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SUPPLIER RELATIONSHIP MANAGEMENT AND PERFORMANCE OF MANUFACTURING FIRMS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

This study sought to establish the influence of supplier relationship management on performance of manufacturing firms in Nairobi City County, Kenya. Specifically, the study sought to assess the influence of supplier selection on performance of manufacturing firms in Nairobi City County, Kenya, and to assess the influence of supplier appraisal on performance of manufacturing firms in Nairobi City County, Kenya. Descriptive research design was employed. According to KAM (2018), the total number of manufacturing firms is 105. This study therefore targeted senior management employees (1 top management employee, 2 middle level management employees and 3 lower management employees) in all the 105 firms. The total target population was therefore 630 employees. The study's sample size was reached at using Krejcie and Morgan sample size determination formula. The 239 respondents were chosen with the help of stratified random sampling technique. Stratified random sampling technique was used since the population of interest is not homogeneous and could be sub-divided into groups or strata to obtain a representative sample. This study relied on both primary and secondary data. Primary data was collected through use of semi structured questionnaires. The study also conducted pilot test to test the validity and the reliability of the data collection instrument. The data collection instrument generated both qualitative and quantitative data. The study used both descriptive and inferential statistics for data analysis with the aid of Statistical Package for Social Sciences (SPSS version 25). Descriptive statistics such as mean, standard deviation, frequency and percentages were used in this study. In relation to inferential statistics, the study used correlation analysis. This was used to establish the relationship between the independent and the dependent variables. The study concludes that supplier selection has a positive and significant effect on performance of manufacturing firms in Nairobi City County, Kenya. The study also concludes that supplier appraisal has a positive and significant effect on performance of manufacturing firms in Nairobi City County, Kenya. Based on the findings, the study recommends that the management of manufacturing firms in Kenya should invest in developing a robust supplier evaluation and selection process. This process should include thorough assessments of suppliers' capabilities, reliability, quality standards, delivery performance, and cost-effectiveness. In addition, the management of manufacturing firms should establish collaborative programs aimed at enhancing the capabilities and capacities of key suppliers.

Key Words: Supplier Relationship Management, Supplier Selection, Supplier Appraisal, Performance, Manufacturing Firms

Background of the Study

Manufacturing provides a significant source of demand for goods and services in other sectors of the economy; however, the sales to other industries are not captured in measures of manufacturing sector GDP but are counted in the broader measure of its gross output. Based on the recent statistics, manufacturing contributes £ 6.7 trillion to the global economy (Suleiman, 2016). The manufacturing sector employed 12.4 million workers in 2015 or about 8.8 percent of total U.S employed population (Suleiman, 2016). Manufacturing industries generated $2.1 trillion in GDP (12.5 percent of total U.S. gross domestic product) in 2013. In the United Kingdom, manufacturing makes up 10% of GVA and 45% of UK exports and directly employs 2.7 million people (Merozwa, 2019).

Although the best performing firms in most African countries are productive even by international standards, and firms in some sectors are as productive as those in East Asia (Banerjee & Majundar, 2019), the average manufacturing firm in Sub-Saharan Africa is three times less productive than the average firm in the best performing East Asian countries. The average firm in Sub-Saharan Africa produces about US$3,300 of output per worker in 2015 dollars (Ajibike & Arema, 2018). In comparison, the average firm in the successful East Asian exporting economies (China, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) produces about US$6,500 of output per worker. The results are also consistent with the fact that firms in China are more productive than firms in Vietnam and that the latter, in turn, are more productive than firms in the three African countries they studied (Fafchamps & Quinn, 2016).

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 (Odongo & Motari, 2020). SRM entails creating closer, more collaborative relationships with key suppliers in order to uncover and realize new value and reduce risk of failure (Kosgei & Gitau, 2016). The immediate objective of SRM is to streamline and make more effective the sourcing processes between an enterprise and its suppliers. It is a strategic, enterprise-wide, long-term, multi-functional, dynamic approach to selecting suppliers of goods and services and managing them and the whole value network from raw materials to final customer use and disposal to continually reduce total ownership costs, manage risks, and improve performance - quality, responsiveness, reliability, and flexibility (Beatrice & Mulyungi, 2019). SRM includes both business practices and software and is part of the information flow component of supply chain management (SCM). SRM practices create a common frame of reference to enable effective communication between an enterprise and suppliers who may use quite different business practices and terminology (Mwangi & Mwangangi, 2018).

Supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. 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 (Beatrice & Mulyungi, 2019). SRM includes both business practices and software and is part of the information flow component of supply chain management. Yet SRM plays an important role in the reduction of costs and the optimization of firm growth (Kosgei & Gitau, 2016). The short term objectives of SRM are primarily to increase productivity and reduce inventory and cycle time. The long term objectives are to increase market share and profits for all members of the supply chain. SRM ultimately lead to enhanced procurement growth (Miyoko, Marika, & Litondo, 2019). Many retail chain stores lack a proper understanding of SRM techniques (Mwangi & Mwangangi, 2018).

Consequently, many retail chain stores experience a wide range of procurement and overall business problems which erode the suppliers' confidence and thwart business relationships (Shajema, 2018). As a result of such challenges, a mismatch between supplier relationships and retail chain stores growth is eminent (Ochieng, 2018).

In spite of the critical role and positive outcomes that supplier relationship management play on organizational growth (Mwangi & Mwangangi, 2018), Manufacturing firms in Kenya have experienced mixed patterns of positive and negative growth (Kanja & Mwangangi, 2017) leading to lower profits, despite high volumes, and the result has been two thirds of the firms dropping out of the growth curve, hence, their deaths in the volatile competitive retail markets (Odongo & Motari, 2020). This has turned it to be more difficult for the existing firms to maintain market share and achieve growth (Kanja & Mwangangi, 2017). It is therefore essential to assess the influence of supplier relationship management on performance of manufacturing firms.

Statement of the Problem

The manufacturing sector has a great potential for promoting economic growth and competitiveness in the country like Kenya. Data shows that the Government of Kenya spends between 10% - 30% of Gross Domestic Product on procurement alone (Maria, 2013). In Kenya, manufacturing sector is the third leading sector contributing to GDP in Kenya. It contributed 11% of the GDP in 2018 (Kenya Association of Manufacturers, 2018). However, since 2017 some manufacturing firms in Kenya closed their business due to poor performance while others have been forced to relocate their manufacturing plants to other countries. Some companies have also scaled down their manufacturing capacity.

However, the manufacturing sector has experienced the fluctuations over the years under different financial conditions. Data from the Kenya National Bureau of Statistics shows that the manufacturing sector grew by 3.6 percent in the first quarter of 2018, down from 4.1 percent growth in the first quarter of 2017. In the third quarter of 2018, the sector's growth rate was 1.9 percent compared to 3.3 percent in the same quarter in 2017 (Kenya National Bureau of Statistics, 2018). The Kenya Vision 2030 identifies the manufacturing sector as one of the key drivers in the economic pillar for realizing a sustained annual GDP growth of 10 percent geared to make Kenya a middle-income country by the year 2030. Despite the government efforts in improving macroeconomic conditions as well as market de-regulation, the performance of the manufacturing sector according to the Kenya Economic report 2017 regarding contribution to GDP has remained below the medium-term plan and Vision 2030 targets (Njoroge, 2019). Research has shown that supplier relationship management influences firm performance. None has been conducted on supplier relationship management and performance of manufacturing firms in Kenya. This has created a knowledge gap. It is against this background that necessitated a study to be carried out on the influence of supplier relationship management on performance of manufacturing firms in Nairobi City County, Kenya.

Objectives of the Study

i. To assess the influence of supplier selection on performance of manufacturing firms in Nairobi City County, Kenya
ii. To assess the influence of supplier appraisal on performance of manufacturing firms in Nairobi City County, Kenya

LITERATURE REVIEW

Theoretical Review

Transaction Cost Economics Theory

Economists Ronald Coase and Oliver Williamson are credited for introducing and popularizing the concept of Transaction Cost Economics (TCE). The TCE theory explains the need for companies in a market (Williamson, 1979). Transaction Cost Economics (TCE) theory has been an established theory which suggests that a firm organize its cross-organizational activities by selecting governance structures that minimizes its production costs within the firm and transaction costs within the markets hence the critical dimensions for describing transactions are: uncertainty, frequency and asset specificity (Williamson, 1979).

