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Market Dominance Leeway of the Backward Integrated Firms in the Value-chain of Nigeria Financial Sector

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Abstract: *This study investigated the leeway for achieving market dominant position in the Nigeria financial industry through backward integration. By adopting survey method, data was collected through a self-administered structured questionnaire. The target population of the study comprised of 2553 management staff of 12 selected financial institutions in South-West, Nigeria and a sample size of 753 was drawn with Trek formula. The finding revealed that make rather than buy decision impacted positively on the quality of operating input supplies used by Nigeria's financial institutions. Furthermore, the study found out that supplier's acquisition positively affected (i.e. minimized) the overall operating cost of Nigeria financial firms. The results informed the study conclusion which shows that merger, acquisition and strategic alliance were the major integration strategies utilized by Nigerian financial firms in Nigeria. It was recommended that the top management of Nigeria financial institutions needs to exploit backward integration in the value chain of the finance sector.*

Keywords: *marketing edge; business takeover; backward integration; make or buy decision*

1. Introduction

Today's highly challenging business milieu has left businesses with little option than to find ways and means to keep afloat and survive. Consequently, corporate organizations worldwide have been aggressively trying to build new competencies and capabilities in order to remain competitive and grow profitably (Anyanwu and Agwor, 2015). Fierce competition and increasing customer expectations have led suppliers, manufacturers and intermediaries to increasingly focus on delivery speed, reliability, and flexibility (Boyer and Lewis, 2002; Flynn and Flynn, 2004). As the scope to enhance these capabilities within the single organization is decreasing, many companies look beyond the organization's boundary for help (Bowersox, Closs and Stank, 1999). More specifically, they try to align and coordinate the business processes and activities hitherto provided by other members of the value chain to improve the overall performance (Musso, 2009). Business organizations, just as in most other life endeavors, experience cycles of boom and bursts (Anyanwu and Agwor, 2015). In periods of boom, businesses and those who operate them usually thrive in abundance and prodigality just as Nigeria experienced in the mid-seventies during the time of oil boom (Utomi, 2000). At such times, employment, production, income and businesses generally were at peak levels and there is a tendency for managers to think less of means of survival and sustenance (Adetona, 2004). Economic planners make unrealistic projections and assumptions and there is usually easy access to cheap credits and investment funds. Many Nigeria's organizations including financial institutions were highly exceeding. Ogunbanjo (2000) suggests that during bursts period, when

recession and adverse macroeconomic circumstances replaced boom, things take a downward spiral. Expansion was constrained, operating earnings contracted and staff strength was reasonably reduced.

A mere repeat of what many business organizations in Nigeria experienced in the late seventies is obtainable in the contemporary times. To survive, company executives, government, and economic planners started to think of various measures. Obviously, manufacturing firms were badly affected because of unstable economic situation to the extent that some went into liquidation, other stagnated while some surviving ones are trying to adapt to change. In order to reposition firm to enjoy a competitive advantage, change is a must (Adetona, 2004).

To survive in a hyper-competitive and downturn industry, most companies have growth of sales and profit as one of their major objectives. They don't want to stand still. Lack of growth drains the company of new challenge, leads to loss of its entrepreneurial managers, and exposes it to possible technological obsolescence (Kotler and Keller, 2014). In wanting growth, companies need a growth strategy. They need to select from a whole set of possible investment directions those that are most likely to produce the desired growth. Assessing growth opportunities involves planning new businesses, downsizing, or terminating older businesses. According to Ansoff (1965); Kazmi (2004), the main growth strategies available to a firm include many possibility among which is the integration strategy. Integration may be either vertical or horizontal. Perrault and McCarthy (2005) explain that vertical integration may be backward or forward. Backward integration involves moving toward the input of the present product and is aimed at moving lower on the production processes so that the firm is able to supply its own raw materials or basic components. Thomas (2010) opines that backward integration refers to the firm diversifying closer to the sources of raw materials in the stages of production allowing a firm to control the quality of the supplies being purchased. Forward integration, on the other hand, refers to the firm entering into the business of distributing or selling of present product and moving upwards in the production/distribution process towards the consumer (Hunger and Wheelen, 2009).

