



DETERMINATION OF BUYER SUPPLIER COMMITMENT AND PERFORMANCE OF FOREIGN BASED DEVELOPMENT AGENCIES IN KENYA

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Abstract

The research study sought to determine the buyer supplier transaction commitment on the foreign based development agencies in Kenya. There is interdependence of products, services and revenue between buyers and suppliers. The influence of determinants on buyer-supplier commitment on the firm performance can essentially be analyzed in the context of social exchange theory which explains why businesses benefit from other firms in exchange of direct inputs and other essentials. This research used the data obtained from 111 respondents who were sampled from the 37 foreign-based developed agencies in Kenya to determine the relationship between determinants of buyer supplier commitments on firm performance. The respondents who took part in the study included senior managers, accountants and procurement officers. The data was analyzed using SPSS. The results show that there is a positive correlation between the determinants of buyer-supplier commitment and firm performance in the context of foreign based development agencies in Kenya.

Keywords: Buyer-Supplier Commitment, Agencies in Kenya, Performance

INTRODUCTION

The success and development of supply chains highly depend on the commitment of individual members. Kumar and Rahman (2016) argue that particular evidence of commitment can occur when the buyer wants to control dependence of a supplier or when to be in control of supply quality and delivery schedules. Similarly, Kannan and Tan (2006) opine that suppliers' commitment to buyer-supplier relationship is determined by the current or potential contribution a buyer can have on the supplier's business, whether the contribution of the buyer is real or perceived. To that end, size of the buyer and supplier are critical determinants of the commitment of each to the relationship (Karungani, 2019). Within the context of social exchange theory, there are high chances that continuation of the relationship will grow to higher levels where parties of relatively similar size are involved. Cook *et al.* (2013) explain that commitment to interactions is dependent on cost-benefit analysis which individual players have executed to determine risks and benefits of the relationship. Therefore, a large supplier is more committed to relatively large buyers than the considerably smaller ones. This size heterogeneity and how it affects commitment and firm performance is however less studied. How determinants of commitment influence firm performance has witnessed less critical analysis.

LITERATURE REVIEW

A long-term buyer supplier commitment allows business transaction information sharing in order to strengthen individual supply chains to meet their needs. Since Homans (1961), Blau (1964) and Emerson (1972) wrote about social exchange theory, it has remained a common field of focus in social psychology. It borrows from philosophical concept of utilitarianism on one hand and physiological context on the other. At the heart of the theory lies the exchange process that begets the social behavior of people and organizations. Commitment to buyer-supplier relationship then depends on the weighed potential risks and benefits which could be attributed to negotiated or reciprocal exchanges. According to Shin, Park and Park (2019) show that buyer-supplier commitment has positive effects on firm performance. That suggests that firms exchange value and enhance their performance through the relationships they are committed to build and uphold. That is supported by conclusion of Chang *et al.* (2020) who assert that commitment to buyer-supplier relationship has a positive impact on performance in the case of co-branding partners. However, Patrucco *et al.* (2020) point out the importance of supplier commitment in enhancing performance of involved firms and assert that buyer-side initiative to drive supplier commitment to ensure they attain desired customer status. Further it suggests that commitment by one member could be detrimental to own performance. All participants in a relationship have to be committed to add value in their transaction activities to

make the relationship bear fruits for both players but as observed by Patrucco, Moretto and Knight (2021) relationship control by stronger players is major factor that can hinder commitment by others weakening possible gains.

METHODOLOGY

This study evaluated the influence of commitment on the performance of foreign-based agencies in Kenya. A survey of 111 respondents from 37 foreign based agencies was conducted. The study employed descriptive research method and primary data was obtained from the respondents through structured questionnaire. The structured questionnaire was designed in a manner that had several questions that could measure the construct of determinants of buyer supplier commitment as well as firm performance over a period of one year on a 5-point Likert- Scale. The respondents included senior managers, accountants, and the procurement officers. Their consent to participate was sought and each contributed voluntarily. Data collection was organized in excel and analyzed through SPSS to determine the descriptive and inferential statistics. Regression analysis outputs were used to explain the nature of relationship between buyer-supplier commitment and firm performance.

