



EFFECT OF SUPPLIER SEGMENTATION ON ORGANIZATIONAL PERFORMANCE OF DEVOLVED GOVERNMENTS IN KENYA

^{1*} **Nelly Sang**
nellysang80@gmail.com

^{2**} **Elizabeth Wachiuri**
ewachiuri@jkuat.ac.ke

^{1,2} *Jomo Kenyatta University of Agriculture and Technology, Kenya*

Abstract: *County government organizational performance in Kenya has suffered as a result of poor supplier management. This study sought to establish the effect of supplier relationship management practices on organizational performance of Devolved Governments in Kenya in particular to determine the effect of supplier segmentation on organizational performance of Devolved Governments in Kenya.*

Methodology: *A sample size of 30% of the Forty-seven counties which is fourteen counties were selected. Purposive sampling was applied to get a sample size of 103 respondents. Questionnaires were adopted in data collection.*

Significance: *The study findings will enable development and promotion of effective SRM practices. This will encourage the development of SRM regulations that promote effective economic growth in the County Government through better planning and innovation..*

Findings: *The study findings established that unit increase of supplier segmentation by 0.231 leads to an increase of organizational performance of devolved Governments while holding other factors constant.*

Keywords: *Devolved Governments, Supplier Relationship Management Practices, Supplier Segmentation*

I. INTRODUCTION

In the recent past, the recognition of supplier relationships has received quite a lot of attention from an organizational performance perspective and, specifically, supply chain management has been identified as a key driver of both operational and financial performance (O'Brien, 2014). Researchers have investigated and examined various aspects of organizational performance, with the core one being the management of relationships within the supply chain between buyers and sellers of products and services.

Several studies (Emmett & Crocker, 2009; Lambert, 2008; Cheng, 2009) have attributed the success of the supplier relationship to the proper and effective management of supplier relationships with the buyer. This assertion was also confirmed by a study by Tan in 1999. O'Brien, 2014, also confirmed that understanding strategic relationships with key suppliers is indeed essential because it leads to value creation and builds trust and commitment as well.

According to Muller (2010), supply chain inefficiencies have been shown to cause disruption and common problems that affect the growth and development of industries especially the manufacturing sector. On the

contrary, research has shown that supply chains can be strengthened by the manifestation of long-term relationships between all the parties involved that are mutually beneficial (O'Brien, 2014). Managers have realized that the cost of goods and services may be inflated while quality decreases as members maintain their traditional myopic views on what their role is in the entire chain. The performance objective achieved by relationship management has the potential to produce efficiencies, profits and services that turn out to be a pipe dream for businesses that operate as individuals (Buchholz & Appelfeller, 2011)

There has been a large and growing interest in the value of effective supply chain management (SCM) practices, both among academics and practitioners, for more than a decade (Wisner, 2013). The literature indicates that for both parties, a move towards a close relationship between suppliers and customers is mutually beneficial.

Effect of Supplier Segmentation and Organizational Performance

Stratifying the supplier base of an organization permits the formation of collaborative partnerships through the segmentation of the supplier base into smaller categories which are more manageable. This fits directly into the notion of strategic supplier alliances, in which the buyer will be able to recognize the suppliers who the organization targets to partner with, those suppliers that the organization must do business partnership with, and the suppliers that the firm could do without (Thomas, 2012).

Supplier segmentation as a marketing tool when adopted is suitable for managing supplier sustainability. Stratification as a process involves categorizing all suppliers on a basis of a distinct set of criteria in order to gain a clear understanding of a buyer's supply base and its essential aspects, and making adjustments in the resource allocations in reaction to the findings (Young, 2012). It involves getting a comprehensible and fuller picture of all the suppliers in order to enable a buyer split them into meaningful groups after which the buyer is able to focus their scarce engagement resources on the appropriate group (Tania, 2011).

Supplier segmentation helps a firm to identify and handle suppliers in an orderly manner. It can be a valuable means to selecting suppliers and to choosing whether or not to advance in cultivating a sustained partnership with them, based on the considerable importance of the commodity supplied (Vance, 2013). Supplier stratification enables firms to develop a structure which is backed up by diverse strategies that can be undertaken to handle diverse suppliers correctly. It is significant in creating a framework for Supplier Relationship Management. One of the top barriers to effective performance consists of the internal managerial silos, internal struggles, and the consequential low performance (Supply Chain Brain, 2013).