Albeit, there is extensive literature documentation of importance of integration in achieving a competitive advantage (Bowersox and Morash, 1989; Morris and Calantone, 1991; Lee and Billington, 1992) and enhancing performance (Narasimhan and Jayaram, 1998; Johnson 1999; Ahmad and Schroeder 2001; Frohlich and Westbrook, 2001; Stank, Keller and Closs, 2001); there is however, very limited understanding of what enables vertical relationships. Although marketing researchers have studied factors that influence inter-firm relationships from the perspective of power and relationship commitment (Morgan and Hunt, 1994; Brown, Lusch and Nicholson, 1995), this perspective requires an approach that takes into account the various factors involved in influencing the integration between firms and how they affect firms' growth.

Integrating around firms' value networks greatly impact the structure and operations, cost leadership, market position of these firms (Kazmi, 2004). Despite these, financial institutions in Nigeria are still very skeptical to initiate these strategic moves. The input operating supplies for most of the financial institutions in Nigeria (Automated Teller Machine (ATM) and cards, internet services, cheques, deposit and withdrawal documents) are provided by independent organizations such as MasterCard, Verve, Interswitch and some other internet service providers (ISP). Most of the Nigerian financial firms tend to be wary to initiate the strategic backward integration moves to provide these activities themselves. Aside that, the service distribution of financial activities are direct in nature with no involvement of intermediaries and this has

continued to generate complaints from the customers ranging from poor service delivery, lack of good customers relationship and longer customer response-time.

It is against the backdrop of these challenges that prompted the crucial need to embark on this study. Specifically, this study investigated the two following issues: (a) the impact of make rather than buy decision on the quality of operating input supplies used by Nigeria's financial institutions; and (b) the effect of supplier's acquisition on the overall operating cost of a Nigeria financial firm.

2. Literature Review

A lot has been written about integration with scholars approaching it from diverse perspectives generally. Integration may be either vertical or horizontal. Vertical integration may be backward or forward. Backward integration involves moving toward the input of the present product and is aimed at moving lower on the production processes so that the firm is able to supply its own raw materials or basic components. Thomas (2010) sees backward integration refers to the firm diversifying closer to the sources of raw materials in the stages of production allowing a firm to control the quality of the supplies being purchased. Forward integration, on the other hand, refers to the firm entering into the business of distributing or selling of present product and moving upwards in the production/distribution process towards the consumer. It occurs when a firm moves closer to the consumer in terms of production stages allowing a firm more control over how its products are sold.

The causes of vertical integration and its consequences on market outcomes and consumer welfare have been extensively researched and discussed by academic and industry scholars (Bowersox and Morash, 1989; Morris and Calantone, 1991; Lee and Billington, 1992; Narasimhan and Jayaram, 1998; Stank, Keller and Closs, 2001). To some of these theories, vertical integration can, on the one hand, promote efficiency by eliminating successive monopoly mark-ups, internalizing service, and mitigating contractual problems between firms (Williamson 1971; Grossman and Hart, 1986). On the other hand, it can facilitate the strategic practice of market foreclosure, whereby an integrated firm denies rivals access to providers in order to gain greater market advantage. The effect of the first approach would result in lower prices, higher sales, and greater consumer welfare; while the second raises the prices of final goods, thereby harming consumers (Chipty, 2001). Vertical integration can occur in two directions: upstream and downstream. Upstream, or backward vertical integration, involves ownership and production of the raw materials that might otherwise be supplied by independent, external producers. A firm would thus integrate upstream in order to ensure that the supply of its raw materials is always available. Downstream, or forward vertical integration, involves controlling the final or finishing steps of semi-fabricated products and the wholesaling and retailing operations that deliver goods to consumers (Scherer and Ross, 1990). Downstream integration is expected to improve performance through achieving greater influence over the nature and level of demand.

Harrigan (2001) differentiated integration according to the following four parameters: (a) The stages of integration, which denotes the number of integrated value chain components; (b) The breadth of integration, which essentially addresses the horizontal dimension of the vertically integrated activities. The breadth of integration is an important dimension since companies that produce too many diverse components for a product line may lose important economies of scale; (c) The third factor is the degree of integration, which determines the extent of internal transactions and transfer between the individual elements of the company's value chain. The

degree of internal transfers matters because the minimum efficient sizes of upstream and downstream participants of the value chain in question are rarely the same. Some part of the value chain is likely to be out of balance due to such differences of scale, so some units will have to either engage in transactions with outsiders or let excess capacity lie idle (Harrigan, 2001), and; (d) The last parameter is the form of integration, denoting the extent and mode of ownership of the vertical relationship in question.

