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Supplier Relationship Management Strategies and Operational Effectiveness of Food and Beverages Firms in Nigeria

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Abstract: *This study examined the relationship between supplier relationship management strategies and operational effectiveness of food and beverages firms in Nigeria. This study adopted a cross-sectional survey and correlation investigation to establish relationship between supplier relationship management strategies and operational effectiveness of food and beverages firms in a non-contrived setting. The population of this study comprises of twelve (12) food and beverage firms in Rivers State, listed in the Nigerian Stock Exchange Facts Book of 2017/2018. A sample of 60 respondents were drawn from the management cadre of the firms under our study. A self-administered structured questionnaire was used to collect primary data and the data obtained were accordingly analyzed using Pearson's Product-Moment Correlation. The result revealed that there is significant and positive relationship between supplier relationship management strategies and operational effectiveness of food and beverages firms in Nigeria. Based on the findings of this study, the paper concludes that a positive and significant relationship exists between supplier relationship management strategies and operational effectiveness. It therefore, recommends that food and beverages firms that have not been using supplier relationship management strategies should to a large extent adopt supplier relationship management strategies to be competitive and enhance organizational performance.*

Key words: *Supplier Relationship Management Strategies, Operational Effectiveness, Operational Flexibility, Quality.*

INTRODUCTION

As the trend toward use of technology to drive competitive advantage has taken root, visionary businesses/firms are starting to take advantage of a new competitive opportunity called Supplier Relationship Management (SRM). According to Herrmann and Hodgson (2001), SRM is a process involved in managing preferred suppliers and finding new ones while reducing costs, making procurement predictable and repeatable, pooling buyer experience and extracting the benefits of supplier partnerships. It is focused on maximizing the value of a manufacturer's supply base by providing an integrated and holistic set of management tools focused on the interaction of the manufacturer with its suppliers.

Kosgei and Gitau, (2016) identified supplier relationship management as a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and

services it uses. Hence, the goal of Supplier Relationship Management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management CRM is intended to streamline and make more effective the processes between an enterprise and its customers. SRM includes both business practices and software and is part of the information flow component of supply chain management (SCM). According to Cheng (2009), the most common supply chain management practices are supplier selection, evaluation, segmentation and development. These practices are fueled by some attributes such as trust, commitment, corporate culture, information sharing and the drive to meet obligations among the parties in the chain (Field & Meile, 2008).

Proper management of the supply chain has been known to diminish the potential risks and uncertainty that may be incurred by a firm, lead to the optimization of the inventory levels and process cycle time this performance is increased through satisfied customers and increased profit margins (Moore, 2012). The food and beverages sector in Nigeria is one of the most productive and most relied upon among other sectors for economic growth and development. It promises immense potential for wealth creation, employment opportunities and resource application. It's a rapidly growing sector with many small and medium enterprises coming up. Food processing consists of multiple value chains beginning with agricultural production and reaching into domestic, regional, and global markets. Beverage or drink processing firms are concerned with products ranging from drinking bottle alcohol, non-alcoholic drinks, bottled water, fruit or vegetable juices and soft drinks (carbonated drinks).

Most of the well-established food and beverages firms place key emphasis on development of close relationship with other entities in order to remain competitive while improving on their positions in the market. This has ignited the debate and need for establishment of excellent relationship with the suppliers so as to improve on performance of their supply chains. This has brought a lot of competition in the market and most of the firms must now look for better strategies that will help them establish positive relationships which will help them grow and achieve their set goals.

This is because competition is no longer between organizations, but among supply chains. Intensified competition and globalization of markets over the last decade has contributed to challenges associated with ensuring that goods and services that meet customer requirements are provided in an efficient and effective way (Cooper, & Ellram, 1993). Practicing of supply chain management with key focus on supplier relationships is an essential prerequisite for staying competitive in the global race and enhancing profitably in the market.

The purpose of this study is to determine the relationship between supplier relationship management strategies and operational effectiveness amongst food and beverage firms in Nigeria specifically Port Harcourt in Rivers State. Its specific objective is:

To determine the relationship between supplier relationship management strategies and operational effectiveness amongst food and beverage firms in Nigeria.

This study will assist different parties involved in food and beverages manufacturing firms to achieve a practical summing up of supplier relationship management strategies implementation.

