EFFECT OF SUPPLY RELATIONSHIP MANAGEMENT ON PROCUREMENT PERFORMANCE IN LOCAL GOVERNMENT MINISTRY IN RWANDA: A CASE OF KICUKIRO DISTRICT

[1]ZIRAJE KAJUJA, [2]DR. PATRICK MULYUNGI

Abstract: **Supplier Relationship Management (SRM) in the world is a systematic approach for developing and managing partnerships. This study aims to fill the gaps on how supplier relations management could be used to enhance the procurement performance of the local government ministry in Rwanda. The study is guided by the following research specific objectives: determine the effect of supplier selection on procurement performance in local government ministry in Rwanda, assess the effect of supplier quality management on procurement performance in local government ministry in Rwanda ,find out the effect of supplier collaboration on procurement performance in local government ministry in Rwanda and finally to establish the effect supply management on procurement performance in Kicukiro district in Rwanda .The study used simple random sampling procedure will adopt a survey and target the management and the procurement staff of the Kicukiro District in KIGALI CITY. A total of population are 120 therefore targeted. The research will employ a descriptive study design. The sample size of the study will include of 92 respondents and Solvin's formula has been used for sample size calculation. The questionnaires were issued to the concern respondents. The study concludes that Kicukiro District has put in place supplier relationships management to have a good procurement performance for achieve their goals on supplier selection management, supply quality management, supplier collaboration and supply management as indicated in this study. The study shown the great effect of supplier relationship on procurement performance and the researcher recommended the improvement on supplier collaboration and supplier selection mostly.**

Keywords: **Supplier Relationship Management (SRM), local government ministry, supplier collaboration.**

1. BACKGROUND OF THE STUDY

Supplier Relationship Management (SRM) in their study that is a systematic approach for developing and managing partnerships. It is focused on joint growth and value creation with a limited number of key suppliers based on trust, open communication, empathy and a win-win orientation. The non-partnerships are managed by means of other measures like contract administration, contract management and vendor rating. SRM is focused on joint value creation based on trust, open communication and collaboration with a limited number of key suppliers. According by Monczka ea. (2011) described the SRM objectives and benefits very concisely: The most important in SRM objectives are leveraging supplier capabilities, delivering cost savings and reducing supply risk exposure. For achieving Procurement Performance, companies have to find the right balance between agile and fast adaptation of the supplier's portfolio and the development of long term partnerships with suppliers capable of assuming a risk-sharing position, Supplier Relationship Management is a comprehensive approach to managing an organization's interactions with the firms that supply the products and services it uses. SRM is understood as the sourcing policy-based design of strategic and operational procurement processes as well as the configuration of the supplier management (Klein Baum, 2008). But Procurement is an important and expensive business activity for organizations. Procurement is generally the process of acquiring goods and services as well as hiring contractors and consultants to carry out works and services (Hornby, 2005).

Procurement performance is the examination of effectiveness and efficiency of the results of procurement actions the achievement of   an agreed task is measured against predetermined standards such as; cost, speed, flexibility, accuracy, completeness, quality of purchases, and profile supplier (Jones and Oliver 2006).are an objective to measure closely related to spend management or it is an integral component of procurement management. According to Jones and Oliver (2006) various procurement performance measures such as; quality measures, price performance measures, cost performance measures, time related measures, innovation (technology) measures, environment and safety measures, asset management measures, administration measures, client fulfilment measures, supplier performance measures and strategic performance measures. However, this study has used the following measures; price; cost; quality and time measures. Firms without appropriate performance measures in their processes, procedures, and plans, experience inferior performance, higher client dissatisfaction and employee turnover (Amaratunga & Baldry, 2002). The efficacy of the performance measures describes how well the objectives of procurement are realized (Arun and Linet 2005).

Procurement performances it describes key indicators, methods, and processes that are necessary for measuring procurement success.

Supplier Relationship Management (SRM) in the world is a systematic approach for developing and managing partnerships. It is focused on joint growth and value creation with a limited number of key suppliers based on trust, open communication, empathy and a win-win orientation. Non-partnerships are managed by means of other measures like contract administration, contract management and vendor rating. In his opinion, Monczka e.a. (2011) described the SRM objectives and benefits very concisely: Become 'customer of choice': preferential treatment regarding availability, costs, access to technology, innovation and risk reduction. Focus on value: increased market competitiveness through consideration of all relevant elements that determine stakeholder value. The leverage on supplier capabilities: advantageous position through early involvement in the innovation and product & process development processes. Share growth, profits, risks and investments: joint objectives, efforts and resource commitments resulting in a healthy culture for continuous growth. Supplier relationship management (SRM) is the discipline of strategically planning for, and managing, all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions. In practice, SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk of failure.