Kolo and Vogt (2003) state that no clear statement can be made about the degree to which the size and the corresponding degree of vertical integration improve the financial performance of financial institutions. Several studies (Geringer, Tallman and Olsen, 2000; Chan-Olmsted and Chang, 2003) have also suggested that the relationship between integration and growth performance must be of a non-linear nature, meaning that is only beneficial under certain conditions. The current conditions of the value chain of the financial sector of Nigeria revealed that there are four major participants; the suppliers, the financial institutions, market channel/agents and the end users/customers. In many industries, very few companies have so far succeeded in capitalizing on the opportunities for backward integration and many found that the transaction costs generated from increased vertical integration were larger than the financial benefits captured through economies of scale and scope of operating the horizontal integration (Copeland, Koller and Murrin, 2001). This was why many of these firms failed to exploit the opportunities that vertically backward moves could give. Financial market performance and diversification are seen to be negatively correlated in the Nigeria financial sector since most of these firms fear the risks of loosing much if backward vertical integration involved strategies are pursued (Lang and Stulz, 2004; Shaver and Shaver, 2013).

Theoretical Underpinning

Transaction Cost Theory

Before the advent of Transactions Cost Economics, most of the discussions and explanations of vertical integration were mainly focused on technological factors. Indivisibilities between two successive production stages were held to render vertical integration necessary (as is the case when intermediate products cannot be transported to a remote stage of the production process) or, at least, more cost efficient than the production of the respective goods in two separate companies; for a critique of this explanation see (Holmstrom and Tirole, 1989; Kotler and Keller, 2014).

The transaction costs theory (TC) can be traced back to Coase (1937) who indicated that the production will take place within the firm when the cost of organizing the production through the market exchange is larger than within the firm. In other words, the firms may avoid the costs of transacting with the market firms by carrying out the activity in-house. This cost of transacting with independent market firms is defined by Coase (1937) as the cost of using the price mechanism. The size of the firm will be based on the cost of using the price mechanism, in which "a firm will tend to expand until the costs of organizing an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of exchange on the open market or the costs of organizing in another firm."Coase (1937) defines transaction costs as

the costs of using the price mechanism, which he sees in the costs of information (in his language, the costs of discovering what the relevant prices are), and the costs of writing (i.e. negotiating and concluding) contracts. In this way, Coase breaks with the neoclassical assumption of the availability of complete information at no cost and introduces the notion of information asymmetries between the different parties. Secondly, implicit in Coase's argument that the writing of contracts will be costly is the idea - albeit not clearly spelled out in the 1937 article that contracting may suffer from subjective or objective limits on information or from self-interest seeking by the parties to an exchange.

Following Coase, Williamson (1991) argues that the choice between different modes of governing contractual relationships follows cost-minimizing criteria (Whittington 2003). Less cost effective governance modes would be eroded over time by the pressure of competition (Williamson 1993). He distinguishes between three principal governance modes: markets, hierarchies (firms), and hybrid forms of organization between these two, such as networks, joint ventures, and strategic alliances.

At the center of the transaction cost economic approach is the notion that transactions, both within and among hierarchies, are costly to organize. This notion builds on three classes of assumptions which are behavioural assumptions, environmental factors and characteristics of the contractual relationship (Whittington 2003).

Leiblein and Miller (2003) argue that, although the applicants of the theory generally assume that markets ensure a more efficient mechanism for exchange compared to the hierarchy, in certain situations the costs of the market exchange may be too high and surpass these efficiencies procured by the market. Therefore, the theory focuses on determining the features of exchanges that are best suited to the firms and the market. Williamson (1991) indicates that these inefficiencies originate from small numbers of bargaining situations. "Due to the bounded rationality of decision-makers, the asymmetric distribution of relevant information, and the inability to completely specify behavior in the presence of multiple contingencies, the theory maintains that all contracts are incomplete and there for subject to renegotiation and the possibility of opportunistic behavior." (Leiblein and Miller 2003) Opportunistic behavior is more apparent when an exchange demands one or more parties to get involved in significant transaction-specific investments, which in turn create quasi-rents that, may lead to hold-up. Such relation-specific investment creates difficulty in switching to a new customer due to the increases in costs, thus locking the supplier into that relationship (Sudarsanam, 2010). Besanko, Dranove, Shanley and Schaefer (2007) and Sudarsanam (2010) are underlining the types of specificities as; site, physical characteristics, dedicated assets and human assets specific.

