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Full Length Research Paper

Influence of Supplier Relationship Management on the Implementation of Supply Chain Management Ethics in Government Ministries in Kenya

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Supplier relationship management enhances effective communication between procurement management staff in government ministries and this helps in implementation of ethical business practices. The purpose of this study was to determine the influence of the supplier relationship management on the implementation of supply chain management ethics in government ministries in Kenya. The study employed a descriptive and correlational survey research designs. The study applied a multistage sampling technique to select the sample size 144 respondents from 21 ministries. Questionnaires were used as the main data collection instruments. Descriptive statistics was used aided by Statistical Package for Social Scientists (SPSS) to analyze the quantitative data. The study utilized descriptive and multiple regression analysis to determine the relationship between supplier relationship management and implementation of supply chain management ethics. The study results indicate that the key supplier relationship management issues that influence implementation of supply chain management ethics in government ministries include; the level of commitment in payment of suppliers, supplier development programs, quality of the procurement process, existence of effective communication system with suppliers, application of supplier performance management system and implementation of effective supplier collaboration strategies. The study recommends that for enhanced implementation of supply chain management ethic to be effectively realized, supply chain managers need to put efforts aimed at improving level of commitment in payment of suppliers, employing effective supplier development programs and supplier collaboration strategies.

Keywords: Supplier Relationship Management, Supply Chain Management Ethics

INTRODUCTION

Supply Chain Management Ethics is the management of suppliers and supply relationships with strategies, programs, and metrics that better align supplier business

conduct with purchaser standards, with the goal of reducing the purchaser's overall risk of corporate integrity failure in the supply chain. Corporate integrity failure embraces any enterprise-level scandal involving a violation of compliance, ethics, or corporate responsibility standards. Most companies today do a pretty good job of managing these three risk categories within their own four walls. However, these very same companies often

fall far short when it comes to managing and mitigating corporate integrity risk in their supply networks (Carasco and Callaghan, 2008).

In Kenya, many organizations have not effectively embraced the concept of supply chain management ethics hence the employed supply chain management practices do not give much emphasis on environmental issues and consumer health and safety concerns (Pettersen, 2011). In Kenya, given its mandate of fostering good governance and sound public administration in development, the Division for Public Administration and Development Management (DPADM) supports setting international standards, carries out comparative policy research and analysis, and assists in building capacity in institutions safeguarding public sector ethics, transparency and accountability (Kimalu P. et al, 2009).

The Kenyan public sector organizations are required to enhance integrity while executing their respective supply chain management functions (Kapila, 2008). Procurement officers are required to never use their authority or office for personal gain and shall seek to enhance their integrity by; maintaining unimpeachable standards of integrity in all business relationship both inside and outside the organizations in which they are employed (Emmanuel, 2009). Fostering the highest possible standards of professional competence amongst those for whom they are responsible; Optimizing the use of resources for which they are responsible to provide the maximum benefit to their employing organization; Complying both with the letter and spirit of the law of the country and contractual obligations and by Rejecting any business practice which might reasonably be deemed improper (Kapila, 2008).

Supplier Relationship Management is an all-inclusive approach to managing the affairs and interactions with the organizations that supply goods and services. This includes communications, business practices, negotiations, methodologies and systems that are used to establish and maintain a relationship with a supplier. Benefits include lower costs, higher quality, better forecasting and less tension between the two entities that result in a win-win relationship (Ammer, 2009). Supplier relationship management enhances effective communication between procurement management staff in government ministries and this helps in implementation of ethical business practices.

