

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

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**ASSESSING THE EFFECTIVENESS AND IMPACT OF BUYER-SUPPLIER
RELATIONSHIP ON THE PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES. A CASE STUDY OF KUMASI METROPOLIS.**

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DECLARATION AND CERTIFICATION

I hereby declare that this submission is my own work towards the award of Masters of Science Degree in Procurement Management and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University except where due acknowledgement has been made in the text.

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ABSTRACT

The study aimed at assessing the effectiveness and impact of buyer-supplier relationship on the performance of small and medium enterprises, and has identified the existing buyer-supplier relationship, assessed the efficiency of suppliers in rendering services to buyers, the perception of buyers on buyer-supplier relationship and its performance as well as the effect of the existing buyer-supplier relationship on the performance of SME's. The simple random sampling technique was used to select a total of 100 respondents for the study which included various people dealing in the sale of different products. Descriptive statistics, a five-point likert scale and the perception index were used to address the objectives. The study has revealed that majority of the buyers are females (61%) and fall between the ages of 20-40 years with a mean age of 39.2 years and are married. Most of the SME operators have attained secondary education and have been in business for between 1-10 years. The study has also revealed that majority of the SME operators receive the products they sell from suppliers and the most common and predominant existing relationship between buyers and their suppliers is transactional. The study revealed that suppliers were most efficient at supplying goods of very good quality to the various operators of SME's as well as delivery of the required quantities of products to the buyers. Also, SMEs generally have a positive perception concerning the buyer-supplier relationship. Again, the study has established that buyer-supplier relationship between the operators of SMEs and their suppliers is satisfactory and this has improved their

performance significantly. It is recommended that suppliers should carry on with the good work to help in preserving the relationship they have with their buyers and should improve on delivering the exact quantity of goods in time. It is also recommended that operators of SMEs should restructure their relationship with their suppliers in terms of timeliness of making the produce available based on trust and information sharing as this will improve their performance significantly.



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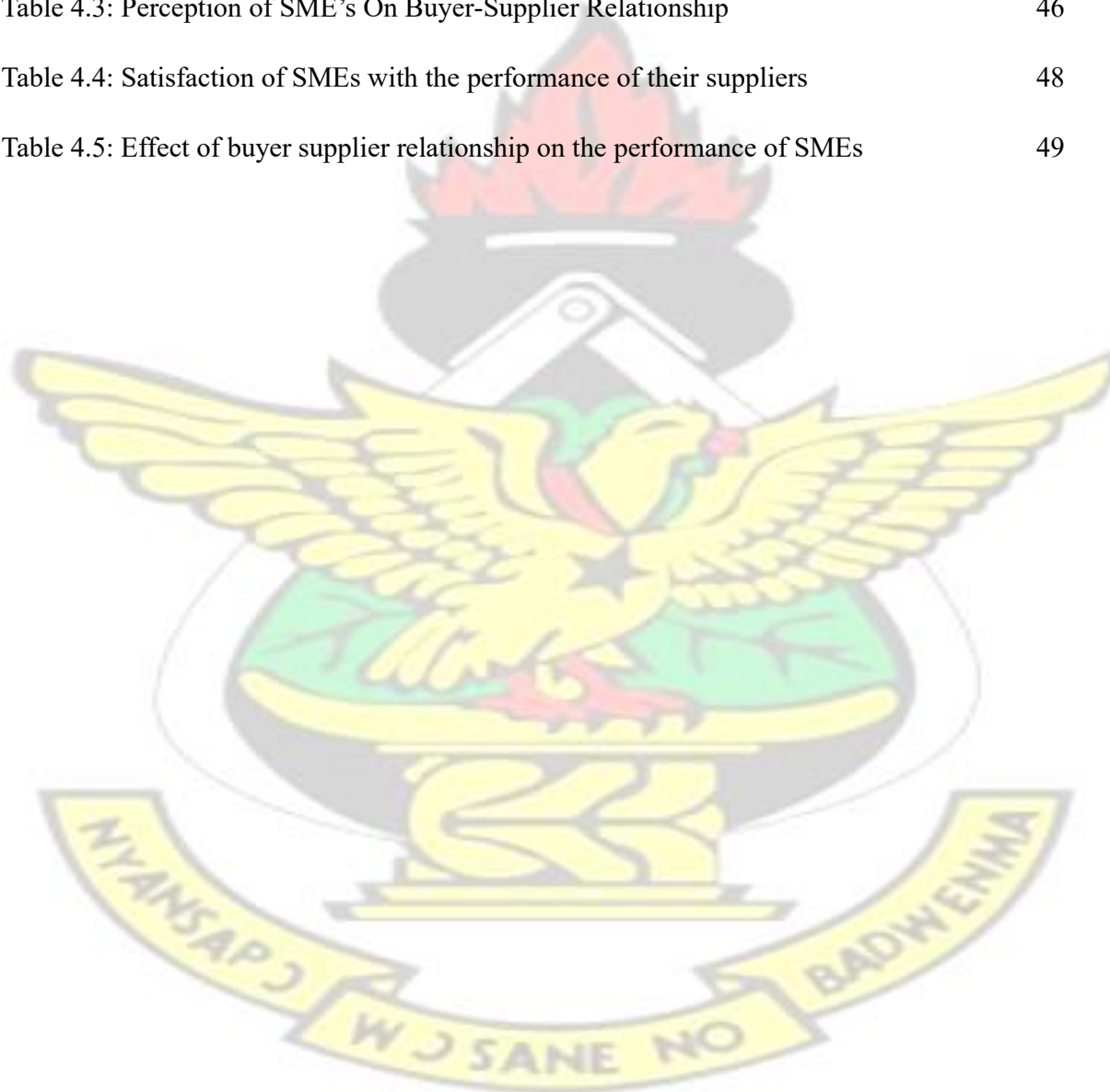
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DEDICATION

To God be the glory and the name of the most high be adored. I dedicate this work to the Almighty God for his protection and guidance throughout the entire program. To my family, friends and loved ones and all those in one way or the other assisted in making this a success, I say God bless you, and in His own wisdom replenish everything you have lost.



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The role played by small and medium enterprises (SMEs) in the economic development of a nation is gaining recognition globally. SMEs are normally described as prolific and efficient job creators and the fuel that ignite the engines of national economies. The developed nations are also benefitting immensely from the SMEs sector because it employs the greatest share of workers rather than multinational companies (Millineux, 1997). SMEs' contribution to GDP of a nation can be through either the provision of goods and services to other enterprises / consumers or through the manufacturing of value goods.

A report by UNIDO(1999) posit that in most African countries, SMEs denote more than 90% of private business and contribute to more than 50% of employment and of GDP.

According to Zoltan Acs (2006), SMEs are considered very critical propellers for obtaining national development goals, such as economic growth and poverty alleviation in Sub Sahara Africa.

In Ghana, the SMEs represent a greater chunk of private businesses. Specifically they represent about 90% of businesses. In 2012, SMEs accounted for about 85% of employment in the manufacturing sector and contributed about 49% to Gross Domestic Product. This is mainly through provision of basic goods and services, generation of tax and export revenues and creation of employment.

This enormous contribution by the SMEs cannot be achieved without an effective buyer supplier relationship. Buyer-supplier relationship is very imperative in promoting the growth of a business (Ntayi *et al.*, 2011).

In today's corporate world, most companies exert conscious effort to thrive due to tough competition, the ever increasing difficult-to-satisfy customer base and advancement in technology among other factors. In view of this, the capability of companies (producers) to sustain their very existence and preserve their competitive power depends on their ability to innovate and the relationship they have with their suppliers. This implies that, there is an enormous advantage that accrues to producers that develop relationships with suppliers within the context of supply chain management (SCM).

This study therefore seeks to examine the effectiveness and impact of buyer-supplier relationship on the performance of SMEs.

1.2 Problem Statement

In business environments that have the characteristics of dynamism and uncertainty such as small scale enterprises, buyer-supplier relationship assumes a critical and fundamental role in positioning these enterprises competitively (Ou *et al.*, 2010).

Small and medium scale enterprises must be ready to come out with high quality and innovative services and products that will satiate the needs of customers faster and at a cost that is much lower than that of other competing firms (Martínez-Senra *et al.*, 2012).

This kind of relationship between the enterprises according to (Ellram, 1992), make up the part of the supply chain; assuming varying degrees of complexity. From that of great complexity on one hand when acquiring products that are specialized which are available from few suppliers or requiring an investment in specific assets to manufacture them and from that of low complexity when it involves the purchasing of standardized goods.

The aforementioned have led many firms to enter into agreements that can be of a cooperative type which are based on working together and the exchange of relevant information (Mihi-Ramírez *et al.*, 2012). This cooperative nature of relationship of the firm with their suppliers can result in an increase in the ability of the firm to compete through helping to reduce production and operating costs and improving quality and productivity. Other forms of relationships can be based on the competitive nature where the firm is a price taker among others. According to Carr and Kaynak (2007), all these relationships have a significant influence on the financial performance of the firm.

However, Ntayi *et al.*, (2011) assert that these kind of relationships are fraught with commitment issues which is evident in the delays and partial supply of products and sometimes supply of poor quality products on the part of the supplier as well as refusal or delay in making payments among others on the part of the buyers. This state of affairs could potentially hurt the performance of the SMEs.

This study therefore seeks to examine the effectiveness and impact of buyer-supplier relationship on the performance of SMEs.

1.3 Aim and Objectives

The aim of the study is to examine the effectiveness and impact of buyer-supplier relationship on the performance of SMEs.

Specifically, the objectives of the study seek to;

1. Identify the existing types of buyer-supplier relationships.
2. Assess the perception of SME's on buyer-supplier relationship and the performance of their relationship with their suppliers. on the performance of SME's

3. Assess the effect of buyer-supplier relationship

1.4 Research Questions

1. What is the nature of relationship SMEs have established with their suppliers?
2. How do SMEs perceive this kind of relationship they have with their suppliers and how is the performance of this relationship with their suppliers?
3. How does this relationship affect the performance of the SMEs?

1.5 Significance of the Study

Despite the significant role played by SMEs in Ghana's economy, there is little or no research on the impact buyer-supplier relationships have on SMEs in Ghana. This study will therefore contribute to the body of literature by bringing to fore the nature of relationship SMEs have with their suppliers and the challenges they face.

The study will also be of policy relevance as it will enable policy formulators to come out with sustainable and efficient policies that are based on empirical result to deal with challenges SMEs face in securing supply.

Moreover, the study will also serve as future reference to other researches and students who have interest in buyer-supplier relationships particularly in SMEs.

1.6 Organization of the Study

The study is structured according to five (5) main chapters. The rest of the study is structured as follows. Chapter two presents the theoretical and empirical literature relating to buyer- supplier relationships. Chapter three deal with the methodology employed in collecting and analyzing the

data used in this study. Chapter 4 presents and discusses the results and finally Chapter five deals with the summary of the major findings of the study, conclusion and policy recommendation.

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The logo of Kenya National University of Science and Technology (KNUST) is centered in the background. It features a yellow eagle with spread wings perched on a green shield. Above the eagle is a black mortar and pestle with a red flame. Below the eagle is a yellow banner with the motto 'NYAKSIA JIWA NO SANE NO BAWWE LINGI'.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter provides a theoretical organization of the studies, emphasizing on the vibrant and pertinent definitions, concepts and explanations. Some of the issues and concepts to be discussed in this chapter include; definitions and the historical background of Small - Medium Enterprises (SME's), the whole concept of the buyer - supplier relationship, which encompasses its types and dimensions in business as well as the effect of the buyer - supplier relationship on performance, makes up the principal issues discussed in this chapter.