Make or Buy Decision Theory

Make-or-Buy decisions address the questions of: Why do some firms prefer a vertically integrated structure, while others specialize in one stage of production and outsource the remaining stages to other companies? In other words, should a firm produce its own inputs, buy them in the spot market or preserve the relationship with a specific supplier.

This decision determines the firm's level of vertical integration since every decision identifies which operations the firm will engage in and which it will outsource from the suppliers (Walker and Weber 1984). This notion is concerned with the decision whether to integrate backward, which is "to internalize production of an input rather than source it from an external supplier" (Sudarsanam 2010). Therefore the 'make' part of the decision emphasizes that ownership is joint and control rights are integrated, whereas, under the latter, they are separate. Moreover, the costs and benefits of either alternative have to be taken into consideration. For instance, this choice may depend on a range of factors such as; the current and future availability of spot markets for arm's length transactions, the cost of sourcing from the spot market, the direct and indirect costs of contracts and informal arrangements, uncertainty and information asymmetry between buyer and seller and indirect costs of internalizing production."

Based on these factors, the company can choose to perform the activities in-house or buy them from the specialists in the market that are called market firms (Besanko *et al.* 2007). There are many advantages and disadvantages of using the market firms to source the upstream activities in the vertical change. The benefits would be achieving scale and learning economies, as well as the efficient division of labor and specialization from the supplier's side. On the other hand, the downsides would be the issue in coordinating the production process, the leak of private information, agency and influence costs, moral hazard and disincentives for innovation

3. Methodology

Cross-sectional survey method was adopted to see the opinion of the management staff of financial institutions in the south-western zone concerning backward integrative strategies. The southwest region of Nigeria comprises six states: Ekiti, Lagos, Ogun, Ondo, Osun and Oyo states. The population of the study consists of all the formal financial institutions (money deposit banks and insurance companies) in Southwest, Nigeria. A multi-stage method was used in drawing the required population and this involves choosing the well known highly performing deposit-money banks and insurance firms from the population frame. Out of a population frame of twenty-two (22) number of registered deposit-money banks in Nigeria under CBN as at year 2016 (i.e. Access Bank, CitiBank, Diamond Bank, EcoBank, Enterprise Bank, Fidelity Bank, First Bank, FCMB, GTBank, Heritage Bank, Keystone Bank, Mainstreet Bank, SkyeBank, Stanbic IBTC Bank, Standard Chartered Bank, Sterling Bank, SunTrust Bank, Union Bank, UBA, Unity Bank, Wema Bank, Zenith Bank) and out of the population frame of fifteen (15) number registered composite insurance firms in Nigeria under NAICOM as at year 2016 (i.e. AIICO Insurance, Cornerstone Insurance, Axa Mansard Inrurance, IGI, Leadway Insurance, Niger Insurance, Ensure Insurance, NICON Insurance, Goldlink Insurance, NSIA Insurance, Great Nigeria Insurance, LASACO Assurance, Standard Alliaince Insurance, Royal Exchange Insurance) a total number of seven (7) deposit-money banks and five (5) insurance institutions were selected. These institutions were Fidelity Bank, GTBank, Access Bank, Diamond Bank, First Bank, Zenith Bank, United Bank, AIICO Insurance, Leadway Assurance, Royal Exchange General Assurance, Cornerstone Insurance and Niger Insurance. The total populations of management staff of the selected firms were 2553. Sample size estimation was drawn with the use of Trek (2012) formula which gives a size of 753. Convenience sampling technique was adopted to select the respondents from the population. The rationale for this is that respondents at the level of management share equal access to the information being looked for. A well-structured questionnaire was used for the data collection.

4. Results and Discussion

A total of seven hundred and fifty three copies of questionnaire were administered to the management staff of twelve selected financial institutions. Six hundred and ninety-nine copies of the questionnaire were retrieved, which amounted to a 92.8% response rate. Six hundred and ninety-nine copies of the questionnaire retrieved were found useable and a total of fifty four copies of the questionnaire were not retrievable, which amounted to 7.2%. Based on the copies of questionnaire retrieved, below is the demographic information showing the distribution based on age gender and educational qualification.