One facet of transaction costs is the expenditure on search and information costs, which involves the resources invested in evaluating potential suppliers. Organizations need to dedicate time and effort to researching and gathering information about various suppliers to make well-informed decisions. TCE highlights the importance of understanding the complexities involved in the procurement process. Another dimension of transaction costs is the ongoing expenditure on negotiation and monitoring. Once a supplier is selected, organizations must continue to invest resources in negotiating and monitoring the supplier's performance. This ensures that the supplier adheres to the agreed-upon terms and consistently delivers products or services as expected. Within the realm of supplier selection, TCE suggests that organizations should strive to minimize these transaction costs by opting for suppliers that provide the optimal balance between quality, reliability, and cost. This theory emphasizes that the evaluation should extend beyond the direct costs of goods or services to include the broader transaction costs associated with the entire procurement process. This study used Transaction Cost Economics Theory to assess the influence of supplier selection on performance of manufacturing firms in Nairobi City County, Kenya.

Resource Based Theory

The resource-based view (RBV) was advanced by Teece et al., (1997). It emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation and achieve organizational effectiveness. In order to achieve organizational effectiveness, the firm must allocate its resources and capabilities wisely against competing needs as a result of changing business environment. RBV depicts companies as a collection of resources and capabilities required for product or market competition. Resources are the physical capital, human capital, and organizational capital owned or controlled by a firm that can be used to conceive of and implement strategies (Barney, 1991).

According to Barney, resources and capabilities need to meet a four point criteria to provide superior performance. First, they must be valuable, enabling a firm to not only exploit its environmental opportunities but also neutralize its threats. Secondly they must be rare among its current or potential competitors. Thirdly they must be costly to imitate, and lastly they must be without close strategic substitutes. Capabilities reflect company’s ability to combine resources that the organization can muster in ways that promote superior performance in a dynamic business environment (Teece *et al*., 1997). Makadok (2017) identifies two key distinctions between resources and capabilities. First, capabilities are a special type of organizationally embedded, non-transferable, firm specific resource. Second the purpose of capabilities is to improve the productivity of the other resources possessed by the firm.

The source of an organization competitive advantage lies mainly in how it exploits its distinctive internal resources and competence by setting strategic objectives based on what they enable it to (David, 2018). The resource-based approach starts with the organizations strengths and seeks an environment that will enable it exploit them by changing environments to suit what it does best rather than changing what it does best to fit the environment. One of the key insights of the resource-based view is that not all organizational resources are a potential source of competitive advantage (Hilt, 2019). However, in order to be competitive, resources must be valuable by being capable of creating customers value allowing the firms to implement strategies that will enable it to meet customers' needs more efficiently and effectively, rare and in high demand, difficult for competitors to imitate and difficult for competitors to substitute. Resource Based Theory was used in this study to assess the effect of supplier appraisal on performance of manufacturing firms in Nairobi County, Kenya.

Conceptual Framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (John & Johnson, 2018). Conceptual frameworks are used to explain how the independent variables affect the dependent variable.