2.2 The Concept of Small - Medium Enterprises (SME's)

Cases of Multi-billion takeovers, expansion plans executed on global basis and a collection of risks of mega bankruptcies of businesses and companies, dominate the headlines. This quickly creates the impression of the economy being dominated by large multinational enterprises. On the other hand, about eighty percent of the businesses in most countries are in fact, SMEs (small and medium scale enterprises). The definition of SME varies from nation to nation hence making it difficult to produce a concise and generic definition. Any definition or classification of an SME can therefore only be reflected to the specific country it is being attributed to. According to Gomes (2001), the sum of all the employees, sales, total net assets, and investment levels are the most frequently used benchmarks in categorizing SME's. Nevertheless, the level of employment in firms forms the popularly used criteria for defining an SME, which also generates the upper and lower size limit of an SME. European Union (EU) member states for instance have their own classification of the components of an SME. Germany for instance has a limit of five hundred employees, with a maximum of hundred employees for Belgium (European Commission, 2010). Analoui (2003) asserts that, in recent developments, the EU is in full swing to standardize the concept, thus its recent definition categorizes companies with fewer than fifty (50) employees as "small" and those with fewer than two hundred and fifty (250) as "medium". A disparity with regards to these figures indicates that, in the United States, small businesses are those with less than hundred employees, while medium-sized business are those with less than 500 employees.

2.3 The Buyer-Supplier Relationship

In today's extremely competitive market, the finest approach suitable for drawing and maintaining business is for buyers and suppliers to work as a unit (Sheard, 2010). A generally accepted principle

is that enhanced associations that exists between the buyer and supplier are immensely required, as well as forward-thinking companies are coming to the realization that developing and retaining such relationships is an operational way of elevating the efficiency level of the entire supply chain (Burnett, 2004).

Lonsdale and Watson (2008), pointed out that in business, the structure of the commercial outcome and the relations between both parties are the two very important questions regarding buyer-supplier relationships. The best way to attain a greater impression of the term relationship is for one to discern into the possible interactions that exists between the buyer and supplier in business. A critical instance is that, the interaction which concerns the product in question could link to the frequency of purchase or the complication of product, while variables of interaction of the industrial character could be the number of alternative partners or the immensity of the competition at hand (Campbell 1985; Hines, 2004). Hines (2004), further commented that the interaction variables could be the preferred interaction style as well as centralization of purchasing or risk aversion thus with regards to the buyer and supplier side. These variables of interaction, turns out to influence the characteristic of the relationship existing between buyers and suppliers. An organization of buyer-supplier relationships comprises the consideration of a multiplicity of different types of these relationships.

2.3.1 Buyer-Supplier Relationship Types

Generally the common relationships that have existed between buyers and suppliers in the past till date are as follows, according to some authors;

- **Transactional Relationship:** This is the most common and the most primary kind of buyer-supplier relationship. In this kind of relationship, neither the buyer nor the supplier is concerned about the others wellbeing. It is characterized by very little trust and it could just be a one-time

transaction between the buyer and the supplier. The item or product in question must not be detrimental to the buying firm and not critical if it runs out of the products or if there is a delay in delivery for this kind of relationship to exist. According to Blevins (n.d), the benefits in this kind of relationship includes the requirement of lower skill levels of the procurement personnel, less purchasing time and effort invested in determining a price for the product involved. Thus, the price of the product is not of concern to the buyer as it is usually negotiated to be around the prevailing market price standard. Notwithstanding, lack of communication between the two parties is the major disadvantage in this kind of relationship. Others include the amount of time and money spent by the buyer in monitoring the quality of the product. One major effect of this kind of relationship according to Blevins (n.d) is the quality of the product purchased may probably not going to be as good as expected and it is hard to improve quality in this type of a relationship. More often, the suppliers tend to have more leverage than the buyers do since the buyers have to take what they receive and pay for the products when it is expedited.

- **Collaborative Relationship:** This type of relationship is where both the supplier and the buyer enjoy mutual benefit. Although there is varying level of trust, some id required. The two parties (buyer and supplier) work together to increase their savings and innovations in the future. According to Burt (2003), buyers often have early supplier involvement in this kind of relationship. A more advance form of this kind of relationship includes the strategic alliance or joint venture Blevins (n.d). The type of product and its use to the buyer is a key factor for this type of relationship to exist. Thus the product involved is strategic to the buyer regardless of its cost. In this kind of relationship, the supplier is one of the top producers of the product if not the only producer. Buyers often have the power to negotiate prices with the supplier to come to an agreement that ensures mutual trust and benefit. Some benefits of this type of relationship according to Blevins (n.d) include; lower overall costs, higher quality of products, less time to market due to open

communication and improved technology and innovation. However, there are some drawbacks of this kind of relationship which includes; the time that must be spent by the buyer nurturing the relationship opposed to other value adding activities, high switching costs if problems were to arise with the supplier.

- **Alliance Relationships:** In this kind of relationship, an alliance is formed for a systematic approach to enhance communication between the buyer and the supplier. Unlike the collaborative relationships, there is formation of an alliance to have trust where the two parties can be on the same level and help each other out in time of need. Buyer enjoys the benefit of faster delivery of products, lower costs and higher quality of products since there is an enhanced communication between the two parties. According to Blevins (n.d), trust and long-term visions are paramount to the success of this kind of relationship and such conflicts that may arise between the buyer and supplier must be addressed and resolved openly so there won't be any long-term problems.

The amount of connection that exist within a relationship, ranges from collaborative relationships to adversarial or arm's length (Langley *et al.*, 2009). These relationships are in many instances described as being a 'win-lose' relationship and usually regarded by techniques in adversarial negotiation (Hines, 2004). In addition to this, they are normally depicted as short term relationships where price is the most important focus. On the other hand, the collaborative relationships contain elements that include mutual benefit, trust building and cooperation thus with regards to results of studies made by Kauffman (1966) and Henderson (1990). Examples of strategies such as supply base rationalization, long- term contracts and cross-functional team decision-making are all considered under the umbrella of collaborative relationships. The primary characteristics of these relationships (adversarial and collaborative) can be described across five fundamental dimensions (Table 2.1), as recognized by Spiers (1997).

Table 2.1: Adversarial Vs. Collaborative Relationships

	Adversarial Relationships	Collaborative Relationships
Behavior	Individual gain seeking, transitory, defensive, aggressive	Mutual respect, committed, open/sharing, trust, focused on group gains
Attitudes	Retain expertise, centralized authority, power overt and active, buyer knows best, problem drive, homogeneous suppliers, passively responsive	People involvement, devolved authority, power covert, inactive, differentiated suppliers, proactively innovative, prevention driven
Measurement	Unidirectional, onedimensional, inspect outcomes, limited and infrequent feedback.	Multidimensional- total acquisition cost, relationship positioning, measure process, self-regulation, extensive frequent evaluation and feedback, success shared through network
Processes	Buyers specs, hands off – distant few boundary spanning roles, static systems	Shared design, open into exchange, hands on – close, many boundary spanning contracts, learning organizations, team-based, supplier investment – people-processes

Time	Frequent resourcing, Limited life, discrete transactions, low switching costs	Extended guaranteed life, single sourcing, high switching costs, infrequent resourcing
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Source: (Spiers, 1997).

The advancement of relationships to main suppliers is very useful in both strategic and operational dimensions globally. The operational level of closer relationships to suppliers conduces to the improvement of delivery services, enhances cost reductions as well as quality of business and other services. The benefits gained from such close buyer - supplier relationship can lead to improvements in firms' products through possibilities of innovation enhancement, higher level of competitiveness and hence higher market shares (Kannan and Tan, 2006). Developments in recent times with regards to the practice of buying have primarily concentrated on the alterations of the relationships that exist between buyers and sellers.

Lambert (2008), pointed out that, 'supplier relationship management signifies an opportunity to build on the success of strategic sourcing and traditional procurement initiatives. It consist of developing partnership relationships with main suppliers to innovate with new products, decrease costs and generate value for the two parties centered on a reciprocal commitment to long-term collaborations and shared success'. Several kinds of partnership may include for instance joint ventures, collaboration, vertical integration or strategic alliances and co-operations.

As part of the portfolio approach, buyer - supplier relationships are usually described by different power circumstances. This leads to an assertion made by Cox (2001), that there are four characteristic power instances in supply chains and as a result in buyer - supplier relationships. In a

buyer dominated supply chain, the 'buyer side' usually possesses a higher proportion of power in the supply chain than the supplier. The comprehensive interdependence supply chain is characterized by a balance in power conditions between buyer and supplier, whilst in the comprehensive independence supply chain; there are no dependences at all. Cox (2001), further stated that, the last characteristic supply chain structure is the comprehensive supplier dominance where the supplier has a higher proportion of power thus with regards to the rapport existing between buyer and supplier in a supply chain.

In summary, there are several kinds of relational instances that exist for a buyer to be allocated to. Various categories of power circumstances have some amount of influence on the partnerships. It is a very difficult process to develop a working co-operation, as enormous investments of time, trust among other resources are needed to attain a reciprocal beneficial partnership (Radkevitch, 2009). After vibrantly defining the buying concept, including the portfolio approach, the buying process model and the relational dimension in buying, one has the foundation of applying these concepts to the business area of SME's.

2.3.2 Dimensions of Buyer-Supplier Relationship

The relationship between the features of the relationship such as cooperation, trust, and the performance of the relationship in business, as suggested by Olsen and Ellram (1997), need further research. With a profound consideration of the fundamental issues discussed previously, five noticeable scopes of the buyer-supplier relationship: will be given an insight in the subsequent deliberations. As a result, the study makes an imperative impact concerning the relational literature and literature on supply chain management by the use of the analysis of the phenomena of the effect buyer - supplier relationships and their influence on SME's.

Trust: Trust comprises an essential factor in sustaining the compound business network and also contributing to the success of a firm in business communities worldwide. Trust is differentiated at several level across the world, for instance the root of trust, in cultures in Asia is usually nurtured at a level which is quite personal, although in other cultures worldwide, it is usually being recognized from an organizational perspective or level (Fang and Kriz, 2000). In a similar concept, Ganesan (1994) also stated that the reputability of the fairness of suppliers has an important consequence on its reliability in the trade; also gradually pleasing reliability produces trust at a greater level. An assertion made by Sullivan and Peterson (1982), categorical states that, the principle of trust is defined as “a situation in which the individuals involved, trusts themselves, in such a situation, the individuals can always find ways of resolving disputes that may arise in the course of their business.”

According to Ganesan (1994), the issue of trust basically leads purchasers and sellers to primarily concentrate on long-standing privileges of the relationship and in due course boosts the performance results in buyer-supplier relationships. To add to this, Siguaw *et al.*, (1998) also established that distributor trust is linked positively and also significantly to both satisfaction of distributor with financial performance and cooperative norms.

Communication: As a result of the risk of periodic and a product life that is short, firms that are small in size are certainly persuaded to decrease costs of carrying inventory to help in profit maximization out of the inventories that the suppliers delivered. Cannon and Perreault (1999), also suggests that, extreme exposed distribution of vital information is basically designated by way of the readiness of both individuals to exchange this vital information. Nevertheless, infidelity between the both individuals can be rendered towards reluctance to information sharing (Fawcett and Marnan, 2001), besides can also render it quite challenging to exchange of information that is

extremely sensitive such as financial data, which differs among various cultures worldwide (MOEA, 1999). As a result, Mavondo and Rodrigo (2001) indicated the concern of complications in multicultural information sharing and communication as these can immensely act as a substantial stumbling block to business. Communications that are deemed effective in channel relationships per se can boost the stages of satisfaction, channel member synchronization, performance and commitment levels (Goodman and Dion, 2001). With regards to business world of SME's, regular communication amid buyers and suppliers may possibly accelerate accurate and rapid reaction to capricious market, and decrease the costs in addition to influencing of estimates that are inaccurate (Fisher *et al.*, 1994). With the incidence of support besides, trust channel members are keener to convey information upward and encourage bidirectional communication (Blair *et al.*, 1985). Subsequently, this would assist to corresponds an efficient supply with demand and maximize profit for the members involved. Conversely, with the influence of an uneven power relationship a group with a channel that is not very powerful possesses the propensity to not make feedback and information available to groups with greater power (Blair *et al.*, 1985). Hence, the constrained flow of information may possibly hinder the channel associations plus with time have an influence on the performance of supply chain correspondingly. A communication that is effective is very imperative to preserve a longstanding buyer – seller relationship as well as accomplish a level of performance that is at its apogee (Morgan and Hunt, 1994).