In Rwanda, supplier relationships gained attention early 2015, although having good suppliers is important, the philosophy of supply chain management is to balance customers' demands with the need for profitable. This philosophy implies reconciliation of logistics, supply chain and organizational performance as well as business growth. Human resources management is a critical success factor to this end. A set of principles for a successful supply chain management were introduced. Those are customer and supplier relationships and services management as well as information flow and returns management (Ngendahimana, 2014). Local ministry is an important sector in Rwanda and it makes a substantial contribution to the country's economic and social development. Local ministry depend to a larger extent on their suppliers to avail the right products, in the right quality, quantity and in the right time. Ideally suppliers ought to be fast in responding to their buyer's needs. However, in many cases, supplier carelessness and tolerance in responding to buyers needs has been a common occurrence characterized by increased lead times and cycle time. This has a negative impact to the buyers causing them to keep large buffer stock to cater for supplier uncertainty. Hence, it is paramount for ministry to create relationships that improve the way suppliers respond to them.

2.   STATEMENT OF PROBLEM

The effect of managing supplier relationships and procurement performance on departments is an area of growing interest in the academic and business world today. Most established and successful companies focus heavily on developing closer ties with other organizations seeking a competitive advantage and better market positioning. This triggered the need to develop better relationships with suppliers to improve supply chain performance. So far, little or no information is known about promoting effective vendor-to-vendor relationship management, as well as its impact on departmental performance (Lambert, Cooper, & Pagh, 1998).

Careful review of previous studies of buyer supplier relationships and procurement performance confirms that little research has been done on the effect of supplier relationships on the department's procurement performance. Previous research by Bart (2009), only looked at the buyer supplier relationship. Another study was conducted by Cousins,
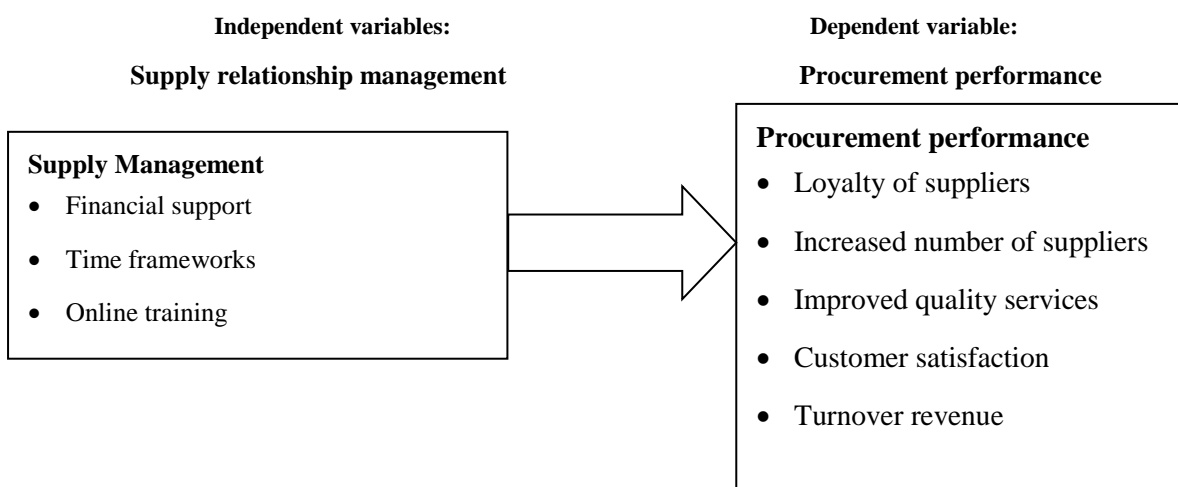
Lamming, Lawson and Squire (2006) on performance measurement in strategic buyer-supplier relationships. The studies mentioned in this paper have failed to link supplier relationship management and organizational performance. This study seek to fill the gap by providing a good understanding of the management of the supply relationship that affects procurement performance in the local government ministry due to limited knowledge of this area, late payments and deliveries will have a poor supply performance. The study particularly looked at four relationship supply selection; supply quality management, supplier collaboration and supplier management due to the strong competition and other suppliers re-inventing themselves, it is necessary to establish measures that ensure a competitive advantage for suppliers.

3. OBJECTIVE OF THE STUDY

1. To establish the effect supply management on procurement performance in Kicukiro district in Rwanda.

4. CONCEPTUAL FRAME WORK

A conceptual framework is a structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at frame their questions and find suitable literature.

