sup>a</sup> | .640     | .640              | .759                       |

a. Predictors: (Constant), information sharing, lead time, relationship duration;

According to the analysis, these variables statistically significantly predict SSE performance. The findings in Table 5 also suggest that independent variables (information sharing, lead time, relationship duration) explain (64.0%) as shown by the value of R squared, of the variability of the dependent variable, (SSE performance). Therefore, the remaining (36%) could be accounted for by other variables not entered in the present study. Analysis also reveals that all three variables added statistically significance to the prediction,  $p < .05$ .

**Table 6 ANOVA<sup>b</sup>**

| Model        | Sum of Squares | df | Mean Square | F      | Sig.              |
|--------------|----------------|----|-------------|--------|-------------------|
| 1 Regression | 57.781         | 8  | 12.561      | 55.429 | .000 <sup>a</sup> |
| Residual     | 19.656         | 34 | .694        |        |                   |
| Total        | 77.437         | 42 |             |        |                   |

Researcher's Data, 2016

a. Predictors: (Constant), information sharing, lead time, relationship duration

b. Dependent Variable: Organization performance

The ANOVA results from Table 6 shows a significant variance ( $p=0.000$ ) in means for the three predictors (information sharing, lead time, relationship duration) since our alpha value was  $p < 0.05$ . This implies that the means differ more than would be expected by chance alone. It can be concluded that relationship between the three predictors on SSE performance varies.

**Table 7: multiple regression analysis**

| Model                 | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | 95.0% Confidence Interval for B |             |
|-----------------------|-----------------------------|------------|---------------------------|--------|------|---------------------------------|-------------|
|                       | B                           | Std. Error | Beta                      |        |      | Lower Bound                     | Upper Bound |
| 1(Constant)           | 1.070                       | 1.135      |                           | .942   | .033 | 1.271                           | 4.580       |
| Information sharing   | .742                        | .164       | .323                      | 4.083  | .017 | .271                            | .494        |
| Lead time             | -.612                       | .159       | -.753                     | -1.805 | .011 | -.240                           | .413        |
| Relationship duration | .484                        | .177       | .614                      | 1.173  | .026 | .362                            | .413        |

a. Dependent Variable: SSE organization performance

From the significance column in Table 7, it can be concluded that all the predictor variables (information sharing, lead time, relationship duration) are significant since they are less than the common alpha of 0.05 ( $P < 0.05$ ).

### Summary of the Study, Conclusion and Recommendations

This study focused on the effect of supplier relationship on the performance of Small Scale Enterprises (SSEs) in Bungoma town. It is reported in 2013 that SSEs contributed 50% of jobs in Kenya. Statistics indicate that three out of five fail within the first few months of their operations. Efforts to stem these challenges have attributed them to inadequate financing. However, no effort has been made to link these challenges to supplier relationship (SR) activities of the SSEs, when in fact this could be a major contributor. This study sought to establish the effect of supplier relationship on performance of these SSEs in Bungoma town. Specifically, the study sought to determine the effect of information exchange, to find out the relationship between lead time reductions. The study adopted correlation design. The population comprised of 1011 owners of the enterprises. Stratified random sampling was used to select a sample of 287 respondents with the products/services forming the basis of strata. Data was collected from secondary and primary sources. Descriptive statistics was applied to analyze extent of variables while regression analysis was used to establish effect.

The study found that while more than half of the respondents at 58.4% confirmed that they had adopted information technology for sharing information; significant number of the respondents at 33.4% had not adopted information technology for sharing information. Information sharing was found to be crucial for business performance. In testing of the null hypotheses, the analysis revealed a strong significant ( $n= 279$ ;  $r = .545$ ;  $p<0.05$ ) positive relationship between information sharing and organizational performance, this implies that we rejected the null hypothesis.

The study found that most of the SSEs had not adopted JIT systems as indicated by 49.5% of the respondents who refuted the statement. 63.8% of the respondents confirmed that Lead time reduction could help in creating supply chain and avoid uncertainty. Another 69.8% cumulatively, agreed that supplier lead time reduction minimizes potential problem of shifting inventories by the SSEs. Generally, lead time reduction affected the quantity and quality of SSEs operations as also confirmed by majority of the respondents at 55.2%. In testing of the second null hypothesis, Pearson Product-Moment correlation coefficient computed indicated that there was a considerable negative correlation ( $n= 279$ ,  $r = .577$ ) between lead time and SSE performance. This implies that we rejected the second null hypothesis.

### **Conclusion**

Conclusions drawn from the first objective were that information sharing between the supplier and the SSE organization was very crucial for the performance of these organizations. However, most of the SSE owners in Bungoma town had not adopted or incorporated information technology in their operations for information sharing, citing cost implications, inadequate technological knowhow and cost of maintenance.

On effects of lead time on organizational performance, the study concluded that although lead time influenced organization performance, most of the SSEs in Bungoma town had not adopted JIT systems. Reduced lead time was very important for the organization because it could help in creating supply chain and avoid uncertainty and minimizes potential problem of shifting inventories by the SSEs

### **Recommendations**

This section stipulates the recommendations to be implemented for practice and policy for improved performance of the organizations; SSEs should be encouraged to extensively adopt information technology in their operations and promote information sharing in the supply chain. This was because the study found that information sharing helped the SSE owners in decision making and solving problems in the supply chain, making information easily accessible.

The SSEs should also come up with various measures and polices that promote reduction in lead time in the supply chain, since the study found that reduced lead time was very important for the organization because it could help in creating supply chain and avoid uncertainty and minimizes potential problem of shifting inventories by the SSEs.

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