Interpersonal Relationship: Interpersonal relationship is ultimately acknowledged as an “upand-coming form” of relationship marketing in business (Davies, 1995) and has gradually attracted the attention of researchers to how interpersonal relationship functions with respect to relationships in business (Mavondo and Rodrigo, 2001). Interpersonal relationship is a wellestablished socio-cultural principle and serves an exceptionally significant part in the world of business, as well as in

day-to-day life. Liu and Wang (2000), ultimately denoted interpersonal relationship to be the idea of relying on networks or connections, and it includes mutual responsibilities as well as favors between two parties in business or personal relations. An affirmation by Kao (1996) show that individual trust serves a noticeable part in the setting up of interpersonal relationship besides corporations in the world's community of business. Trappey and Lai (1996), also further elaborated that the prevalent culture in Taiwan lays emphasis on relationships that are personal among manufacturers, retailers as well as wholesalers, then further suggested that individuals who are retailers must dedicate a high volume of effort and time to establishing and preserving these relationships. However, numerous literatures from the Western world usually concentrate on suppliers and buyers relationships existing between organizations (Fang and Kriz, 2000).

In most cases, interpersonal relationship makes resources available for the coordination of firms and regulates transnational business. Interpersonal relationship regularly plays a substantial role in business worldwide and is also a dire qualification for effective business (Ambler *et al.*, 1999).

Cooperation: Anderson and Narus (1990), outlines cooperation as “related or actions that are coordinated complementarily that is usually made use of by organizations involved in relationships that are interdependent to accomplish reciprocal or individual results by means of an anticipated giving in return over a time period.” Cooperation concerning individuals involved redirects the prospects of functioning collectively to attain reciprocal and singular goals together (Cannon and Perreault, 1999). The cooperative relationship within business is principally established on individual fidelity amid business parties. Quite a high number of entrepreneurs mention that, the utmost trustworthy information sources normally come from relationships that are very close in and amid organizations of businesses. In the absence of relationships that are close, both the suppliers in

addition to the purchasers are very reluctant to give out information as well as not naturally willing to cooperate. Ambler *et al.*, (1999) stated that vigorous cooperation serves a critical role in growth of export sales. Past studies on channel distribution has also expressed that there exist a relationship that is positive in terms of satisfaction and cooperation (Skinner *et al.*, (1992).

Power-Dependence: Dubois and Pedersen, (2002) affirms that the ultimate postulation of every portfolio models appears as the incidence of modifications in power and dependence that exist amid buyers and suppliers. Power structure is generally labeled as the power of exploit of the buyer. Buyers usually utilize variation to help lessen the power the supplier possesses or to lessen the reliability. According to Kraljic (1983), the entire idea of the portfolio approach is to reduce susceptibility involved in supply as well as create the greater portion of potential power for buying. Power and dependency normally varies according to individual quarter with regards the buying portfolio. The reliance on most of the suppliers differs from one organization to the other also from one circumstance to other and the reverse. The dependency of the purchaser turns out to be the power for supplier and the dependency of supplier turns out to be the major source of power for buyer. Fundamentally, power and dependency happen to be terms that are comparative and the degree of relativity differs per situation and organization. Agreeing to Buchanan (1992), who regarded power-dependence imbalances in buyer–supplier relationships to be the modification in significance that buyers and sellers generally accord regarding the relationship. Independent partners usually dictate the interchange and the reverse of this. A relationship is said to be of equal weight or balanced whenever the buyer together with the supplier shares an environment where none of them totally dominates. Relationships that are not balanced owing to an imbalanced sharing of power can lead to tensed relationship, a shorter relationship life and non-productivity. Relationship basically relies on the greatness of the interdependency. An affirmative concentration could lead to much stronger

mutual trust, longstanding relationship, commitment as well as probably give rise to potentials for additional intensity of trade relationship plus opportunities for investment.

2.4 Performance of SME's

Havnes and Senneseth (2001), quantified performance with regards to growth of sales, level of employment, turnover, or prices of stock or in terms of Research & Development (R&D) expenditures, percentage of innovative sales, patents (results of) innovations (Hagedoorn and Cloudt, 2003). The Baldrige criteria defined performance as the outcomes of the output and their results acquired from products, procedures, and services that allow estimation as well as contrast relative to objectives, past results, standards, and other organizations. The Business Dictionary.com also explains performance as the achievement of a set task quantified in contrast to preset known standards of completeness, accuracy, speed and , cost. It further continues to elaborate that in a contract, performance is believed to be the satisfaction of a responsibility, in a manner that reliefs the performer from all burdens with respect to the contract. Based on these definitions, the output results and outcomes gained from performance must allow evaluation and appraisal of some sort. Also, from the definitions, performance can be defined in the framework of predetermined known values. Furthermore, the preset known values should be well defined to empower the performance to be well measured.

2.4.1 Measures of Performance

The basis for evaluation of performance as adopted from Gunasekaran *et al.*, (2001) has been classified under financial or monetary as well as non-financial or non-monetary.

Financial measures

The financial measures of performance usually comprises rate of growth of sales and profitability of the business, which are regularly utilized as the indicators of financial performance (Bourne, 1999).

Profitability denotes the average profits made out of retail by the retailer from products sold. According to results of studies made by Dollinger and Kolchin (1986), there is a positively strong association amid buyer - seller relationship and profitability of the business.

Sales growth rate is evaluated as the difference in percent of sales made yearly over a three year period (Tan *et al.*, 1999).

Non-financial measures

The non-financial measures usually symbolize the necessity of flexibility together with customer service with respect to the supply chains.

Flexibility denotes the ability of creating services or products available to attain a specific demand by a client (Gunasekaran *et al.*, 2001). It is also described as a key quantifier regarding the performance of the buyer – seller relationship and is regularly considered to be a response to uncertainty within the environment (Beamon, 1999).

Flexibility comprises the following key elements;

Supply flexibility; this is where suppliers normally convey enough products to meet the demand of the consumer using minimum cost of carrying inventory, or can also be described as a process where retailers are inclined to usually order few quantities of inventories but receive deliveries frequently. Tsay (1999) proposes that the implementation of the flexibility of quantity as a reaction to inefficiencies, for instance under-stocking and over-stocking usually transpires within the supply chain.

Exchange of Product and return; this is an aspect of flexibility where certain retailers have a preference of purchasing certain products on consignment as there non-existence of investment of inventory, otherwise buy on memorandum as they could return items that are not sold for the entire exchange or for the credit (Rogers and Gamans, 1983).

Efficiency of Delivery; this is a condition where, customers raise their expectations of service with respect to a much shorter time of delivery (Fawcett and Marnan, 2001). Stewart (1995) also established that the performance of delivery is usually the first key to excellence in supply chain as well as the major promoter of satisfaction for clients in the management supply chain.

Customer service; the leading reason of customer service is to quantify how the service of suppliers to the retailers or clients (Hausman, 2000). Customer service has been exceedingly distinguished hence grown into a very important factor as far as competitive advantage in business is concern.

Availability of Product; the availability of product forms a crucial aspect to satisfaction of clients and loyalty of customer at the level of retail (Sabath, 1995). Unfulfilled demand will result in loss of sales, losing of customers and outdated products (Ashford, 1997).

Quality of Product; the quality of a product delivered by suppliers reveal the brand's worth and image (Chaudhuri and Holbrook, 2001). Wisner and Tan (2000), describes the quality of a product as a criteria for performance of supplier, and Tan *et al.*, (1999) also illustrates that value weighs a positive effect on the return on assets and growth.

2.4.2 Performance and Relationship

Appraisals methods of performance that are business-oriented are related traditionally to the activities performed internally by a company and its competitive environment. In recent times, competition has become a banal thing in the business world, which usually occurs between supply chains rather than the midst of single companies. Performance by companies may be laid on the line

if its partners do not attain an anticipated performance. As a result, performance is determined by how effective relationships that are business-oriented and possesses transparency in interdependence amid its partners (Winner *et al.*, 2005). Hence, the interdependence amid enterprises takes place when the portions that are part of the relationship are properly variegated into each another. As a result, it can be stated that the ability of a company is affected not only by activities that are internal, but also with activities by the participants, which includes suppliers, customers and other participants.

2.4.3 The Effect of Buyer – Supplier Relationship on Performance

A critical consideration at the concept of joint dependence, that is the degree to which buyer and supplier need each other to achieve a certain objective, it is to be expected that such actors will work together to a certain extent. Substantial gains are found in collaborative buyer - supplier relationships, such as operational performance development (Autry and Golobic, 2010), secure valued resources and technologies (Nyaga *et al.*, 2010), cost reduction (Zhang *et al.*, 2009) and sales increase (Palmatier *et al.*, 2007). The notion of collaborative relationships coupled with its success have their roots in the Japanese automotive industry, specifically, the Toyota Production System which advocates an incorporation of the key internal processes of a firm with those of its suppliers (Hines, 1996). Conversely, typical drawbacks of well-planned buyer-supplier relationships seem to exist too. Bensaou (1999) argues that it is quite costly to develop and uphold while Villena *et al.*, (2011) also illustrates that very close relationships can reduce benefits that comes with it. Holding on to the above-mentioned in mind, it is quite interesting to realize an affirmation by Spekman and Carraway (2006), claiming that cooperative buyersupplier relationships are never unsuccessful for the reason that they are unfitting for a specific perspective, however, he attributed it more to the incompetence of buyers and suppliers in dealing with hazards in the course of their transition to

collaborative relationships. From the side of the buyers, relationship managers continue to pressurize suppliers, such as demanding products and services with lower costs but with high level of quality in order to meet intensified competition worldwide (Zhang *et al.*, 2009) or are anxious to make steps for collaborating closer with suppliers owing to dependency on a number of crucial suppliers (Spekman and Carraway, 2006). Spekman and Carraway (2006), further argues that suppliers are also not left out and that they are also guilty of related practices, grounded in deep-rooted sales and marketing models preaching persuasion strategies with the prime aim of maximizing revenues of sellers. The claim of Spekman and Carraway's (2006), gives a new dimension to the buyer-supplier relationship classification model of Bensaou (1999), which postulates that, the quality of a relationship is essential next to dependency structures. Identifying relationship quality is one way or the other equivocal regardless of the broad scope of research on this subject. However, there is consensus that it concerns a higher order construct, consisting of complex associated constituents. Its aim is to evaluate the atmosphere between the supply chain partners (Ivens and Pardo, 2007). In accordance to Fynes *et al.*, (2005) they define quality or an effective relationship as the intensity to which the individuals involved in the relationship are tied up to long-standing working relationship that are active. This proposes that the longer a relationship is objected, the higher the quality and effectiveness of the relationship. Nevertheless, this is not per se true because Zhang *et al.*, (2009) distinguished that western buyers engage in a long-term relationship by setting up corresponding contracts, but usually do this with a deprivation of trust and commitment, hence the majority of these alliances fail (Anderson and Jap, 2005).