Literature Review and Hypotheses

Theoretical Underpinning

Systems Theory

The systems theory was developed by Ludwig von Bertalanffy (1968). Bertalanffy suggests that the success of an organization depends on several key elements: synergy, interdependence, and interrelations between various subsystems. According to Bertalanffy (1968), a system is a combination of factors that work together to give a result. Systems theory calls for addressing various parts of a system from a holistic viewpoint and not in isolation of each other in tackling the problems in their entirety. The theory advocates for greater understanding of the problems or issues at hand through gauging patterns or the interrelationships that are at play among various entities of a system (Rubenstein *et al.,* 2001).

Network Theory (NT)

This theory was proposed by Salancik (1995). Salancik proposes that Networks embed transactions in a social matrix, creates markets. Network theory (NT) contributes profoundly to an understanding of the dynamics of inter-organizational relations by emphasizing the importance of "personal chemistry" between the parties, the build-up of trust through positive long term cooperative relations and the mutual adaptation of routines and systems through exchange processes. Network issues include buyer-supplier relationships (Gadde & Haakansson, 2001), third party logistics (Halldorsson, 2002), and management roles in supply networks (Harland & Knight, 2001).

According to Arni *et al*, (2007), the performance of a firm depends not only on how efficiently it cooperates with its direct partners but also on how well these partners cooperate with their own business partners. NT can be used to provide a basis for the conceptual analysis of reciprocity in cooperative relationships (Oliver, 1990). It operates with three key constructs to explain inter-organizational relationships and business networks; activities, resources and actors (Gadde *et al.,* 2010). Connections between firms represent exchange relationships and the underlying contract if present (Hearnshaw *et al,* 2013).

Concept of Supplier Relationship Management

The desire of the buying firms to receive raw materials in right quantity, right quality and at the right time to satisfy their customers profitably lays on their ability to assist, develop and establish a close relationship their suppliers. The descriptions of relationships are relatively abstract and vary with the discipline from which they are being researched (e.g. strategy, economics or psychology). As soon as two or more parties (i.e. organizations) associate themselves in order to fulfill a mutual business purpose a relationship is established (Szwejczewski, et al, 2005). Supplier relationship management is the act of planning, implementing, developing and monitoring company relationship with the current and potential supplier (Akamp & Muller, 2013). It involves motivating supplying firms to act in such a way that organizational need will be met; identifying suppliers that are really important to the firm operation; and providing guidelines on how to work with different types of supplier (Schuh *et al*., 2014).

In a simply form, SRM is a comprehensive approach of managing organization's interactions with supplying firms on a win-win relationship where both parties benefit from the relationship. This relationship enhances firm's efficiency in terms of goods and service acquisition, inventory management and material processing (SAP, 2003). 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. It entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk.

Herrmann and Hodgson (2001) defined SRM as a process involved in managing preferred suppliers and finding new ones whilst reducing costs, making procurement predictable and repeatable, pooling buyer experience and extracting the benefits of supplier partnerships. Supply chain management has long-term objectives and short-term objectives. The long-term objectives would include: creating value to customers, increase profits, improve efficiency of production operations, and increase market share (Williams, 2006). On the other hand, short-term objectives would generally include: improve productivity, reduce cycle time, and reduce inventory (Wisner & Tan, 2000). Generally, the strong relationships with suppliers have been regarded as one major factor for the Japanese industrial competitiveness (Sako, 1992). Ghaith et al., (2014) identified trust-based relationships with suppliers, supplier collaboration in new product development and supplier partnership/development as among the components of SRM.

Supplier relationship management (SRM), a subset of supply chain management, is concerned with understanding who your most important suppliers are and how you can focus your time and energy on creating and maintaining more effective strategic relationships with them.

An effective SRM solution contains essential components such as ranking, rating and optimization that allow a firm to reduce its supply base and overall costs. Ultimately, an effective SRM solution gives an organization a complete edge by allowing it to; reduce direct and indirect costs and improve bottom line profitability, understand what is being bought and from whom, minimize the risk of supply chain disruption, select the best supplies to again advantage over competitors, streamline the supply chain management process by collaborating with business units across the enterprise and assuring that the organization's resources are prioritized on the most critical suppliers (Berkowitz, 2004).