In Kenya, a gap in SCM ethics has been evidenced by increased number of inefficient procurement practices. Supplier Relationship Management is an all-inclusive approach to managing the affairs and interactions with the organizations that supply goods and services. It is postulated that supplier relationship management enhances effective communication between procurement management staff in government ministries and this helps in implementation of ethical business practices. However, in many government ministries, procurement

managers are yet to recognize the role played by supplier relationship management practices towards implementation of supply chain management ethics. The purpose of this study was therefore to determine the influence of the supplier relationship management on the implementation of supply chain management ethics in government ministries in Kenya

Ethical concerns are an important area in business practices and research endeavors in the field of organizational supply chain management. In particular, ethical concerns become evident in situations of asymmetric relationships across organizations. Previous studies restricted their research undertakings into ethical perspective but not the whole process such as Göran and Greg, (2011) "A conceptual framework of corporate and business ethics across organizations; Amaeshi, Osuji and Nnodim (2008) stakeholder theory of corporate social responsibility and Githui (2012). Responsible purchasing and supply chain management in Kenya, with a critical analysis of the ethical considerations in procurement management. This demonstrates that there lacks a specific study that have successfully addressed the major factors affecting implementation of supply chain management ethic in public sector organizations in Kenya and this has left a major knowledge gap on effective implementation of supply chain management ethics in public sector organizations in Kenya.

The bottom line is that there is a need for a more comprehensive study that gives recommendations on how public sector organizations could successfully embrace the concept of supply chain management ethic through management of organization culture, enhanced integrity capacity, management of market pressure, application of health and safety measures and taking legal responsibility. This study narrowed its research undertakings into these factors.

METHODOLOGY

The study adopted a descriptive and correlational research design since the study intended to gather quantitative data that described how supplier relationship management influences implementation of supply chain management ethics within government ministries in Kenya. Correlational research design was applied to help in establishing the nature, degree and direction of relationships between supplier relationship management and supply chain management ethics. The target population comprised of all the ministries in current Kenya government which totals to 42 according to inspectorate of State Corporation (2012).

The study population comprised of staff in procurement department, finance department and administration department in Job group K and above. The study targeted staff in these departments since they are the one involved in execution of the ministry supply chain

Table 1. Coefficients

	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
Supplier Relationship Management	7.003	.547	12.8	.000
	.250	.043	5.770	.000

Dependent Variable: supply chain management ethics.

management practices and thus stood at a better chance of providing reliable information on factors influencing implementation of supply chain management ethics government ministries in Kenya

The study applied a multistage sampling technique utilizing both purposive and stratified random sampling technique. The study used a purposive sampling technique to select three departments from each of the 21 ministries. The stratification basis was ministries departments (Procurement staff, Finance staff and Administration staff). Simple random sampling was finally applied to select a sample of 30% of the population from each stratum leading to a total of 144 respondents

Primary data was collected using questionnaires as the main data collection instrument. A Structured questionnaire containing both open ended and close ended questions with the quantitative section of the instrument utilizing both a nominal and a Likert-type scale format was used.

The Statistical Package for Social Sciences (SPSS) was used to aid in the processing and analyzing the collected data. Descriptive statistics was used to analyze and present data. Multiple Linear Regression model was employed to establish the significance of the independent variables on the dependent variable. Pearson correlation was applied to establish the strength of the linear relationship between each of the independent variables and the dependent variable. The multiple regression model applied was in the form;

$$Y = BO + B1 X1 + \epsilon.$$

Where:

Y= Supply Chain Management Ethics

X1= Supplier relationship management

BO = constant of regression

B1 = slope (gradient) showing rate dependent variable is changing for each unit change of the independent variable.

RESULTS

The purpose of this study was to determine the influence of the supplier relationship management on the implementation of supply chain management ethics in

government ministries in Kenya. The specific indicators addressed by the study were; supplier buyer collaboration, communication with suppliers, supplier buyer development, supplier performance, quality of goods and services, supplier commitment and organization commitment in payment of suppliers.