Other major effect of buyer-supplier relationship that has been identified includes; the minimization of transaction costs, the creation of value through internal capabilities and resources and gaining of

competitive advantage from cooperative relationships. These effects are extensively discussed in the next sections below.

2.4.3.1 Minimization of Transactional Costs

Cost of transaction surfaces from contracting *ex ante*, e.g. negotiating, and *ex post*, e.g. executing the contract and settling disputes (Williamson, 1979). Krapfel *et al.*, (1991) also highlighted that these cost of transactions are improved when the management of the relationship is also enhanced conferring to the type of relationship. In relation to this, the theory of Transaction Costs Economics (TCE) also draws attention to the situations that brings about the growth of a relationship which is closer concerning the suppliers and buyers (Cox, 1996). Additionally, it is specified that research based on the metrics of performance and efficiency within the supply chain can be of value to the TCE principles (Grover and Malhotra, 2003). On the other hand, certain criticisms against TCE have been in existence. For instance, that of Heide and John (1992), who expressed that TCE lacks recognition of dependency or power in terms of relations between the organizations. Moreover, TCE fails to note the conditions and situations that contract-based relationships accomplish a cost of transaction that is very low, it also fails to record the possible benefits that may surface from a relationship that is collaborative with suppliers, or how the gains and costs are integrated within the framework of decision-making (Cox, 2005).

2.4.3.2 Value Creation through Internal Capabilities and Resources

According to Ehret (2004), the view of the creation of value has recently emerged into the argument on supplier relationships. Stakeholders in managing their relationship in the supply chain has particularly consider the creation of value through their collaboration and networks with each other (i.e buyer or supplier) of which Möller and Törrönen (2003) postulated the goal of every supply

chain relationship is the creation of value. Many authors including Zhang and Chen (2008) argue that the creation of value between the two parties (buyer and supplier) have a positive influence on the service capability of the supplier, thus concentrating on the creation of value together may create new avenues for competitive advantage. More so, the creation of value through the overall supply network has gained attention in the study of relationship. A value net created according to Bovet and Martha (2000) not only connects buyers, but also captures their preference and expectations which alternatively transmits the knowledge of the buyer on participants of other value net. They further argued that, the value net is composed of the relationship between the buyers and suppliers involved and the drivers of value creation in a particular value net includes the collaboration and the combination of the actor's (buyers and suppliers) resources and capabilities. Thus, the discussion of value is mainly linked within the said firm's internal capability and the resources endowments are the sources of competitive advantage.

2.4.3.3 Competitive advantage from cooperative relationships

Studies relating to business relationships and its effect on the performance of a firm is relational in terms of its applied perspective (Dyer and Singh, 1998), suggesting that the association that exists among organizations can serve as an element of exploration for competitive advantage. Complementary resources, knowledge-sharing routines, relation-specific assets, and effective governance and capabilities are possible foundations of inter-organizational competitive advantage. Precisely, relational assessment concentrated on dyadic relationships between the organizations while an approach based on interaction (Industrial Marketing and Purchasing, IMP) lay emphasis on interaction and networking between organizations proposing that organizations do not possess any calculated autonomy, hence, organizations should act in collaboration with other organizations (Baraldi *et al.*, 2007). This interaction approach holds its opinions on the fact that, generally,

organizations possess merely inadequate number of relationships of business that are consistent and well calculated activities are usually from efforts of organizations which concentrate on the influence they possess in the networks of supply (Gadde *et al.*, 2003).

CHAPTER THREE

METHODOLOGY AND METHODS

3.1 Overview

This chapter outlines the research procedures used to obtain relevant data or information for the study. An Induction research approach where data are collected and a theory developed from the data analysis was the approach adopted for this study. This chapter describes the methods used in gathering information relevant to the study.

3.2 Research Design

The research approach in this study was chosen based on the purpose and the research objectives to be addressed. The research design employed was the qualitative method. The nature of the research is descriptive and evaluative. The descriptive research was employed by the researcher to vividly describe exactly the socio-economic characteristics of the respondents. On the other hand the evaluation research method was adopted to evaluate the efficiency of suppliers, the performance of buyer-supplier relationship and the effect of buyer-supplier relationship on small and medium enterprises in the Kumasi Metropolis.

3.2.1 Research Tools

The Research tools are the means which the researcher used in collecting data for this study. The research tool used for this research was a close ended questionnaire.

- Questionnaires

Structured questionnaires was used as a tool by asking a set of standardized questions to assess the effectiveness and effect of buyer-supplier relationship in terms of performance on small and medium enterprises from the buyer's perspective.

3.3 Population

The population used for the study was the total number of small and medium enterprises in the Kumasi Metropolis.

- Target Population

In this research the target population was all SMEs in the Kumasi Metropolis. Due to limitations of time and funds, the target population in this research covered four markets in the Kumasi Metropolis namely; Adum, Asafo, Bantama and Roman Hill which were designated as target research population to study the effectiveness and impact of buyersupplier relationship on the performance of small and medium enterprises. A total of hundred (100) SME's were chosen for this study.

3.4 Sampling Technique and Sample Size

Sampling technique describes how a researcher selects or chooses the people who should be part of the study. The sample of SME's used in the research work is those who operate their businesses within the central business district of Adum, Roman Hill, Bantama and Asafo, all in the Kumasi Metropolis. In all, hundred (100) SME's were selected using the simple random sampling technique.

In this research survey, the sample size in total was hundred (100) respondents. In doing so, the researcher visited all the market at the various locations such as Adum, Roman Hill, Bantama and Asafo market and randomly requested the SME's operators there to respond to the questionnaire schedule. Twenty-five (25) SME operators were selected each from the four markets.

Due to the nature of the study, a larger sample size out of the population would give a clear representation of what actually the situation is on the ground. The responses to the questions are more subjective and so therefore taking the responses of a few sample and generalizing over the entire population becomes questionable. There are hundreds of people operating within the small and medium enterprises in the Kumasi Metropolis and relatively higher sample would make the responses more reliable. However, due to time and budget constraint the researcher thought it will be right in sense to take about 100 operators within the small and medium enterprises without any sampling biases.

3.5 Data Collection

The researcher used questionnaires and personal observations schedules for data collection for primary data. Both primary and secondary data were used for the study.

The researcher personally with the help of four enumerators administered the questionnaires to the respondents. The researcher together with the enumerators spent some time to explain to the respondents the purpose of the study. The secondary data was sought from various publications and reports on the subject matter in reviewing relevant literature.

3.6 Data Analysis

Descriptive statistics such as mean, mode as well as tables and graphs were used to organize and summarize the data. Statistical Package for the Social Sciences was used for the data analysis, management and documentation.

Descriptive statistics was used to analyse the existing buyer-supplier relationship. The efficiency of supplier, the performance of buyer's relationship with their suppliers and the effect of buyersupplier relationship on the performance of small and medium enterprises were analysed using a likert scale type of questions, where the SME's were asked to rank some indicators and statements according to their levels of agreement and satisfaction. The perception index was used to analyse the perception of SME's on buyer-supplier relationship.

3.7 Profile of the Study Area

This study was carried out within the metropolis of Kumasi, the country's second largest city, representing the middle belt of Ghana, the capital town of Ashanti Region. The Kumasi Metropolis has an approximate area of 254 square kilometers and it is located between latitudes $6^{\circ}35''$ and $6^{\circ}4''$ N and longitudes $1^{\circ}30''$ and $1^{\circ}35''$ E. It shares boundaries with the Kwabre District to the north, Atwima Kwanwoma and Atwima Nwabiagya District to the west, EjisuJuaben Municipal to the east and Bosomtwe. It is the most populous district in the Ashanti Region. It has a Population of 2,035,064 (2010 census) with an annual growth rate of 4.8%. In 2013, the population of Kumasi was estimated at 2,396,458. The climate of the Kumasi metropolis falls within the sub- equatorial type of climate and it has average temperature ranging from 21.50C to 30.70C and the average annual rain fall is about 625mm. Four major markets in the metropolis were selected for the study namely, Bantama, Roman Hill, Adum and Asafo market.

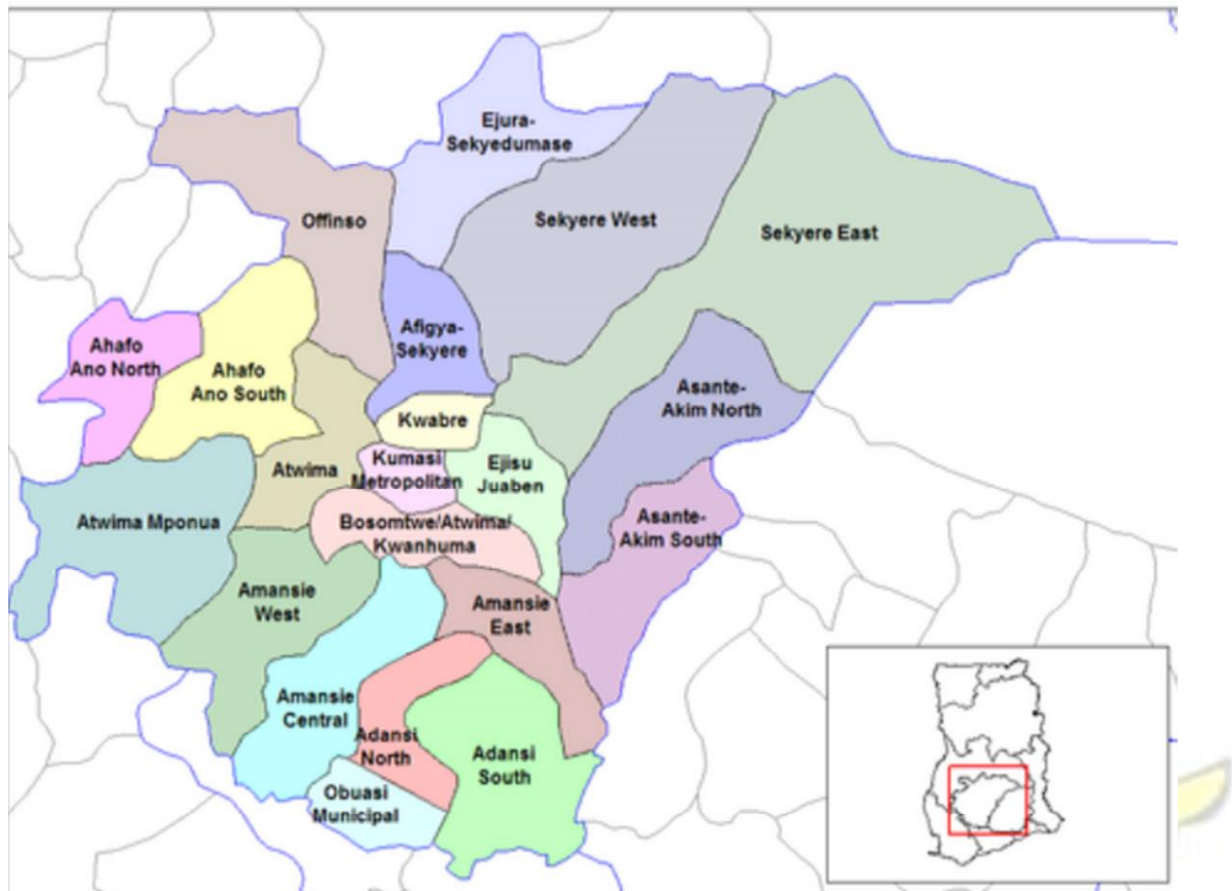


Figure 3.1: Map of the Metropolis

Source: Ghanadistricts.com

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the findings from the study. It presents the descriptive analyses on the socioeconomic characteristics of the respondents as well as the type of relationship buyers (SME's) have with their suppliers, the efficiency of suppliers, the perception of buyers (SME's) on buyer-

supplier relationship as well as the effect of buyer-supplier relationship on the performance of small and medium enterprises in the Kumasi Metropolis.