Operational Effectiveness

An increasing number of factors prompt organizations to operate more efficiently and to enable them carry out effective operational processes (Hill, 2000; Slack et al., 2004). This encompasses, the need to deliver value adding products or services of unique quality, on time, at a competitive price. Thus, organizations attempting to meet these objectives need to pay attention to their operational effectiveness as this is a primary driver of business performance in order to remain competitive (Wheelwright & Bowen, 1996; Ben-Rajeb et al., 2008; Slack et al., 2010).

Operational effectiveness refers to the ability to establish processes, based on core capabilities within the organizations that encourage them to exceed customer's expectations (Porter, 1996; Evans & Lindsay, 2011). Operational effectiveness involves improving process performance by leading and controlling the processes within the firm as well as measuring and improving the processes. A better use of resources through these core processes enables the organization to eliminate waste, adapt more appropriate technology and therefore perform better than competitors (Porter, 1996).

Effectiveness is considered as the ratio of output to input measured in terms of efficiency and effectiveness while, measurement according to Nelly, (2014) is assigning numbers to aspects and characteristics of objects according to rules., the rules of correspondence relate to the properties of object .and not to the objects themselves. The measurement followed the process of scaling, meaningfulness, standards, reliability and validity. Laggestron (2002) described three types of measurements and these include; Fundamental measurement: This is the direct measurement of

extensions and characteristics of objects, such as, (1) account of the cash at hand; (2) Derived measurement: This is a measurement carried out by manipulating other measures e.g., results from accounting system or earning per share as regards the stock market. (3) Fiat measurement: This is a measure carried out by fiat e.g., depreciation in accounting system. This brings us to principles or components of effectiveness.

Operational flexibility

Operational flexibility as a competitive weapon in the arsenal of any firm practices its activities in a turbulent environment is required for coping with uncertainty. Operational flexibility is the ability to adapt, in a reversible manner, to an existing situation, as opposed to evolution, which is irreversible (Bucki & Pesqueux, 2000). Operational flexibility means being able to change the operation in some way. This may mean changing what the operation does how it is doing it or when it is doing it. Operational flexibility measures how good the supplier is at shortening the agreed lead time when asked, (Roy, 2009).

According to Rosenzweig et al. (2002) operational flexibility is the ability of the firm to develop flexible operations in hypercompetitive environment to meet the frequent changes in volume, product mix and schedules occur. Operational flexibility can be defined as the ability of an organization to respond to changes in production or product design and specifications (Badri & Davis, 2000; Frohlich & Dixon, 2001; Dangayach & Deshmukh, 2006). Cousens et al. (2009) define operational flexibility as being able to allow operations to maintain and improve performance in spite of variety and uncertainty. Drohomeretski et al. (2014) opine that operational flexibility in operations means having the capacity to adapt operations when necessary and respond quickly to changes in demand or needs of the production processes.

Quality

Quality has emerged as strategic entity making supply chain collaboration a necessity for overall operational effectiveness and global competence (Desai, 2008). Although the term quality is quite widely used by practitioners and academics, there is no generally agreed definition of it, since different definitions of quality are appropriate under different circumstances (Sebastianelli & Tamimi, 2002; Ojasalo, 2006). There are different definitions of quality portrayed by authors to fit different circumstances (Corbett, 2008). A widely used definition of quality was introduced by Juran (1951) and Juran & Godfrey (1999) which meets all the previous conditions, where quality is defined as fitness for use. The word use is associated with customer requirements, while fitness suggests conformance to measurable product/service characteristics (Nanda, 2005).

Quality is excellence, value, conformance to specification and meeting or exceeding customers' expectation (Lee et al., 2010). Quality is referred to as the conformance to standards (Elshennawy, 2004; Heizer & Render, 2006) in other words, "doing things right", but the things which the operation needs to do right will vary according to the kind of operation (Slack et al., 2010).