Research Objectives

The new Kenyan constitutional dispensation has decentralized the management of some services to County Governments. Development and implementation of supplier relationship practices during this Covid 19 pandemic in the County Governments have been marred with challenges. A greater proportion of supplier management practices have not been fully implemented. Lack of supplier management practices contribute to fifty percent of the expenses in the County Government. Decline in organizational performance in the County Governments as a result of poor supplier management (Karamshetty, V. *et al.*, 2021).

Kenya has witnessed a sharp decline in organizational performance in the County Governments in the recent past despite adequate release of funds from the national government. A report by the WHO (2021), notes that Kenya despite supplier management, service delivery in the County Government is poor. A study by NACPD

(2011) shows that despite quality supplier management the quality of service delivery in the county government offices is wanting in Kenya.

Despite having several SRM studies conducted by different researchers, none of the studies have placed much focus on how the County Governments is coping up with suppliers during Covid 19 pandemic. The study therefore focused on establishing the effect of supplier segmentation on organizational performance of Devolved Governments in Kenya.

Research Objectives

The study sought to establish the effect of supplier relationship management practices on organizational performance with a specific objective to determine the effect of supplier segmentation on organizational performance of devolved governments in Kenya.

II. RESEARCH METHODOLOGY

Descriptive research design was used to undertake the study. This type of research design was adopted because it came up with the relevant data for analysis. It emphasized on quality in the collection and analysis of data and it was used when collecting data using Likert structured questionnaires. The target population consisted of employees from each of the departments of procurement and the chief procurement officers who are the managers of the respective procurement departments of Bomet, Uasin Gishu, Kisii, Nyamira, Migori, Kisumu, Homabay, Kakamega, Vihiga, Bungoma, Trans-Nzoia, Siaya, Nandi and Kericho County Governments. The study adopted Mugenda (2003) approach to select fourteen counties out of the forty-seven counties in Kenya. A sample size of between 10%-30% of the universe is a good representation (Mugenda & Mugenda, 2003).

To obtain the sample population purposive sampling was used, where the entire 11 departments mentioned above took a sample population of 103 respondents in the departments. Table 1 shows the sample size to be used in the study. The study employed the Israel (2010) formula to calculate the sample size as shown below.

$$n = N / \{1 + N (e)^2\}$$

$$140 / 1 + 140 (0.05)^2$$

$$n = 103$$

Where:

n = sample size

N = Study population

e = Error margin at 95% level of confidence.

Table 1: Sample Size

Department	Sample size
Procuring entities	12
Accounting officers	10
Tender committee	8
Procurement committee	10
Tender operating committee	9
Evaluation committee	10
Procurement units	12
User departments	11
Inspection and acceptance committee	12
Suppliers or bidders	9
TOTAL	103

The primary source of data collection method to be used in the study was by questionnaire that gave essential information from the county’s authorities. The questionnaire had both open and closed ended questions in order to enable effective data collection.

Statistical Package for Social Sciences (SPSS, Version 26) was used to obtain descriptive analysis, which involved regression; while frequency. However, data collected was analysed by using both qualitative and quantitative methods. This study used qualitative method to analyse and interpret data as the study involved use of qualitative information. The linear regression model that was used in the study is as illustrated below: -

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where;

Y = Organizational Performance

X₁ = Supplier Segmentation

ε= refers to the error factor.

In the model, β₀ = the constant value while the coefficient β₁, β₂, β₃ and β₄ = Co-efficiency be employed to check change of outcome variable (Y) to unit change in independent elements X₁. The error (ε) term shows the unexplained factors in the model.

The objective of the study was to establish the effect of supplier segmentation on organizational performance of devolved county governments. To this effect, the respondents were asked to indicate the extent to which they agreed with the following statements regarding effect of supplier segmentation on a scale of 1-5 where; Strongly agree=5, Agree=4, Neutral=3, Disagree=2 and Strongly Disagree=1.