4.2 Socioeconomic Characteristics of Study Population

This section gives a brief discussion of the socioeconomic characteristics of the respondents used for the study thus those operating small and medium enterprises in Kumasi Metropolis.

4.2.1. Gender of Respondents

Out of the 100 respondents that were interviewed, majority of them were females (61%) and the rest (39%) males (Figure 4.1). This articulates that the majority of small and medium enterprises operators are females. It can therefore be inferred that either females form the majority of the people operating within the small and medium enterprises or the study may have sampled more females relative to males.

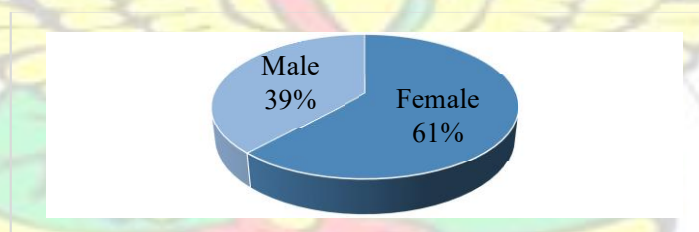


Figure 4.1: Gender Distribution of Respondents
Source: Field survey, 2015 .

4.2.2 The Ages of the Respondents

The modal age group of the respondents (SME operators) was 31-40 years (32%), followed by 20-30 years (30.0%), and then 41-50 years (22%). A few others were within the other age groups thus 51-60 years and above 60 years, representing 14.0% and 2% respectively (Figure 4.2; Table 4.1). The spread of age category is evident that there is no age limit with regards to people who operates within small and medium enterprises in the Kumasi Metropolis. However, it may be concluded that,

the youth are more involved in SME's compared to the aged, as represented in Figure 4.2 by the sturdy decline in frequency of the ages. All the same, majority (62%) of the respondents fall within the ages of 20-40 years which further indicates that most of the operators of small and medium enterprises are in their youthful ages or in their middle ages.

A mean age of 39.2 years is a true reflection of the modal age group and it further indicates that most of the operators within the small and medium enterprises in the Kumasi Metropolis are in their late thirty's with a minimum age of 23 years and a maximum of 67 years.

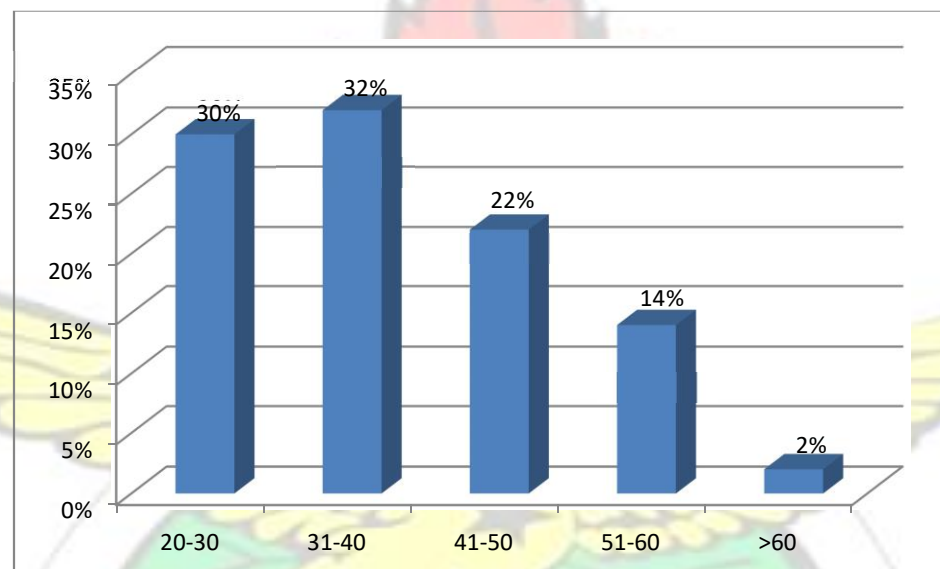


Figure 4.2: Age Distribution of Respondents in Years
Source: Field survey, 2015.

4.2.3 Marital Status of the Respondents

Majority (53%) of the small and medium enterprises operators are married where as 28% of them being single with a few of them being divorced (10.0%) and widowed (9%). This can be concluded that, married people are more involved in small and medium enterprises in the Kumasi Metropolis as shown in Figure 4.3 below.

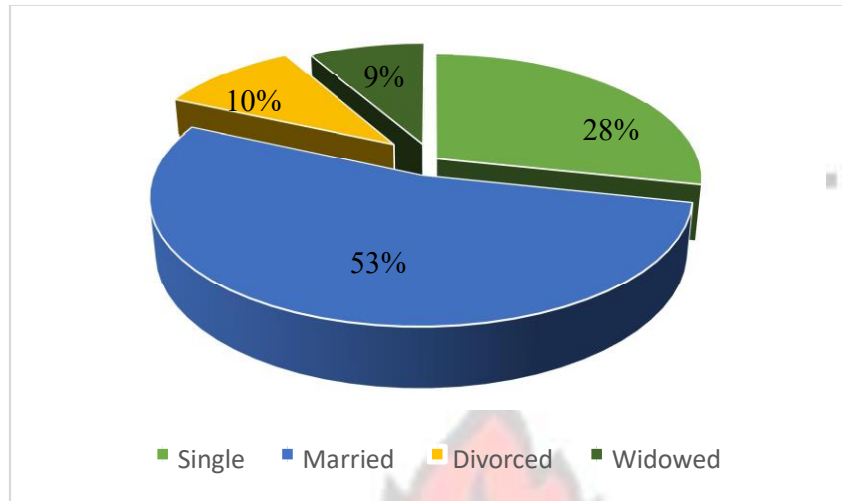


Figure 4.3: Marital Status of Respondents
Source: Field survey, 2015 .

4.2.4 Educational Level of the Respondents

The results indicate most of the operators of small and medium enterprises have attained secondary education (47%), 32% of them have attained basic education and a few (4%) has attained tertiary education with 17% who had no form of formal education. It can be concluded that majority of the small and medium enterprise operators have received formal education as shown in Figure 4.4 below. It can be inferred that people who have attained formal education up to tertiary are less likely to operate small and medium enterprise as the proportion of respondents with tertiary education shows.

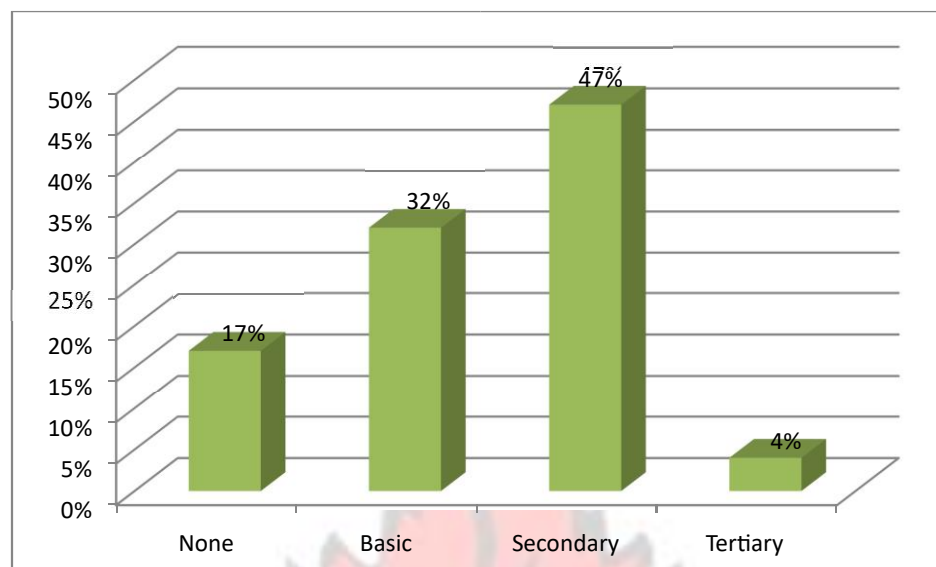


Figure 4.4: Educational level Distribution of Respondents
Source: Field survey, 2015.

4.2.5 Type of Businesses of the Respondents

As part of achieving the set-up objectives, the researcher also surveyed the various businesses of the respondents. This gave a fair idea of the kind of businesses that operators of small and medium enterprises were engaged in the Kumasi Metropolis. It turned out that the respondents are engaged in commerce. From the study, 8% of the respondents are involved in the sales of mattresses, 14% of them are engaged in the sale of construction hardware, 11% of them are also into the sales of cosmetics, 26% of them are into the sales of dresses (both men and ladies wear), 19% of them are also engaged in the sales of mobile phones and accessories whereas 7%, 10% and 5% of them are engaged in the sale of stationaries and office supplies, groceries and plastic chairs respectively (Figure 4.5; Table 4.1).

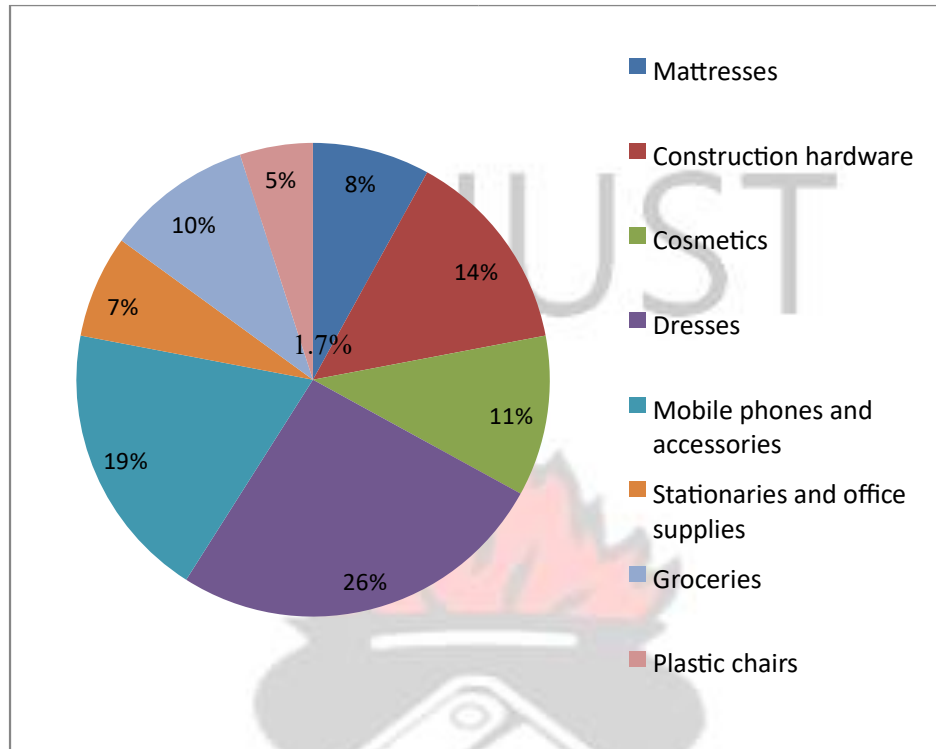


Figure 4.5: Type of Business of Respondents
Source: Field survey, 2015.

4.2.6 Number of Years in Business

From Figure 4.6, it can be seen that majority (55.0%) of small and medium enterprises had been in business between the periods of 1-10 years followed by 11-20 years (42%) and then only a few (2%) being in business for 21-30 years and (1%) for more than 30 years, with a minimum and maximum of 5 years and 38 years respectively. It can be inferred that the respondents sampled for the study have only operated within small and medium enterprises not for very long as shown in Figure 4.6 below.