Independent variables:

Supply relationship management

Dependent variable:

Procurement performance

Supply Management
- Financial support
- Time frameworks
- Online training

Procurement performance
- Loyalty of suppliers
- Increased number of suppliers
- Improved quality services
- Customer satisfaction
- Turnover revenue

5. RESEACH DESIGN

This study used descriptive survey as research design; both quantitative and qualitative approaches were used to determine the suppliers' relationship management and procurement performance of Kicukiro district.

6. TARGET POPULATION AND SAMPLE SIZE DETERMINATION

The target population in this study consisted of staff members of Kicukiro district and precisely top management, procurement, ICT, Human resource, logistic, infrastructure, and finance departments. The target population (N) constituted 120 employees of Local Government of Government.

The sample was drawn from the population that represent the employees and suppliers of Kicukiro District. This research adopted a stratified random sampling technique in selecting the sample. The use of sample enables the researcher to save time and costs associated with studying the entire population (Mark Saunders, *et al*, 2009). This also involved Slovin's formula.

$n = N / (1 + Ne^2)$ where,

n = Number of samples

 N = Total population

 e = Error tolerance random selection of respondents from each stratum According by Stephanie (2012), Statistics How To how to use slovin's formula**?**

In Kicukiro the target population is 120, the error tolerance is about 5 %

n=120/ (1+120*0, 05*0.05)

n=92.307692 or approx. **92** staffs

7. RESULTS AND DISCUSSION

Table 1: Supply management and procurement performance

		Financial support	Time frameworks	Online training
N	Valid	67	67	67
	Missing	0	0	0
Mean		4.1642	4.3731	4.0896
Median		4.0000	5.0000	4.0000
Std. Deviation		1.00901	.75550	.96501
Minimum		1.00	2.00	1.00
Maximum		5.00	5.00	5.00

Source: researcher (2018)

The result shows that the supply management and procurement has big impact to the procurement performance of local governance. Financial support contributed more to the procurement performance of Kicukiro district. The mean is 4.1642 and Std. Deviation is 1.00901, this mean that Kicukiro district value the influence of financial support to the Kicukiro district. Also the time framework influenced the procurement performance of Kicukiro district, where the mean is 4.3 and the Std. Deviation is 0.7. The staff of Kicukiro district appreciated the influence of online training to the procurement performance of Kicukiro district, the mean is 4.0896 and std. Dev is .96501.

Table 2: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.335	4	3.084	4.487	.003[a]
	Residual	41.923	61	.687		
	Total	54.258	65			
a. Predictors: (Constant), Supply management						
b. Dependent Variable: Procurement performance						

Multiple regression analysis was conducted as to determine the relationship between the Supplier management and procurement performance. F-statistic 4.487 is greater than level of significant 0.003, which means that supply management has big impact on procurement performance.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.851	.786		1.083	.043
	Supply management	.062	.750	.057	.414	.030
a. Dependent Variable: Procurement performance						

According to the result of coefficient supply management has 0.750, which means that procurement management has significant contribution to the performance of procurement in Kicukiro district. This contribution is significant at 95% level of confidence and 5% level of significance.

8. CONCLUSIONS

The study concludes that Kicukiro District has put in place supplier relationship management to have a good procurement performance. The district established a good relationship with the suppliers. The results show that Supply management is well managed to increase the number of supplier. The collaboration among procurement management staff is used regularly but need to be improved.

9.   RECOMMENDATIONS

The study therefore, based on the findings and conclusions presented above made recommendations that; the supply relationship management and procurement performance for Kicukiro District need to effectively evaluate the most supplier relationship management that would facilitate its procurement performance. Having working of supplier relationship management determines the ability and credibility of the procurement performance of the District:

❖ There is need to ensure that competent personnel are in place to manage supply collaboration processes in the district. This should be facilitated through training of all staff in the procurement on critical aspects of procurement performance with major concern on procurement entities.

❖ The researcher also recommended the need for Kicukiro district to improve performance through proper supplier relationship management as described by the respondents on the contribution of supplier relationship management to the district.

❖ Although supplier relationship management may not be the only contributing factor to procurement performance, it is imperative that Kicukiro district review their existing procurement systems in order to identify the weak area and fasten them accordingly as this directly affects their procurement performance.

❖ Kicukiro district should establish a supplier relationship management unit with skilled and knowledgeable workforce to front the supply management operations in order to stream line most of the existing weaknesses in the procurement controls.

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