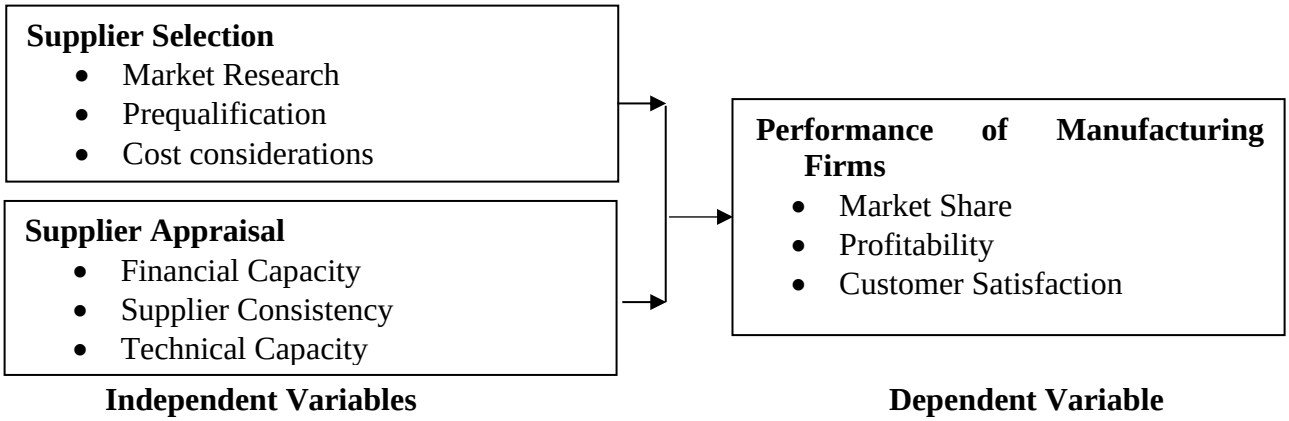

Figure 1: Conceptual Framework

Supplier Selection

Supplier selection is a critical process in supply chain management and procurement for any organization, including manufacturing firms. It involves identifying, evaluating, and choosing suppliers who can provide goods or services that meet the organization's requirements in terms of quality, cost, delivery, and other important factors. Effective supplier selection is vital to ensure a reliable and efficient supply chain, minimize risks, and enhance overall business performance (Taherdoost & Brard, 2019). Supplier selection entails; market research, prequalification and request for Information. Market research is a systematic process of collecting, analyzing, and interpreting data related to a specific market, industry, or target audience. It involves gathering valuable information to understand market dynamics, consumer behavior, and competitor activities. Market research plays a crucial role in guiding business decisions and formulating effective strategies (Gharakhani, 2016)

Prequalification is an essential component of supplier selection and is often used to streamline the supplier evaluation process. It involves an initial assessment of potential suppliers before inviting them to participate in a more detailed bidding or tendering process. The primary objective of

prequalification is to identify suppliers who meet the minimum criteria and qualifications to be considered for further engagement (Huang, 2019). Naibor and Moronge (2018) hold that request for Information (RFI) is another important component of supplier selection. It is a formal process where organizations gather information about potential suppliers to assess their capabilities, services, and suitability for a specific project or contract. The RFI is typically sent out before the formal Request for Proposal (RFP) or Request for Quotation (RFQ) to help organizations gather preliminary information about potential suppliers (Plane & Green, 2018)

Supplier Appraisal

Supplier appraisal is a crucial component of effective supply chain management, playing a pivotal role in ensuring the reliability and efficiency of the entire procurement process. This process involves evaluating and assessing the performance of suppliers based on various criteria to determine their suitability for a particular organization's needs. One key aspect of supplier appraisal is performance evaluation (Lukhoba & Muturi, 2018). Organizations need to measure and analyze suppliers' performance in terms of quality, delivery timeliness, and adherence to specifications. Regularly monitoring these factors helps identify any deviations from agreed-upon standards, enabling organizations to address issues promptly and maintain a high level of product or service quality (Jelagat & Kiprotich, 2017). Organizations must evaluate the financial stability, ethical practices, and legal compliance of their suppliers. This involves scrutinizing the supplier's financial health to ensure they can fulfill long-term contracts, while also assessing their adherence to ethical business practices and compliance with relevant regulations. A comprehensive risk assessment minimizes the potential for disruptions in the supply chain and safeguards the organization's reputation (Mungai, 2019).

In addition to performance and risk evaluation, strategic alignment is an essential consideration in supplier appraisal. Organizations should assess whether a supplier's capabilities align with their long-term business goals and objectives. This involves evaluating factors such as innovation, technological capabilities, and the ability to adapt to changes in the market (Phillips, 2017). Ensuring strategic alignment helps create synergies and fosters mutually beneficial relationships between the organization and its suppliers. Communication and collaboration are also critical elements of supplier appraisal. Establishing open lines of communication and fostering a collaborative relationship with suppliers can lead to improved problem-solving, innovation, and overall supply chain efficiency. Regular feedback and performance reviews contribute to the development of strong, collaborative partnerships that can withstand challenges and promote continuous improvement (Erridge, 2019).

Empirical Review

Supplier Selection and Organization Performance

Taherdoost and Brard (2019) conducted a study on analyzing the Process of Supplier Selection Criteria and Methods. The current paper provides an overall picture of research on supply chain management, supplier selection criteria and supplier selection evaluation methods (multi-criteria decision making). A summary of the process of supplier selection can be helpful for companies to have a clear understanding of the concept in order to improve their success and competitiveness. The results show that the application of a structured decision-making technique is vital, especially under the complex conditions that include both qualitative and quantitative criteria.