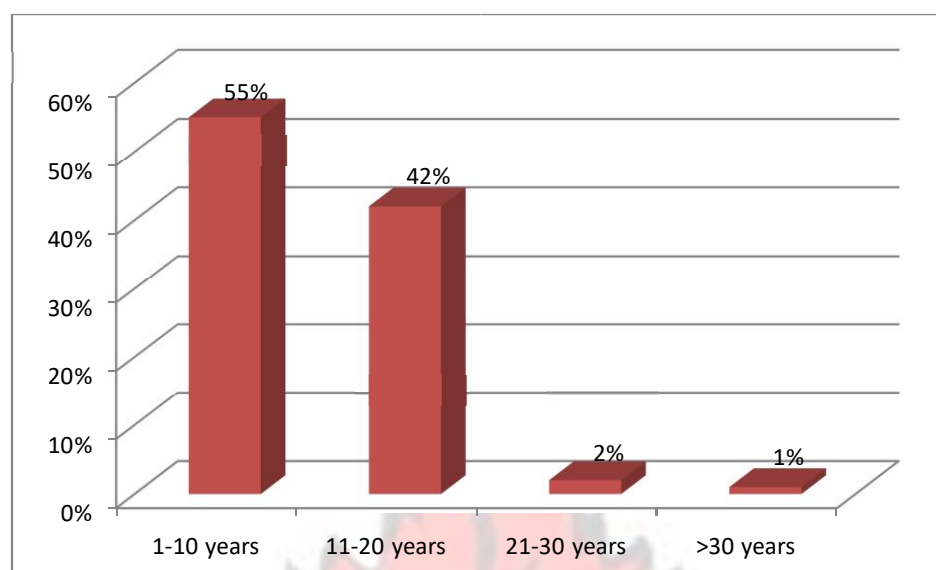


Figure 4.6: Number of Years in Business of Respondents
Source: Field survey, 2015.

Table 4.1: Summary of Socioeconomic characteristics of the respondents

Variable	Category	Frequency	Percent (%)
1. Gender	Female	61	61
	Male	39	39
2. Age (years)	20-30	30	30
	31-40	32	32
	41-50	22	22
	51-60	14	14
	>60	2	2
3. Marital Status	Single	28	28
	Married	53	53
	Divorced	10	10
	Widowed	9	9
4. Level of Education	None	17	17
	Basic	32	32
	Secondary	47	47
	Tertiary	4	4
5. Type of Business	Mattresses	8	8
	Construction hardware	14	14
	Cosmetics	11	11
	Dresses	26	26
	Stationary and office supplies	7	7
	Mobile phones & accessories	19	19
	Groceries	10	10

		Plastic chairs	5	5
6.	Years engage in the business (years)	1-10	55	55
		11-20	42	42
		21-30	2	2
		>30	1	1

Source: Field survey, 2015

4.3 Buyer-Supplier Relationship

This section presents the discussion on the source of products by the operators within the small and medium enterprises sampled for the study, whether these operators have a particular supplier of their products, the kind of relationship they have with these suppliers, the number of years they have been dealing with these suppliers as well as whether the SME's operators have any intention of changing the suppliers of the products they sell.

4.3.1 Source of Products by Respondents

The study found out about the source of products being sold by the small and medium enterprises operators within the Kumasi Metropolis sampled for the study and the result is presented in Figure 4.7 below. It was found out that out of the 100 respondents interviewed, 81 of them representing 81% received their products from suppliers whereas the remaining 19 representing 19% either go to other wholesale market to purchase their produce in bulk at some price lower than the retail price or travel to different countries to purchase their produce for sale. All respondents dealing in the sales of mattresses, construction hardware, cosmetics, stationary and office supplies and plastic chairs receive their products from suppliers. However, those engaged in the sale of dresses and mobile phones either purchase their products from other markets or travel to other countries to buy them mostly China and Togo. Those dealing in groceries obtain their products from other markets locally in bulk purchase for sale.

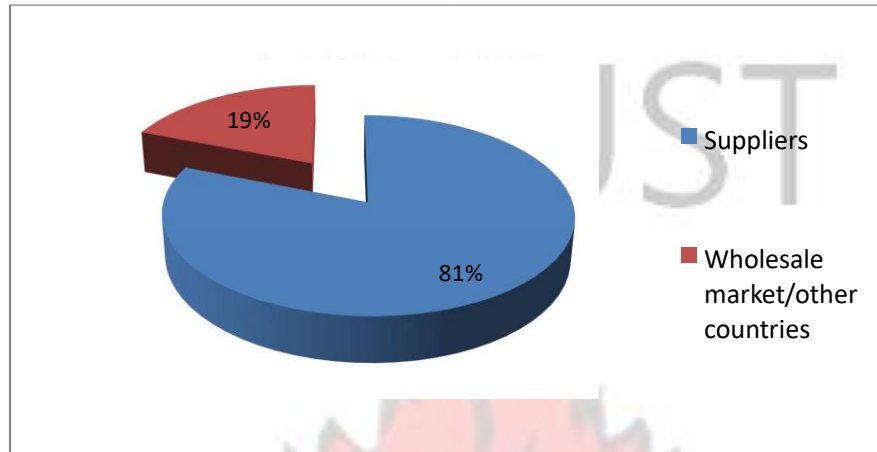


Figure 4.7: Source of Products by Respondents
Source: Field survey, 2015.

4.3.2 Supplier of Produce by Respondents

The operators of small and medium enterprises sampled for the study who indicated they get their produce from suppliers were asked whether they have a particular supplier of their produce or they obtain it from several of them. Out of the 81 of these operators who obtain their products from suppliers, 69 of them representing about 85% indicated they obtain their products from a single supplier whereas the remaining 12 representing about 15% said they have multiple suppliers but they have major supplier of the products they sell (Figure 4.8).

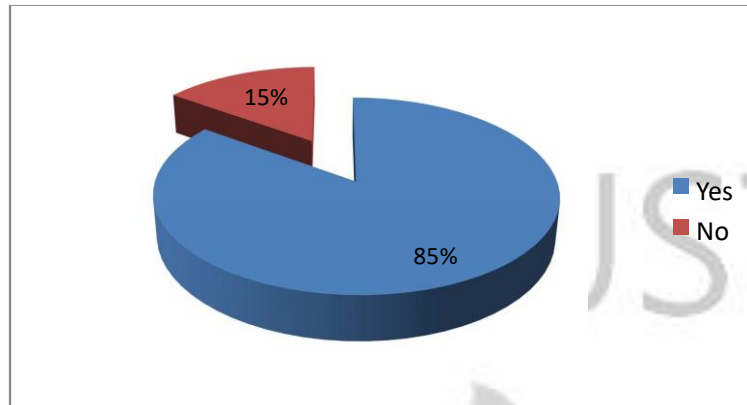


Figure 4.8: Supplier of Produce by Respondents

Source: Field survey, 2015.

4.3.3 Existing Buyer-Supplier Relationship

As part of the set objectives for the study, the researcher found out about the kind of relationship operators of small and medium enterprises in the Kumasi Metropolis sampled for the study have with their suppliers and the results are presented in Figure 4.9 below. Out of the 81 respondents who obtained their produce from a supplier, 67 representing about 83% indicated they have a transactional relationship with their suppliers, about 10 of them representing 12% and 4 of them representing 5% indicated they have a collaborative and alliance relationship respectively with their suppliers. This results is in line with the findings of study by Al-Abdallah et al., (2014) that transactional relationships are the most common and predominant type of buyer-supplier relationship. The small and medium enterprise operators, who have transactional relationship with their suppliers indicated neither of them (both buyer and supplier) is concerned about the wellbeing of the other and very little or no trust is involved between them. Their relationship is solely transactional where suppliers just deliver the produce for them to purchase as and when they request for them. However, they also indicated the delivery is normally done as and when suppliers are ready and they can sometimes run out of stocks for a while before delivery is made but it is not detrimental to their business. Those who have collaborative relationship with their supplier indicated there is some appreciable level of trust between the two parties (buyers and suppliers). They indicated their

suppliers are mostly one of the top suppliers of their produce and it is somehow difficult going out of business with them. Some of them further indicated, it is very detrimental to their business if their suppliers delay the supply of their products. Again, they have some authority to negotiate for better prices and they obtain quality produce from their suppliers. The very few small and medium enterprises operators who had an alliance relationship with their supplier indicated trust a key element in their dealings with their supplier. They said their relationship with their supplier is built on trust where both parties are on the same level to promote their operations and their business with their suppliers is more like joint venture where all parties seeks the success and overall wellbeing of the other.

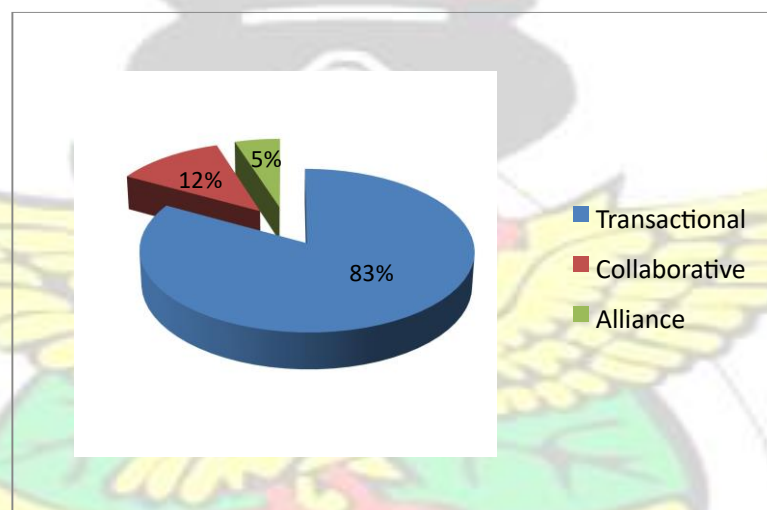


Figure 4.9: Existing Buyer-Supplier Relationship
Source: Field survey, 2015.

4.3.4 Number of Years of Dealing with Supplier by Respondents

Figure 4.10 below depicts the number of years operators of small and medium enterprises have been dealing with their suppliers. That is, the number of years they have been receiving supply of the produce they sell from their suppliers. Out of the 81 operators who have particular suppliers, 56 representing about 69% of them has been dealing with their suppliers for between 5-10 years, 11 of

them representing about 14% has been dealing with their suppliers for between 11-15 years and the remaining 14 of them representing about 17% have been dealing with their suppliers for more than 15 years with a minimum and maximum of 5 and 30 years respectively and a mean of 10.9 years. It can be inferred that the SME operators have quite a long history with their suppliers and can be concluded that they have a good relationship with them for them to have been dealing with these suppliers for that long.

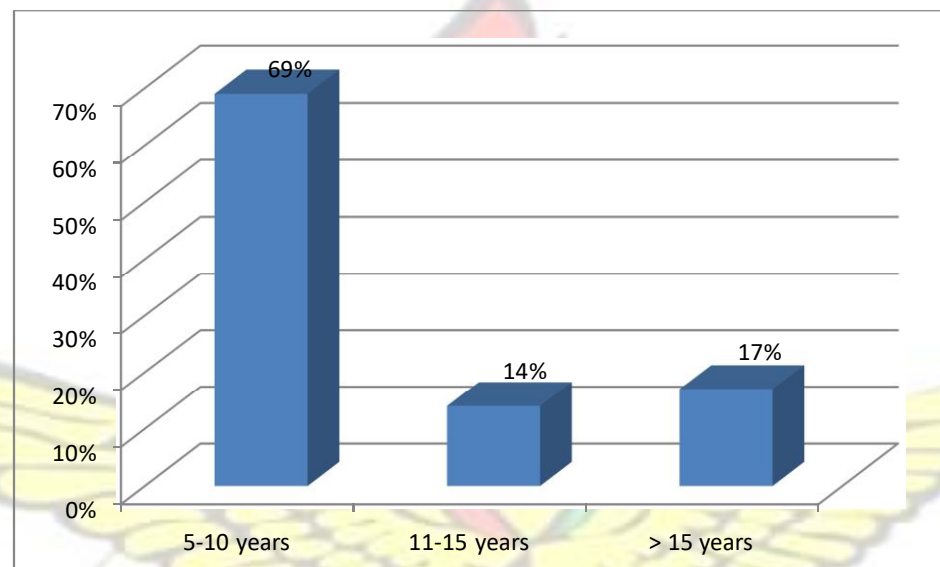


Figure 4.10: Number of Years of Dealing with Suppliers
Source: Field survey, 2015.