Descriptive results revealed that 0.7 percent of the respondents indicated that supplier collaboration did not affect the implementation of supply chain management ethics, 2.9 percent of the respondents indicated that supplier collaboration affected implementation of supply chain management ethics to a small extent, 45.3 percent of the respondents indicated that supplier collaboration affected implementation of supply chain management ethics to a Moderate extent, 48.9 percent of the respondents indicated that supplier collaboration affected implementation of supply chain management ethics to a large extent and 2.2 percent of the respondents indicated that supplier collaboration affected implementation of supply chain management ethics to a very large extent. This indicated that supplier collaboration practices were not undertaken in many government ministries and this hindered implementation of Supply Chain Management Ethics. These finding echoed findings by Hunt (2009) that low level of supplier collaboration in public sector organizations creates unsupportive environment for the implementation of ethical supply chain management practices.

Respondents were asked to indicate the level of communication with suppliers and the influence of this communication on implementation of supply chain management ethics in the Kenyan government ministries. 1.4 percent of the respondents indicated that there was no communication with supplier, 5.8 percent of the respondents indicated that there was communication with supplier at a small extent, 74.1 percent of the respondents indicated that there was communication with supplier at a moderate extent, 16.5 percent of the respondents indicated that there was communication with supplier at a Large extent, 2.2 percent of the respondents indicated that there was communication with supplier at a very large extent which influenced the implementation of Supply Chain Management Ethics in government ministries in Kenya. These was in agreement with Göran and Greg, (2011) that regular communication with

suppliers and maintenance of effective communication systems that helped in monitoring suppliers activities plays a key role towards supporting implementation of supply chain management ethics in many organizations.

On supplier performance, 2.2 percent of the respondent indicated that supplier performance did not influence the implementation of supply chain management ethics in government ministries, 7.9 percent of the respondent indicated that supplier performance influenced the implementation of Supply Chain Management Ethics in government ministries to a small extent, 43.2 percent of the respondent indicated that supplier performance influenced the implementation of Supply Chain Management Ethics in government ministries to a moderate extent, 45.3 percent of the respondent indicated that supplier performance influenced the implementation of Supply Chain Management Ethics in government ministries to a large extent while 1.4 percent of the respondent indicated that supplier performance influenced the implementation of Supply Chain Management Ethics in government ministries to a very large extent. This concurred with Solomon and Martin (2008) that implementation of effective supplier performance management systems helps in monitoring suppliers' activities and this promotes implementation of Supply Chain Management Ethics in organizations.

In an effort to establish the link between quality of goods and services and the implementation of supply chain management ethics within government ministries in Kenya, diverse responses were received. 0.1 percent of the respondent indicated that the quality of goods and services offered by the suppliers did not influence the implementation of Supply Chain Management Ethics to a large extent, 5.0 percent of the respondent indicated that the quality of goods and services offered by the suppliers influenced the implementation of Supply Chain Management Ethics to a small extent, 33.8 percent of the respondent indicated that the quality of goods and services offered by the suppliers influenced the implementation of Supply Chain Management Ethics to a moderate extent, 56.1 percent of the respondent indicated that the quality of goods and services offered by the suppliers influenced the implementation of Supply Chain Management Ethics to a large extent while 5.0 percent of the respondent indicated that the quality of goods and services offered by the suppliers influenced the implementation of Supply Chain Management Ethics to a very large extent in government ministries in Kenya. This was in agreement with Lea (2009) who argues that application of effective quality management systems encourages delivery of quality goods and services by the suppliers and this supports implementation of Supply Chain Management Ethics.

0.7 percent of the respondents indicated that supplier commitment did not influence the implementation of Supply Chain Management Ethics in government ministries in Kenya, 7.2 percent of the respondents

indicated that supplier commitment influenced the implementation of Supply Chain Management Ethics to a small extent, 48.2 percent of the respondents indicated that supplier commitment influenced the implementation of Supply Chain Management Ethics to a moderate extent, 41.7 percent of the respondents indicated that supplier commitment influenced the implementation of Supply Chain Management Ethics to a large extent while 2.2 percent of the respondents indicated that supplier commitment influenced the implementation of Supply Chain Management Ethics to a very large extent. This echoed Fisher and Lovell (2009) that increased level of supplier commitment leads to implementation of Supply Chain Management Ethics in organizations.