Gharakhani (2016) researched on the evaluation of supplier selection Criteria by Fuzzy DEMATEL Method. Supply chain management can be considered as a key component of competitive strategy to enhance organisational productivity, performance and profitability (Askarany *et al*,2018). The aim of this paper is use the fuzzy DEMATEL method to find the intensity of influence of supplier selection criteria. This research designed questionnaire. Questionnaires sent to ten professional experts in different departments of automobile industry in Iran. From the fuzzy DEMATEL results, it can be understood the Willingness and Attitude is the most influence and the strongest connection to other criteria.

Huang (2019) citing from Barney works suggested that a firm's core resources and capabilities are the important tools for the organization in gaining and preserving sustainable competitive advantage. Thus, the needs of selecting supplier were not only to meet the buyer needs in term of products and performance but also in alignment with goals and objectives of both parties (Hsu et al., 2016). According to Huang (2019) definition, resources refer to all assets, capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that can improve its efficiency and effectiveness. The RBV theory informs the manufacturing firm's importance of valuing its processes and resources as it forms part of their competitive advantage. Similarly, the approach through which an organization takes in formulating its supplier selection criteria ought to consider the process as part of critical resource that defines their marketability.

Naibor and Moronge (2018) conducted a study on the influence of supplier selection criteria on performance of manufacturing companies in Kenya. The study adopted a descriptive survey design. The target population was the manufacturing firms registered by the Kenya Association of Manufacturers by June 2017. Yamane formula was used to determine a sample size of 87. The head of procurement functions from each firm was considered for the study. Quantitative primary data was used for analysis. The findings revealed that supplier evaluation criteria had a positive and significant influence on performance of manufacturing firms in Kenya. All the four variables positively and significantly influence performance. The study recommended that manufacturing firms operating in Kenya should aim to enhance their financial status evaluation practices so as to record an improvement in performance because financial status evaluation helped establish whether the supplier can have continuity in supply before being bankrupt. Some of the financial indicators to be evaluated were credit worthiness, level of financial accountability and financing mode

Supplier Appraisal and Organization Performance

Jelagat and Kiprotich (2017) researched on the effect of supplier appraisal procedures and capacity assessment appraisal on organizational performance. The study employed descriptive survey design. The area of study was Kenya Power Company (KPC), North rift region. The target population was 168 employees in procurement department and Heads of Departments (HODs) in KPC North rift region. Purposive sampling was used to select HODs and simple random sampling was used to select employees in the procurement department. Questionnaire was used as the main data collection instrument. The data was analyzed using descriptive statistics and correlation analysis. The company has supplier evaluation criteria in place for various supplier categories. There was a strong positive relationship between appraisal procedures and procurement performance. Kenya Power Company conducts site visits to establish supplier capacity, financial stability is an important criterion for selecting suppliers, the company conducts due diligence to establish the capacity of the suppliers, and suppliers are always required to provide proof of their technical competent in order to be considered for the supply. Capacity assessment appraisal was found to have a strong relationship with procurement performance.

Mungai, (2019) the study sought to establish how supplier appraisal criteria influence procurement performance in real estate industry. The study also established that different supplier evaluation criteria are given different importance when selecting potential suppliers with financial stability, technical competence and quality control and management seen as major criteria in selecting suppliers. Kavale & Mwikali (2018) indicated that the choice of criteria in supplier evaluation and selection process has a great influence on procurement performance and management. This study established that the weighted model is the most popular model used to appraise suppliers. The study also found that a good supplier appraisal model should have the following attributes; provide structures and discipline to the evaluation process, helps avoid selection of unqualified suppliers, reduce subjectivity during the evaluation and should hastens the evaluation and selection process.

Erridge, (2019) argue that supplier appraisal process is an essential aspect of both strategic sourcing and procurement performance in order for an organization to achieve competitive advantage. Gordon (2018) observed that developing a robust, easy-to-deploy method of evaluating suppliers is a critical business competency. Gordon noted that the methodology should be sound and the approach practical. Supplier evaluation may take various approaches which all influence the quality of data obtained from the suppliers which reflect the true picture of the suppliers.

Phillips (2017) noted that there are many sources which the buyer should use to check or verify the dependability and reliability of each supplier. Phillip further observed that desk appraisal is one of the widely used to collect information about the supplier and desk appraisal uses published or unpublished information already in existence and is particularly applicable to product and financial appraisals. He added that desk research should always precede field research since it will indicate what matters need to be investigated.