4.3.5 Changing of Supplier by Respondents

The study further sought to find out if the operators of small and medium enterprises have any intention of changing or switching their current supplier of their products. The results indicate that, out of the 81 operators who obtain their products from a supplier the majority (about 98%) of them indicated they had no such intention of changing or switching their current suppliers with only about 2% of them indicating they are thinking of switching their current supplier of their products (Figure 4.11) with the reason being that their suppliers have increased their cost of the produce and therefore decreased their profit. They indicated they could not increase the market price of their products

because other operators engaged in the sale of similar products sell at a lower price and they are therefore compelled to sell at the same price.

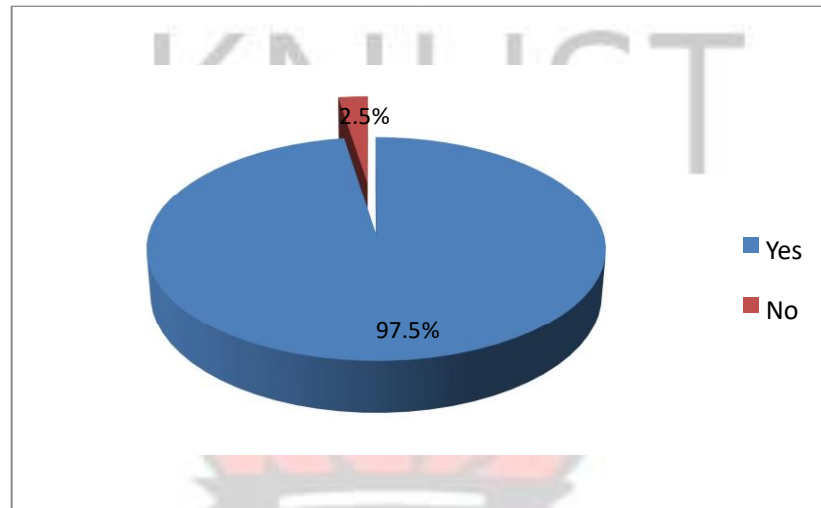


Figure 4.11: Intention of Changing or Switching Suppliers by Respondents
Source: Field survey, 2015.

4.4 Efficiency of Suppliers

As part of the objectives of the study, the researcher made an effort to assess the efficiency of the suppliers in the buyer-supplier relationship based on responses from the eighty one (81) SME operators who obtained their products from suppliers. Table 4.2 below presents a vibrant analysis on this issue.

From the table, it can be inferred that suppliers were most efficient at supplying goods of very good quality to the various operators of SME's within the Metropolis, thus this was evident when majority (54.3%) of the respondents agreed that there was a low level of wastage of the products delivered to them by suppliers. Based on results gathered, the second most efficient service rendered by suppliers was delivery of the required quantities of products to the buyers, as majority (53.5%) of the respondents agreed to this statement. This was closely followed by the charging of reasonable prices

for products delivered by the suppliers and a very low level of rejection in the goods they supplied, as a greater percentage (49.4%, 42.9%) of the respondents respectively agreed to these statements. Conversely, respondents disagreed to the statement “customers complain about the products purchased from me”. This was obvious as majority (52.7%) of them disagreed to this statement, which strongly corresponds with the supplying of quality goods by their suppliers which was indicated earlier.

In all, it can be established that suppliers within the Metropolis were efficient in the various services rendered to their buyers, even though responses from the respondents revealed a little uncertainty about the delivery of goods in time and in full and this seen in the manifestation of the corresponding mean score of the this statement to be 3.16 (Table 4.2), which falls within the neutral/indifferent region.

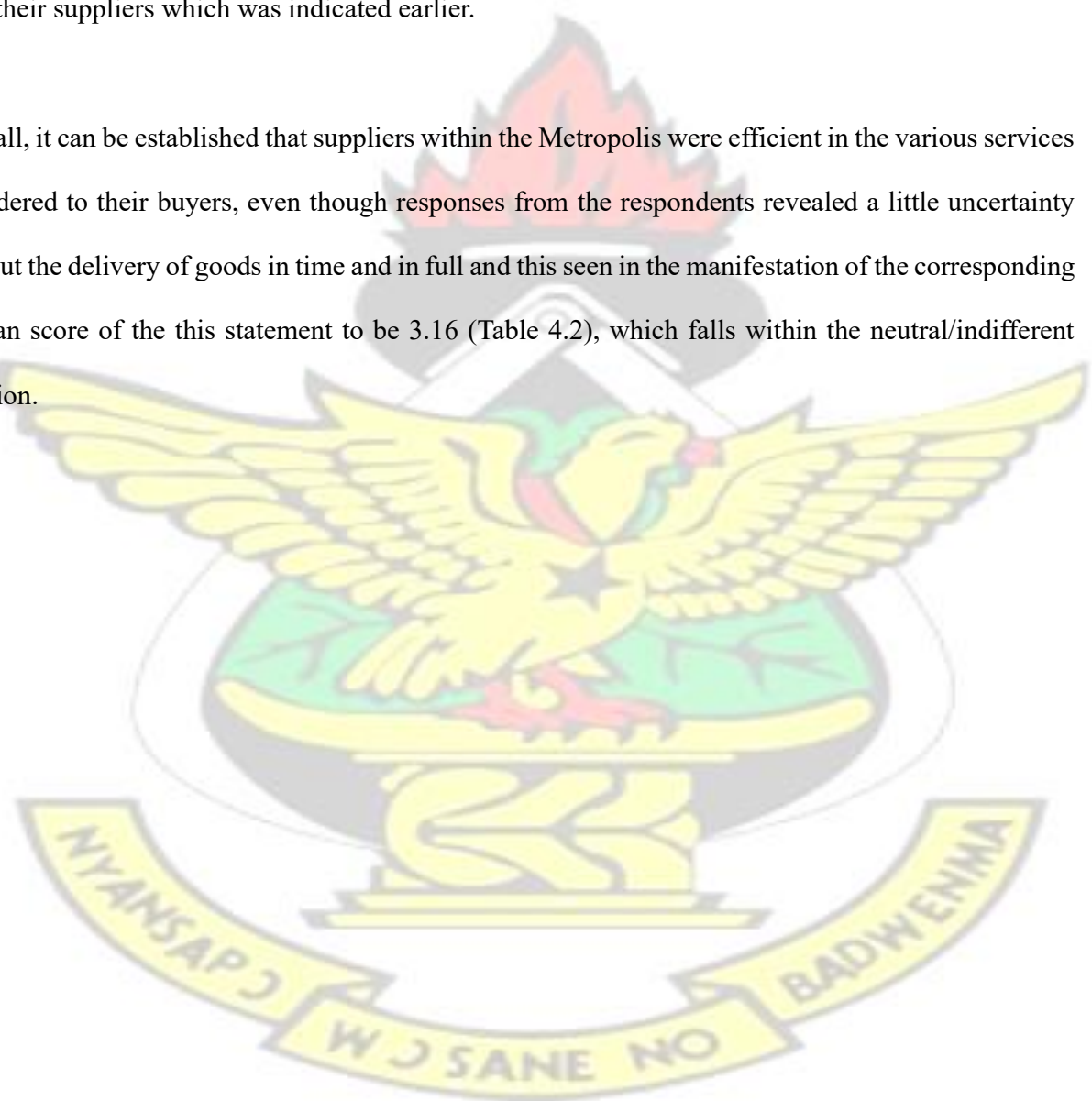


Table 4.2: Efficiency of Suppliers

Statement	(1)	(2)	(3)	(4)	(5)	Mean score	Overall rank
Delivery of produce is always on time and in full	9	20	12	29	11	3.16	5
There is a very low level of nonconformance of produce (e.g. rejections)	11	42	22	4	2	2.21	4
Customers complain about the products purchased from me	3	8	5	34	31	4.01	6
Supplier deliver the quantities of produce I require	16	50	5	9	1	2.12	2
There is a low level of wastage of the produce delivered	19	48	6	7	1	2.07	1
Supplier charges a reasonable price for produce delivered	22	39	9	8	3	2.13	3

(1 =Strongly agree 2 =Agree 3 =Indifferent 4 =Disagree and 5 =Strongly Disagree)

Source: Field survey, 2015.

4.5 Perception of SME's On Buyer-Supplier Relationship

This section discusses the perceptions that SME's have with regards to the buyer-supplier relationship.

Results gathered from the studies indicate that SMEs generally have a positive perception concerning buyer-supplier relationship. This positive perception of the SME's about the buyersupplier relationship will have a positive influence on the relationships and interactions they have with their suppliers.

Interestingly, out of the nine perception statements that were stated for the respondents to express their views on, thus with regard to their perception, only one of the statements turned out to be a

negative perception. A greater proportion (59.0%) of the respondents agreed that they had faith in their suppliers to look out for their interest even when it is costly to do so, thus the respondents are of the perception that, suppliers will always compromise to satisfy their needs irrespective of the circumstances at hand. The respondents also expressed that their suppliers are trustworthy, hence expect their suppliers to be working with them for a long time, as a higher percentage (71.0%, 61.0%) of them respectively agreed to these statements. The respondents also showed a more positive perception when majority (65.0%, 74.0%) of them respectively agreed that their suppliers have always been evenhanded in negotiations with them and that based on experience, they can with complete confidence rely on their suppliers. Responds further indicated that, they and their suppliers deal with problems that arise in the course of the relationship together as well as owing each other favors without any uncertainty as a higher proportion of them (65.0%, 79.0%) respectively agreed and showed a positive perception to these statements. On the other hand, respondents collectively disagreed to the statement “supplier may use opportunities that arise to profit at my expense”. This was evident as majority (87.0%) of them disagreed and showed a negative perception to this statement, which strongly corresponds with the respondents perception of having confidence in their suppliers.

A positive perception index of 0.24 (Table 4.3), indicates that the owners of SME’s within the Kumasi Metropolis, have a positive perception about the buyer-supplier relationship. This in reality goes a long way to inform us that owners of SME’s will have no drawbacks with regards to involving themselves in a buyer-supplier relationship, since they are of the perception of it being a mutually good and beneficial thing.

Table 4.3: Perception of SME’s On Buyer-Supplier Relationship

Statement	1	0.5	0	-0.5	-1	Mean Score
I have faith in my supplier to look out for my interest even when it is costly to do so	13	46	19	14	8	0.21
My supplier is trustworthy	16	55	13	11	5	0.33
I expect my supplier to be working with us for a long time	12	49	21	11	7	0.24
The supplier has always been evenhanded in his/her negotiations with me	14	51	18	9	8	0.27
The supplier may use opportunities that arise to profit at my expense	0	2	11	59	28	-0.57
Based on experience, I can with complete confidence rely on my supplier	17	57	16	8	2	0.40
I plan the volume demanded with my supplier before the next delivery	38	42	3	17	0	0.51
The supplier and myself deal with problems that arise in the course of the relationship together	19	46	21	12	2	0.34
My supplier and myself do not mind owing each other favors	21	58	16	3	2	0.47
Perception Index						0.24

(1 =Strongly agree 0.5 =Agree 0 =Indifferent -0.5 =Disagree and -1 =Strongly Disagree)

Source: Field survey, 2015.