The age distribution of the respondents are as follows: 18-24y (201-28.8%); 25-34y (227-325%); 35-44y (134-19.2%); 45-54y (77-11.0%); 55-64y (49-7.0%); while 65y and above (11-1.5%). The result indicates that most of the respondents were between the ages 25-34 years (227) representing 32.5% of the total number of respondents. However, respondents within the age bracket above 65 years were the minority. This implies that most respondents in the Nigeria financial institutions are mostly between the ages 25 to 34 years. This also shows that most of the respondents are young adults who can independently give informed responses.

Data reveals fair sex distribution of the respondents: male (336-48.1%) and female (363-51.9%). Despite the 3.8% difference between the two sex categories, data obtained represents a rich and balanced opinion of both genders.

Information provided by respondents on educational qualification is as follows: PhD holders (3-0.4%); MBA/MSc (231-33.1%); BSc/HND holders (305-43.6%); and ND/NCE holders (160-22.9%). The degree programme results revealed that more of the respondents were BSc/HND holders (305) followed by MBA/MSc holders 231 and the least were PhD holders with 3 numbers of respondents.

The distribution of marital status reveals that married respondents were 221(31.6%) and single respondents were 374 (53.5%). 81 (11.6%) of the respondents were separated while 23 (3.3%) were divorcee. The implication of this is that most of the respondents were still unmarried while the least were those that have divorced their spouses.

Hypotheses Testing

Hypothesis 1.

O₁: Make rather than buy decision would adversely impact on the quality of input supplies used by Nigeria's financial institutions

A₁: Make rather than buy decision would significantly improved on the quality of input supplies used by Nigeria's financial institutions

Result of the test of Hypothesis 1

Table 1 (see tables and figures) presents the mean value and standard deviation (SD) of the responses received.. The analysis revealed that a grand mean score of 28.41 and standard deviation of 22.12. In

the second table, the z-value was given as 27.910 with a significant value of 0.003. Since the significant value (0.003) as shown in table 1b is less than 0.05 and the Z-value (27.910) is high, the null hypothesis was rejected. It was therefore concluded that make rather than buy decision would significantly improved on the quality of input supplies used by Nigeria's financial institutions.

Hypothesis 2.

O$_2$: Supplier's acquisition does not significantly affect the overall operating cost of a financial firm

A$_2$: Supplier's acquisition will reduce the overall operating cost of a financial firm.

Regression model: Y=   = X+ μ…. (For all observations i, = 1, 2 …n)

Where Y = Overall operating cost

X = Supplier's acquisition.

μ = error term of random variable

= a constant amount

= effect of X hypothesized to be positive

Result of the test of hypothesis 2.

Table 2a, b & c (see tables and figures) show the results of the hypothesis two. The test shows if supplier's acquisition reduces the overall operating cost of a financial firm. The F-value is calculated as the Mean Square Regression (22166.221) divided by the Mean Square Residual (1464.954), yielding F=15.131. From this results in the table is statistically significant (Sig =0.003). The analysis revealed that supplier acquisition accounted for 42.2% reduction on the overall operating costs (R = .042, F (1, 698) = 15.131, p < .05).

Since the results of the ANOVA in table 2b show a significant level of 0.003, and F value of 15.131 being high, the alternate hypothesis which states that 'supplier's acquisition will have a positive effect on the overall operating cost of a financial firm' is therefore accepted.

Discussion

The result of the study shows that make rather than buy decision impacted positively on the quality of operating input supplies used by Nigeria's financial institutions. The implication of this result is that it is better for financial organizations to provide its inputs within the organizations rather than to outsource such services to external firms. When this is done, the integrity of the quality and the speed of delivery are guaranteed. This finding is in consonance with that of Mamman, Aminu and Adah (2013) who suggested that the making of the needed input materials have a multiplier effects on both

the quantity and quality of operating supplies used by any firm and it may improve productivity significantly. Dorsey and Boland (2009) corroborated this position when they asserted that the provision of the raw materials in house go a long way in controlling supplier opportunism and exploitation and it has implications for the development of business growth in the face of uncertainties. Jones and Miskell (2007), as well as Hunold, Röller, and Stahl (2012) in their respective findings showed that the business creation of make decision allows such organization to build on their internal competencies and reliability. Conversely, Köhler (2014) supported by Hill (2015) have contended that make decision is actually averse to the quality of input supplies used by any organizations. The process of spending time and resources to make the inputs that it will use for its main service functional production area will spread its competencies and resources too lean to maintain high quality consistently. In some cases, the input production may fall outside their main area of comparative advantage thereby leading to inefficiency of operations. The deviation of these findings from the mainstream study finding may be due of the approaches used or the differences in cultural settings. Kohler (2014) seemed to have worked in an advanced economy that is different from developing economy like Nigeria that is bedeviled by several challenges.