According to Pirsch *et al.* (2018) third party appraisals may also be undertaken mostly through a variety of agencies especially when assessing the compliance to quality systems. This is collaborated by Gossy (2018) who observed that site visits enable information provided on a questionnaire to be verified and answers given by the supplier's staff in the course of the visit to be evaluated.

Gossy (2018) observed that frequent meetings with suppliers facilitate the prevention of inefficient practices at an early stage and encourage continuous improvement of suppliers. These assessments, however, are mutually beneficial only if both parties are willing to cooperate and provide the necessary inputs (Sacconi, 2017). When seeking to approve suppliers, procurement functions must be satisfied that as a minimum they are technically sound, managerially competent, adequately resourced, financially stable and reliable which consequently leads to timely delivery and supply of quality products.

RESEARCH METHODOLOGY

The descriptive research design was employed where data was collected one point in time. The target population for this study was manufacturing firms in Kenya. Information on the firms was retrieved from Kenya Association of Manufacturers (KAM, 2022). The manufacturing firms were the unit of analysis while the top managers were the unit of observation. According to KAM (2018), the total number of manufacturing firms is 105. This study therefore targeted senior management employees (1 top management employee, 2 middle level management employees and 3 lower management employees) in all the 105 firms. The total target population was therefore 630 employees. The study's sample size was reached at using Krejcie and Morgan sample size determination formula (Russell, 2013). The 239 respondents were chosen with the help of stratified

random sampling technique. Stratified random sampling technique was used since the population of interest is not homogeneous and could be sub-divided into groups or strata to obtain a representative sample. The study then used simple random sampling to select respondents from each group. Primary data was used in this study. A questionnaire which is a form of quantitative data collection tool was used to collect primary data. The pretesting sample was made of 23 respondents, representing 10% of the sample size. The results from the pilot test were not used in the main study. In addition, the respondents used in the pilot test were excluded from the final study. Quantitative and qualitative data was generated from the closed-ended and open-ended questions, respectively. Qualitative data was analysed on thematic basis and the findings was presented in a narrative form. Inferential and descriptive statistics was employed for analysis of quantitative data with the assistance of Statistical Package for Social Sciences (SPSS version 25). Inferential data analysis was conducted by use of Pearson correlation coefficient, and multiple regression analysis.

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

The researcher sampled 239 respondents who were each administered with the questionnaires. From the 239 questionnaires 228 were completely filled and returned hence a response rate of 95.4%. The response rate was considered as suitable for making inferences from the data collected. Smith (2018) indicates that a response rate that is above fifty per-cent is considered adequate for data analysis and reporting while a response rate that is above 70% is classified as excellent. Hence, the response rate of this study was within the acceptable limits for drawing conclusions and making recommendations.

Descriptive Statistics Analysis

Supplier Selection and Performance of Manufacturing Firms

The first specific objective of the study was to assess the influence of supplier selection on performance of manufacturing firms in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on statements relating to supplier selection and performance of manufacturing firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1.

From the results, the respondents agreed that the organization considers the financial stability of potential suppliers before entering into agreements. This is supported by a mean of 3.943 (std. dv = 0.981). In addition, as shown by a mean of 3.926 (std. dv = 0.850), the respondents agreed that quality standards and certifications play a significant role in the selection of suppliers. Further, the respondents agreed that the organization evaluates the technological capabilities of suppliers during the selection process. This is shown by a mean of 3.911 (std. dv = 0.914).

The respondents also agreed that the geographical proximity of suppliers is a factor in the decision-making process. This is shown by a mean of 3.896 (std. dv = 0.947). With a mean of 3.889 (std. dv = 0.856), the respondents agreed that the organization maintains open communication channels with its suppliers. The respondents agreed that collaborative product development and innovation are actively encouraged with key suppliers. This is supported by a mean of 3.876 (std. dv = 0.694). In addition, as shown by a mean of 3.764 (std. dv = 0.892), the respondents agreed that there is a clear and effective communication strategy in place to address any issues with suppliers promptly. From the results, the respondents agreed that suppliers are involved in the decision-making process related to changes in product specifications or requirements. This is supported by a mean of 3.711 (std. dv = 0.872).