ANALYSIS AND RESULTS

Table 1: Regression Results for Buyer-Supplier Commitment on Firm Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.415 ^a	0.172	0.144	0.12		
a. Predictors: (Constant), Buyer Supplier Commitment						
Coefficients ^a						
Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	0.221	0.423		0.523	0.605
	Buyer Supplier Commitment	0.89	0.356	0.42	2.497	0.018
a. Dependent Variable: Supply chain performance						

Based on the study results, the regression analysis is 0.415 and R-Square is 0.172 and indication that there is a positive but very weak relationship between buyer-supplier commitment and firm performance. In addition, there is a positive coefficient of 0.890, which is statistically

significant at 0.05 significant level because alpha of 0.05 is greater than 0.018. That indicates that there is a weak correlation between the variables buyer-supplier commitment and firm performance. Other factors not included in the model accounts for the other percentage of variation on firm performance. The study shows that better commitment in the buyer-supplier relationship can benefit the members in the supply chain.

DISCUSSION

At the core of commitment of the buyer-supplier transactions, inventory positioning is an essential factor for buyers to consider. Having a committed supplier, capable of addressing the needs of the buyer by availing the needed resources in time to help avoid possible shortages caused by delay of resources is important. According to Craig *et al.* (2016), the purpose of supply chain management is to ensure that there is continuity in the supply for the needed inputs and outputs and the supplier's focus is on revenue from the sales. In the context of social exchange theory, buyers and suppliers benefit from the relationship. According to Wachuma and Shalle (2016), commitment should aim at helping firms to effectively employ efficient inventory management techniques including just-in-time delivery concept where frequent buffer inventory is used to help in minimizing the costs and increase the firm performance. While one supplier is not adequate to fill the gaps of possible shortage, way too many non-committed do not lead to optimality. Similarly, non-committed buyers do not guarantee optimality in terms of revenue generation. Commitment helps in enhancing firm performance, as both parties are ready to act even beyond their usual ways to ensure that the buyer-supplier is protected from the potential inefficiency hence attainment of the desired optimality. Gualandris and Kalchschmidt (2016) assert that buyer-supplier commitment implies teamwork with the aim of achieving mutual benefits.

CONCLUSION

The results of the current study concur with past authors and add to literature review. The alternate hypothesis that buyer-supplier commitment significantly influences the performance of foreign based development agencies in Kenya is confirmed at 0.05 significant level. Other studies have shown positive causation of buyer-supplier commitment on the firm performance. Shin, Park and Park (2019) and Chang *et al.* (2020) support the need for commitment, Patrucco *et al.* (2020) stresses the role of individual player's initiative to uphold the relationship while Patrucco, Moretto and Knight (2021) censure commitment control tendencies that they opine undermine outcomes of commitment. The current study determined that buyer-supplier commitment adds value to firm performance in the context of foreign-based

development agencies in Kenya. The study concludes that commitment existing between the buyer and the supplier has a great influence on the firm performance.

RECOMMENDATIONS

This study concludes that buyer supplier commitment has a positive influence on firm performance in the context of foreign based development agencies in Kenya. The study concluded that buyer/supplier commitment has a positive influence on performance and it is statistically significant. To the management, the study recommends that managers should aim to identify, develop and uphold supply chain networks with committed buyers-suppliers for better results. The study concludes that creation, management and maintenance of a collaborative arrangement between committed buyers/suppliers who are partners in a supply chain can be an essential ingredient that could help to attain long-term relationship and better firm performance.

LIMITATIONS OF THE STUDY

This study had some limitations. The number of respondents who were not ready to take part in the study was high as some felt like their procurement methodologies was being analyzed. However, constructive dialogue with the respondents taking part in the study was maintained and reasonable participation was attained. The problem of knowledge gap in some areas of the study was explained to the participants. The commitment to attainment and contribution to academia through inquiry gave the required impetus to complete the paper.

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