III. RESEARCH FINDINGS AND DISCUSSION

Table 2: Supplier Segmentation on Organizational Performance Of Devolved County Governments

Statements	Mean	Std. Dev
Supplier capacity is essential during supplier management	4.25	0.803
Supplier capability is vital during supplier management	3.56	0.847
The greater percentage of Supplier staff are competent and have the required skills to embrace quality practices	3.51	0.791
Supplier segmentation is meant to develop competent suppliers	3.67	0.834
Supplier segmentation enables procurement entities to identify potential suppliers	2.88	0.769

The respondents to a great extent agreed that supplier segmentation had a significant effect on organizational performance of devolved county governments. On the factor that Supplier capacity is essential during supplier management it had a mean of 4.25 and Std. Dev of 0.803, on the statement that Supplier capability is vital during supplier management it was represented with a mean of 3.56 and Std. Dev of 0.847, on the statement that the greater percentage of Supplier staff are competent and have the required skills to embrace quality practices had a mean of 3.51 and a Std. Dev of 0.834 and lastly on the factor that Supplier segmentation enables procurement entities to identify potential suppliers it had a mean of 2.88 and a Std. Dev of 0.769 respectively.

The results of the study performed by Vance (2013) echo those of the study he conducted in which he contended that segmenting suppliers aids a business in identifying and managing suppliers in an orderly manner. It is an effective tool for sourcing suppliers and assessing the probability of developing a long-term partnership with them, since the main commodity is of great importance. The findings in Chain Brain (2013) are in agreement with these findings. Supplier Relationship Management (SRM) is supported by a framework that is established with significant occurrences. One of the biggest barriers to productive performance is the lack of coordination and communication within an organization's various departments (Supply Chain Brain, 2013).

Inferential Statistics

Inferential statistics were used to determine the effect of supplier relationship management practices on organizational performance of devolved governments. The findings of correlation analysis, Model Summary, ANOVA and Regression Coefficients are indicated in subsequent sections below.

Correlation Analysis

The study sought to examine the relationships between study variables using Pearson correlation and the results were as follows.

The study aimed to examine whether there was any statistical significant relationship between supplier segmentation and organizational performance of devolved Governments; Pearson coefficient was used, with scores on supplier relationship management as an independent variable and organizational performance of devolved governments as a dependent variable with $r = .517$ statistically significant level set at $0.000 < .05$, such that if the p-value was less than 0.05, then it would be concluded that a significant difference exist. If the p-value was larger than 0.05, it would be concluded that a significant difference does not exists as in Table below shows SPSS output.

Table 3: Correlation Matrix

		Supplier Segmentation	Organizational Performance of Devolved Governments
Supplier Segmentation	Pearson Correlation	1	.699**
	Sig. (2-tailed)		.000
	N	94	94
Organizational Performance of Devolved Governments	Pearson Correlation	.699**	1
	Sig. (2-tailed)	.000	.000
	N		94

The study sought to examine whether there was any statistical significant influence of supplier segmentation and organizational performance of devolved governments; Pearson correlation was conducted on supplier segmentation as an independent variable and organizational performance of devolved governments as the dependent variable. Significant level (p-value) was set at .05, such that if the p-value was less than 0.05, it would be concluded that a significant difference exists, and if the p-value was larger than 0.05. The study results highlighted that there was positive statistical significance correlation between supplier segmentation and organizational performance of devolved governments ($r=.699^{**}$, $n=94$; $p.000 < .05$), with higher ratings on supplier segmentation associated to improvement in organizational performance and vice-versa.

Coefficients of Regression

The study ran a regression establish the individual effect of the variables to organizational performance of the devolved governments. The findings are indicated in Table 4.

Table 4: Coefficients of Regression

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	.498	0.253		2.165	.006
Supplier Segmentation	0.231	.126	.245	1.834	.001

The resultant equation was

$$Y = 0.498 + 0.231X_1$$

Where: Y = Organizational Performance of devolved governments

X₁ = Supplier Segmentation

The study found out that by holding all the variables constant, organizational performance of devolved Governments will be at 0.498. A unit increase of supplier segmentation by 0.231 leads to an increase of

organizational performance of devolved Governments while holding other factors constant. The findings pointed out that the independent variable had a p value of $0.000 < 0.05$ an indication that supplier relationship management significantly influenced organizational performance of devolved Governments.

IV. SUMMARY AND CONCLUSION

The study objective the study sought to determine the effect of supplier segmentation on organizational performance of Devolved Governments in Kenya. The study findings established that unit increase of supplier segmentation leads to an increase of organizational performance of devolved Governments while holding other factors constant. The study results highlighted that there was positive statistical significance correlation between supplier segmentation and organizational performance of devolved governments, with higher ratings on supplier segmentation associated to improvement in organizational performance and vice-versa.

The study recommend that devolved governments adopt clearly defined segmentation policies for suppliers. This will boost supplier evaluation, which in turn will help the devolved county governments' performance.

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