CONCEPTUAL FRAMEWORK

This study conceptual framework consists of supplier relationship management strategies (predictor variable), while the criterion variable is operational effectiveness as illustrated in figure 1 below:

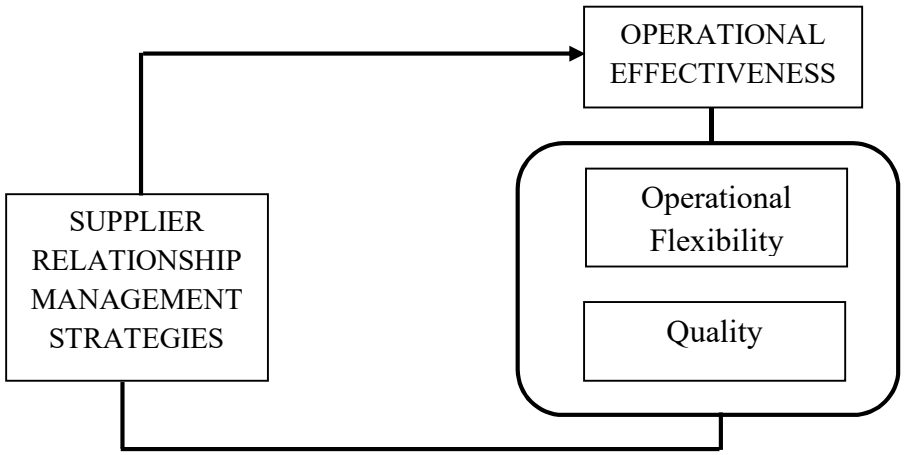

Figure 1: Conceptual Framework on digital marketing strategies and service performance.
Source: Researchers Concept. 2023

RESEARCH METHODOLOGY

This study adopted a cross-sectional survey and adopted a correlational investigation method to examine the relationship for analyzing the supplier relationship management strategies and operational effectiveness of food and beverages firms in Rivers State, Nigeria, in a non-contrived environment. Twelve (12) food and beverage firms in Rivers State, listed in the Nigerian Stock Exchange Facts Book of 2017/2018 will constitute the population of our study; and a sample of 60 respondents were drawn from the management cadre of the firms under study. A structured questionnaire was used to collect primary data; and the questionnaire was designed in Likert scale five-point form, ranging from Strongly Disagree (SD) to Strongly Agree (SA). The testing of hypotheses was done using Pearson Product Moment Correlation Coefficient Statistical Tool, via the SPSS version 23.0.

H_{01}: Supplier relationship management strategies has no significant relationship with operational effectiveness.

Table 1 Correlation Analysis showing the Magnitude and Direction of Relationship between Supplier Relationship Management Strategies and Operational Effectiveness

Correlations

		Supplier Relationship Management Strategies	Operational Effectiveness
Supplier Relationship Management Strategies	Pearson Correlation	1	.000
	Sig. (2-tailed)		.877**
	N	60	60
Operational Effectiveness	Pearson Correlation	.000	1
	Sig. (2-tailed)	.877**	
	N	60	60

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

Source: SPSS 20.0 Output (based on 2023 field survey data)

The information in table 1 above shows that the estimated Pearson Correlation is 0.877**, based on the categorisation above, the value is high indicating that a strong relationship exists between supplier relationship management strategies and operational effectiveness. The correlation coefficient is positive implying that a positive relationship exists between them, i.e. increase in supplier relationship management strategies is associated with increase in operational effectiveness.

Table 1 also showed that the probability/significant value is 0.000, this value is less than 0.05 level of significance hence the researcher concludes that a significant relationship between supplier relationship management strategies and operational effectiveness.

DISCUSSION OF FINDINGS

This study examined the relationship between supplier relationship management strategies and operational effectiveness of food and beverages industry in Rivers State, Nigeria. It specifically investigated the relationship between supplier relationship management strategies and operational effectiveness. The findings of this study revealed that there is significant and positive relationship between supplier relationship management strategies and operational effectiveness. The finding of this study is consistent with the findings of Akamp & Muller (2013), that supplier relationship management is the act of planning, implementing, developing and monitoring company relationship with the current and potential supplier. It involves motivating supplying firms to act in such a way that organizational need will be met; identifying suppliers that are really important to the firm operation; and providing guidelines on how to work with different types of supplier (Schuh *et al*., 2014).

CONCLUSION

This study reestablished that there exists relationship between supplier relationship management strategies and operational effectiveness, and that supplier relationship management strategies relationally influence operational effectiveness of food and beverages firms in Rivers State, Nigeria. In line with the findings of this study, the researchers conclude that supplier relationship management strategies affect operational effectiveness of food and beverages firms in Rivers state, Nigeria. Based on the theoretical and empirical findings, the researcher therefore, recommends that food and beverages firms that have not been using supplier relationship management strategies should to a large extent adopt supplier relationship management strategies to be competitive and enhance operational effectiveness.

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