Table 1: Supplier Selection and Performance of Manufacturing Firms

	Mean	Std. Deviation
The organization considers the financial stability of potential suppliers before entering into agreements.	3.943	0.981
Quality standards and certifications play a significant role in the selection of suppliers.	3.926	0.850
The organization evaluates the technological capabilities of suppliers during the selection process.	3.911	0.914
The geographical proximity of suppliers is a factor in the decision-making process.	3.896	0.947
The organization maintains open communication channels with its suppliers.	3.889	0.856
Collaborative product development and innovation are actively encouraged with key suppliers.	3.876	0.694
There is a clear and effective communication strategy in place to address any issues with suppliers promptly.	3.764	0.892
Suppliers are involved in the decision-making process related to changes in product specifications or requirements.	3.711	0.872
Aggregate	**3.898**	**0.873**

Supplier Appraisal and Performance of Manufacturing Firms

The second specific objective of the study was to assess the influence of supplier appraisal on performance of manufacturing firms in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to supplier appraisal and performance of manufacturing firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

From the results, the respondents agreed that supplier financial capacity plays a significant role in quality improvement. This is supported by a mean of 3.968 (std. dv = 0.905). In addition, as shown by a mean of 3.959 (std. dv = 0.885), the respondents agreed that supplier consistency plays a significant role in quality improvement. Further, the respondents agreed that supplier technical capacity plays a significant role in quality improvement. This is shown by a mean of 3.920 (std. dv = 0.605). With a mean of 3.905 (std. dv = 0.981), the respondents agreed that supplier financial capacity plays a significant role in cost reduction.

The respondents agreed that supplier consistency plays a significant role in cost reduction. This is supported by a mean of 3.897 (std. dv = 0.932). In addition, as shown by a mean of 3.876 (std. dv = 0.873), the respondents agreed that supplier technical capacity plays a significant role in cost reduction. Further, the respondents agreed that supplier financial capacity plays a significant role in lead time reduction. This is shown by a mean of 3.817 (std. dv = 0.881). With a mean of 3.806 (std. dv = 0.843), the respondents agreed that supplier consistency plays a significant role in lead time reduction. The respondents agreed that supplier technical capacity plays a significant role in lead time reduction. This is shown by a mean of 3.786 (std. dv = 0.738).

Table 2: Supplier Appraisal and Performance of Manufacturing Firms

	Mean	Std. Dev.
Supplier financial capacity plays a significant role in quality improvement	3.998	0.905
Supplier consistency plays a significant role in quality improvement	3.959	0.885
Supplier technical capacity plays a significant role in quality improvement	3.920	0.605
Supplier financial capacity plays a significant role in cost reduction	3.905	0.981
Supplier consistency plays a significant role in cost reduction	3.897	0.932
Supplier technical capacity plays a significant role in cost reduction	3.876	0.873
Supplier financial capacity plays a significant role in lead time reduction	3.817	0.881
Supplier consistency plays a significant role in lead time reduction	3.806	0.843
Supplier technical capacity plays a significant role in lead time reduction	3.786	0.738
Aggregate	**3.849**	**0.867**

Performance of Manufacturing Firms

The respondents were requested to indicate their level of agreement on various statements relating to performance of manufacturing firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3.

From the results, the respondents agreed that the performance of their organization has been improving over the years. This is supported by a mean of 3.984 (std. dv = 0.997). In addition, as shown by a mean of 3.907 (std. dv = 0.831), the respondents agreed that supplier relationship management has greatly contributed to performance of their organization. Further, the respondents agreed that the profitability of their firm has been improving over the years. This is shown by a mean of 3.828 (std. dv = 0.563). The respondents also agreed that the market share of their organization has increased over the year. This is shown by a mean of 3.821 (std. dv = 0.851). The respondents agreed that there are few customer complaints concerning the quality of their services. This is supported by a mean of 3.812 (std. dv = 0.872). In addition, as shown by a mean of 3.798 (std. dv = 0.912), the respondents agreed that they are satisfied with the performance of their organization.