The second finding shows that the supplier's acquisition positively affected (i.e. minimized) the overall operating cost of Nigeria financial firms. The implication is that, by integrating backwards to acquire firms that used to provide supplies to it will have a long run reduction effect on the overall operating cost of a financial firm. This supports the work of Jones and Miskell (2007) who postulated that there is considerable evidence for acquiring suppliers in the value chain. Although many acquisitions fail, often because of post-acquisition problems, this nevertheless does not jeopardize the cost benefits associated with it. Mutura, Nyairo, Mwangi and Wambugu (2016) in support of the work of Mamman, Aminu and Adah (2013) found that business organizations can learn on cost opportunity if the source of the input are created or taken over. The findings also supported the result of Arikan and Stulz (2011) which revealed that setting up of input creating units or buying over of an established source of supplier will be a best tactics to minimizing the cost of operating in a business dominated by keen competitors. This may be because most of these studies were conducted within similar socio-cultural context. On the other hand, Hunold, Röller, and Stahl (2012), supported by Gil (2012) argued that exposure and taken over of supplier may not necessarily have cost-effect on the production and firms may end up presenting a production cost schedule in negative light, considering the perceived potential uncertainties associated with backward integration. Further, our result diverged from the outcome of Milliou and Sandonis (2014) who having conducted a study on manufacturers' merger and product varieties explained that backward acquisition and merger with supplier has little or no impact on the cost of producing needed input. The differences in the result findings of this work with Gil (2012) may be due to the fact that a quantitative approach was adopted by the latter unlike triangulation method used by Hunold, Röller, and Stahl (2012).

5. Conclusion

This study investigated the extent to which financial institutions (especially banks and insurance firms) in Nigeria integrate backward and forward as they strive to survive and grow in the face of challenging business milieu. It discovered that the dominant growth and competitive strategy used by most firms in the financial industry is mainly horizontal integration – which is acquiring and merging with competing firms. While this study confirms that merger, acquisition and strategic alliances among companies in the Nigeria financial sector, for the most part, has yielded positive result, it however,

found out that continued reliance on horizontal integration will not guarantee long-run growth in the financial industry. The study establishes the efficacy of backward and forward integration in the realization of long run benefits of firms in the Nigerian financial industry. It has encouraged firms in the industry, which hitherto, have shied away from using it due to risks and huge costs associated with its implementation in the short run, to embrace it for strategic long run growth.

After a critical consideration of the findings and discussions so far, the following recommendations are offered: (a) Since make decision positively impacted on the input quality used by financial institution, it is important for Nigeria's banks and insurance companies to pursue this backward integration to the fullest. Hence, when planning for competitiveness, these financial institutions need to undertake an in-depth analysis of setting up a subsidiary where needed inputs could be developed in order to enhance the input quality and reliability. Because this backward integration requires adequate fund, it is recommended that financial organizations should endeavour to raise more of their capital reserve base with view to integrating their business operations; (b) Nigeria's financial organizations may look at the ways in which non-performing supplier could be taken over. This move will have a long-run effect on the operating costs of the organizations.

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Appendix: Tables and Figures

Table 1a: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean

Table 1a: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Decisions on Make/Buy & input Quality	699	28.4100	22.12101	4.91221

Table1b: One-Sample Z-Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	z	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Decisions on Make/Buy & input Quality	27.910	698	.003	28.4100	17.7400	46.1500

Source: SPSS Analysis of Field Data 2018

Table 2a: Model Summary for Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661	.422	.433	28.22119

a. Predictors (Constant): supplier's acquisition

Table 2b:ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22166.221	1	22166.221	15.131	.003^a
	Residual	4722.979	698	1464.954		
	Total	26889.200	699			

a. Predictors: (Constant), supplier's acquisition

b. Dependent Variable: overall operating cost

Table 2c: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	99.331	44.811		2.113	.004
	supplier acquisition	.114	.336	.939	3.552	.003

a. Dependent Variable: overall operating cost.