The study findings further reveal that, the organization commitment in payment of suppliers influences the implementation of Supply Chain Management Ethics in government ministries in Kenya. 5.8 percent of the respondents indicated the organization commitment in payment of suppliers influenced the implementation of Supply Chain Management Ethics to a small extent, 35.3 percent of the respondents indicated the organization commitment in payment of suppliers influenced the implementation of Supply Chain Management Ethics to a moderate extent, 55.4 percent of the respondents indicated the organization commitment in payment of suppliers influenced the implementation of Supply Chain Management Ethics to a large extent while 3.6 percent of the respondents indicated the organization commitment in payment of suppliers influenced the implementation of Supply Chain Management Ethics to a very large extent in government ministries in Kenya. These findings supported findings by Githui (2012) that commitment in payment of suppliers is a major problem affecting implementation of Supply Chain Management Ethics in government ministries in Kenya.

On an average percentage of 46.65, 43.98 and 2.76 rated all the supplier relationship management factors to influence the implementation of supplier management to a moderate extent, to a large extent and to a very large extent respectively. This hence indicated that majority 93.39% of the respondents indicated that the major factors influencing supply supplier relationship management to affect implementation of supply chain management ethics to a large extent included; supplier collaboration, communication with suppliers, supplier performance, quality of goods and services, supplier commitment and organization commitment in payment of suppliers. These findings concurred with Göran and Greg, (2011) that issues such as; lack of supplier collaboration, poor communication with suppliers, and absence of effective supplier performance systems and lack of effective quality management affects implementation of Supply Chain Management Ethics in many public sector organizations. The study therefore eluded that factors such as supplier collaboration, communication with suppliers, supplier performance,

quality of goods and services, supplier commitment and organization commitment in payment of suppliers influenced how supplier relationship management affected implementation of supply chain management ethics in government ministries. Table 2 provides a summary of these statistics.

The results of Analysis of Variance (ANOVA) for regression indicated that the significance of the F statistics was 0.00 which was less than 0.05. This implied that there is a significant relationship between supplier relationship management and implementation of supply chain management ethics

The test of beta coefficients in table 1 shows that the relationship between supplier relationship management and implementation of supply chain management ethics is significant and positive. The significance coefficient of supplier relationship management 0.250 is significantly greater than zero since the t statistics 5.770 is greater than 1.6560. This demonstrates that supplier relationship management implementation has a positive effect on implementation of supply chain management ethics.

These findings corroborated observations by Chang (2009) that implementation of supplier relationship management practices such as supplier collaboration, effective buyer supplier communication, application of effective supplier performance systems and use of effective quality management systems promotes implementation of Supply Chain Management Ethics in many organizations.

CONCLUSIONS AND RECOMMENDATIONS

Based on the study findings, the following conclusions were reached: Lack of supplier relationship management practices hampers effective implementation of supply chain management ethics in government ministries in Kenya.

The key notable supplier relationship management issues that affect implementation of supply chain management ethics in government ministries includes, the level of commitment in payment of suppliers, supplier development programs, quality of the procurement process, existence of effective communication system with suppliers, application of supplier performance management system and implementation of effective supplier collaboration strategies.

The study recommends that supply chain managers in government ministries should improve on the level of commitment in payment of suppliers, employ effective supplier development programs, ensure that all goods and services procured are of high quality, award contracts to competent suppliers, employ effective

communication system with suppliers, implement effective supplier performance management system and implement effective supplier collaboration strategies. In addition, government ministries should employ effective contract management strategies that contribute towards improvement of the supplier performance in the execution of the awarded tenders. Procurement decision in government ministries should be made objectively free from any personal considerations and the suppliers should be paid promptly. Government procurement managers should also maintain integrity and be fair by making supplier pricing confidential and giving all the suppliers an equal opportunity to compete for tenders.

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