Table 3: Performance of Manufacturing Firms

	Mean	Std. Dev
The performance of our organization has been improving over the years	3.984	0.997
Supplier relationship management has greatly contributed to performance of our organization	3.907	0.831
The profitability of our firm has been improving over the years	3.828	0.563
The market share of our organization has increased over the year	3.821	0.851
There are few customer complaints concerning the quality of our services	3.812	0.872
Am satisfied with the performance of our organization	3.798	0.912
Aggregate	**3.829**	**0.818**

Correlation Analysis

Table 4: Correlation Coefficients

		Organization Performance	Supplier Selection	Supplier Appraisal
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	228		
Supplier Selection	Pearson Correlation	.836**	1	
	Sig. (2-tailed)	.002		
	N	228	228	
Supplier Appraisal	Pearson Correlation	.856**	.185	1
	Sig. (2-tailed)	.000	.078	
	N	228	228	228

From the results, there was a very strong relationship between supplier selection and performance of manufacturing firms in Nairobi City County, Kenya (r = 0.836, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the findings of Taherdoost and Brard (2019) who indicated that there is a very strong relationship between supplier selection and organization performance.

The results also revealed that there was a very strong relationship between supplier appraisal and performance of manufacturing firms in Nairobi City County, Kenya (r = 0.856, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Mungai, (2019) who revealed that there is a very strong relationship between supplier appraisal and organization performance

Regression Analysis

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.940	.884	.885	.582

a. Predictors: (Constant), supplier selection, and supplier appraisal

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.884. This implied that 88.4% of the variation in the dependent variable (performance of manufacturing firms in Nairobi City County, Kenya) could be explained by independent variables (supplier selection and supplier appraisal).

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.027	4	3.018	104.07	.000b
	Residual	6.568	223	.029		
	Total	18.595	227			

a. Dependent Variable: Performance of manufacturing firms

b. Predictors: (Constant), supplier selection, and supplier appraisal

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 104.07 while the F critical was 2.412. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of supplier selection, and supplier appraisal on performance of manufacturing firms in Nairobi City County, Kenya.

Table 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.311	0.082		3.793	0.003
	supplier selection	0.387	0.091	0.388	3.593	0.003
	supplier appraisal	0.392	0.102	0.393	3.843	0.001

a Dependent Variable: performance of manufacturing firms

The regression model was as follows:

$Y = 0.311 + 0.387X_1 + 00.392X_2$

According to the results, supplier selection has a significant effect on performance of manufacturing firms in Nairobi City County, Kenya β_1=0.387, p value= 0.003). The relationship was considered significant since the p value 0.003 was less than the significant level of 0.05. The findings are in line with the findings of Taherdoost and Brard (2019) who indicated that there is a very strong relationship between supplier selection and organization performance.

In addition, the results revealed that supplier appraisal has significant effect on performance of manufacturing firms in Nairobi City County, Kenya β1=0.392, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results of Mungai, (2019) who revealed that there is a very strong relationship between supplier appraisal and organization performance.

Conclusions

The study concludes that supplier selection has a positive and significant effect on performance of manufacturing firms in Nairobi City County, Kenya. Findings revealed that market Research, prequalification and cost considerations influences performance of manufacturing firms in Nairobi City County, Kenya

The study also concludes that supplier appraisal has a positive and significant effect on performance of manufacturing firms in Nairobi City County, Kenya. Findings revealed that financial Capacity, supplier consistency and technical capacity influences performance of manufacturing firms in Nairobi City County, Kenya.

Recommendations

The study recommends that the management of manufacturing firms in Kenya should invest in developing a robust supplier evaluation and selection process. This process should include thorough assessments of suppliers' capabilities, reliability, quality standards, delivery performance, and cost-effectiveness. Additionally, fostering long-term partnerships with selected

suppliers who align with the firm's goals and values can enhance performance even further. Regular performance reviews and feedback mechanisms should also be established to ensure continuous improvement and alignment with the firm's objectives.

The study also recommends that the management should conduct periodic assessments of supplier performance based on the defined metrics. In addition, provide constructive feedback to suppliers, highlighting areas of improvement and recognizing exemplary performance.

Suggestions for Further Studies

This study focused on establishing the influence of supplier relationship management on performance of manufacturing firms in Nairobi City County, Kenya. Having been limited to manufacturing firms in Nairobi City County, Kenya, the findings of this study cannot be generalized to firms in other sectors in Kenya. The study therefore suggests further studies on the influence of supplier relationship management on performance of manufacturing firms in Nairobi City County, Kenya.

Further, the study found that the independent variables (supplier selection and supplier appraisal) could only explain 88.4% of performance of manufacturing firms in Nairobi City County, Kenya. This study therefore suggests research on other factors affecting performance of manufacturing firms in Nairobi City County, Kenya

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