4.6 Performance of Relationship with Supplier

The study proceeded to find out how the level of satisfaction of SMEs with their suppliers. Table 4.4 shows the satisfaction of the 81 respondents who revealed that they deal with suppliers based on some key indicators.

From the table, it can be seen that on average (mean of 2.04), the SMEs are satisfied with the trust they have with their suppliers. The level of trust is very imperative when it comes to working together and the result that the traders are satisfied the level of trust they have with their suppliers will go a long way to enhance their mutual working relationship.

The result also showed that the SMEs are satisfied with the level of communication they have with their suppliers. Communication as defined by Anderson and Narus (1990) includes both informal and formal ways through which firms share relevant information and on a timely basis. It therefore implies that both the SMEs and suppliers are willing to openly share information with each other.

Interpersonal relationship basically involves taking advantage of networks and connections as well as reciprocating the favours received from each other. The SMEs being satisfied with the level of interpersonal relationship they have there is a high point and would affect their business performance positively

Also, the result that the SMEs are satisfied with their suppliers is not surprising because the level of trust that the players have for each other can be translated into the willingness of the buyers and suppliers to share relevant information with each other on a timely basis.

The SMEs are also satisfied with the level of cooperation they have with their suppliers. This level of satisfaction will go a long way to affect the level of mutual working condition between the two parties. According to Skinner *et al.*, (1992) cooperation relates positively to the level of satisfaction and that level of efficiency and the attainment of mutual goals is greatly enhanced.

Moreover the study has revealed that on average the SMEs are not satisfied with business volume supplied to them and the timeliness of this supply. This could be due to the fact that some of the

most suppliers secure their goods from outside the country and can be delayed at the ports due to the bureaucratic process they have to go through.

Table 4.4: Satisfaction of SMEs with the performance of their suppliers

Statement	(1)	(2)	(3)	(4)	(5)	Mean Score	Overall Rank
Trustworthiness	38	25	5	3	10	2.04	3
Communication	25	36	6	2	12	2.23	4
Interpersonal relationship	40	23	2	13	3	1.72	1
Cooperation	34	29	5	7	6	2.03	2
Retailer's dependence on supplier	25	12	7	19	18	2.91	6
Business volume	12	6	8	36	19	3.54	7
Price paid for supplier's products	12	13	13	20	23	3.36	8
Quality of supplier's products	28	13	6	26	8	2.54	5
Timeliness of delivery of produce	10	12	6	30	23	3.54	7

1 = *Very satisfied* 2 = *Satisfied* 3 = *Indifferent* 4 = *Unsatisfied* and 5 = *Very unsatisfied*

Source: Field survey, 2015

4.7 Effect of Buyer-Supplier Relationship on the Performance SME's

The perceived effect of the SMEs relationship on their performance is shown in Table 4.5. From the results it can be seen the SMEs generally are of the view that buyer-supplier relationship has a positive effect on the performance of their enterprises.

Specifically, the SMEs agree that their relationship with their suppliers have increased their market share and thus the growth of their sales and increase in profit. Thus, the general performance of the SMEs has been enhanced greatly.

This performance has reflected in the overall contribution of SMEs to the growth of Ghana's economy in terms of employment generation and contribution to GDP.

Table 4.5: Effect of buyer supplier relationship on the performance of SMEs

Indicators	(1)	(2)	(3)	(4)	(5)	Mean Score	Overall Rank
My relationship with my supplier has increased the growth of business in market share	40	19	5	12	5	2.02	2
My relationship with my supplier has increased the growth in sales	28	30	-	8	15	2.4	6
My relationship with my supplier has increased my returns on investment	23	12	18	10	18	2.85	7
My relationship with my supplier has increased the growth rate of my business	29	23	7	13	6	2.25	5
My relationship with my supplier has increased my profit	45	24	5	6	1	1.69	1
My relationship with my supplier has increased my sales turn over	38	21	2	8	12	2.20	3
Compared to five years ago, there has been a general improvement of my business due to my relationship with my supplier	34	24	3	9	11	2.24	4

1 = Strongly agree 2 = Agree 3 = Indifferent 4 = Disagree and 5 = Strongly Disagree

Source: Field survey, 2015

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The main aim of this study was to assess the effectiveness and impact of buyer-supplier relationship on the performance of Small and Medium Enterprises (SMEs). The researcher used three distinct objectives to arrive at this goal. However, the study concentrated on SME operators within the Kumasi Metropolis. Total sample of 100 SME operators were interviewed and a general conclusion that buyer-supplier relationships have a positive effect on the performance of Small and Medium Enterprises was established.

The findings of the study indicate that majority of the operators of small and medium enterprises are females (61%) and falls between the ages of 20-40 years with a mean age of 39.2 years. Majority of these SMEs operators are married (53%) and most of them have attained secondary education (47%). The study also revealed majority of the operators of small and medium enterprises have been in business between the 1 and 10 years (55%).

The study showed that majority of the SME operators sampled for the study receive the products they sell from suppliers which basically are those dealing in the sale of mattresses, construction hardware, cosmetics, stationary and office supplies and plastic chairs. The study has also shown that, operators of small and medium enterprises sampled for the study who indicated they get their products from suppliers, majority (85%) obtain their products from a single supplier and the most common and predominant relationship with these suppliers is transactional. That is, suppliers just deliver the products for them to purchase as and when they request for them and some prices normally imposed on them by the suppliers. Also, majority (69%) of the buyers who receive their products from suppliers have been dealing with their suppliers for between 5-10 years with a mean of 10.9 years and these buyers have no intention of changing nor switching the suppliers of their products.

The study revealed that suppliers were most efficient in supplying goods of very good quality to the various operators of SME's within the Metropolis as well as delivery of the required quantities of products to the buyers. In all, it can be established that suppliers within the Metropolis were efficient in the various services rendered to their buyers, even though responses from the respondents revealed a little uncertainty about the delivery of goods in time and in full and this seen in the manifestation of the corresponding mean score of the this statement to be 3.16, which falls within the neutral or indifferent region.

Remarkably, out of the nine perception statements that were stated for the respondents to express their views on, thus with regard to their perception, only one of the statements turned out to be a negative perception. In general, operators of SME's within the Metropolis had a positive perception about the buyer-supplier relationship, with a perception index of 0.24. This in reality goes a long way to inform us that owners of SME's will have no drawbacks with regards to involving themselves in a buyer-supplier relationship, since they are of the perception of it being a mutually good and beneficial thing.

The results showed that SMEs are satisfied with the level of trust, interpersonal relationship, communication and cooperation they have with their suppliers. The SME's were also satisfied with the quality of products supplied to them. They were however quick to point out their dissatisfaction with the volume and timeliness of delivery of those quality products.

The study also revealed that the buyer supplier relationship has influenced the general performance of the SMEs positively.

5.2 Conclusion

It can be concluded that the most common and predominant relationship buyers have with their suppliers is that of transactional where suppliers just deliver the produce for the buyers to purchase as and when they request for them and some prices normally imposed on them by the suppliers. Again, a general conclusion is being drawn that suppliers within the Metropolis are efficient in the various services rendered to their buyers. Furthermore, SMEs generally have a positive perception concerning the buyer-supplier relationship. This positive perception of the SME's about the buyer-supplier relationship will have a positive influence on the relationships and interactions they have with their suppliers. It can therefore also be concluded that the buyer supplier relationship between the operators of SMEs and their suppliers is satisfactory and this has improved their performance significantly.

5.3 Recommendation

Based on the results from the study, it is realized that suppliers within the Metropolis are efficient in the various services rendered to their buyers, hence a recommendation is being made that suppliers should carry on with the good work to help in preserving the relationship they have with their buyers, since operators of SME's also have a positive perception about the buyersupplier relationship. On the contrary, it is strongly recommended that suppliers should improve on delivering the exact quantity of goods in time since respondents' responses revealed a little uncertainty about the delivery of goods in time and in full.

It is also recommended that operators of SMEs should restructure their relationship with their suppliers in terms of timeliness of making the produce available based on trust and information sharing as this will improve their performance significantly.

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY SCHOOL OF GRADUATE STUDIES

QUESTIONNAIRE FOR SME'S

Dear respondent,

I am a final year postgraduate student reading MSc. Procurement This study mainly seeks to assess the effectiveness and impact of buyer-supplier relationship on the performance of small and medium enterprises (SMEs) in the Kumasi Metropolis. The study is purely academic oriented and data collected will be used accordingly. It is kindly requested that you read the items on this instrument carefully and provide objective responses to help improve the quality of the study. Your response will be treated with outmost confidentiality.

Thank you so much for your willingness to participate in this study.

SECTION A: PERSONAL DATA

1. Gender a. Male ☐ b. Female ☐
2. Age.....
3. What is your Marital status: a. Single ☐ b. Married ☐ c. Divorced ☐ d. Widowed ☐
4. What is your educational background? a. Basic ☐ b. Secondary ☐ c. Tertiary ☐ d. None ☐
5. What type of SME are you engaged in?
6. How many years have you been engaged in this business?

SECTION B: BUYER-SUPPLY RELATIONSHIP

1. Where do you get your products from?
2. Do you have particular suppliers of your products?
 - a. Yes ☐
 - b. No ☐
3. If yes, how many suppliers do you have?
 - a. Single ☐
 - b. Multiple ☐
4. What kind of relationship do you have with your supplier?
 - a. Transactional ☐
 - b. Collaborative ☐
 - c. Alliance ☐
5. Please describe your relationship with your buyer
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.....
6. How long have you been dealing with your supplier?
7. Do you have any intention of changing this supplier?

a. Yes []

b. No []

8. If yes, why do you want to change your supplier?

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SECTION C: EFFECIENCY OF SUPPLIER

Please indicate how you agree or disagree to the following statements by ticking the appropriate box (Note: there are no right or wrong answers for these questions)

1 = Strongly agree 2 = Agree 3 = Indifferent 4 = Disagree and 5 = Strongly Disagree					
Statement	1	2	3	4	5
Delivery of produce is always on time and in full					
There is a very low level of non-conformance of produce (e.g. rejections)					
Customers complain about the products purchased from me					
Supplier deliver the quantities of produce I require					
There is a low level of wastage of the produce delivered					
Supplier charges a reasonable price for produce delivered					

SECTION D: PERCEPTION OF SME'S ON BUYER-SUPPLIER RELATIONSHIP

Please indicate how you agree or disagree to the following indicators by ticking the appropriate box (Note: there are no right or wrong answers for these questions)

1 = Strongly agree 2 = Agree 3 = Indifferent 4 = Disagree and 5 = Strongly Disagree					
Indicators	1	2	3	4	5

I have faith in my supplier to look out for my interest even when it is costly to do so					
My supplier is trustworthy					
I expect my supplier to be working with us for a long time					
The supplier has always been evenhanded in his/her negotiations with me					
The supplier may use opportunities that arise to profit at my expense					
Based on experience, I can with complete confidence rely on my supplier					
I plan the volume demanded with my supplier before the next delivery					
The supplier and myself deal with problems that arise in the course of the relationship together					
My supplier and myself do not mind owing each other favors					

SECTION E: PERFORMANCE OF RELATIONSHIP WITH SUPPLIER

*Please indicate your level of satisfaction to the following statements by ticking the appropriate box
(Note: there are no right or wrong answers for these questions)*

1 = Very satisfied 2 = Satisfied 3 = Indifferent 4 = Unsatisfied and 5 = Very unsatisfied					
Statement	1	2	3	4	5
Trustworthiness					
Communication					
Interpersonal relationship					
Cooperation					
Retailer's dependence on supplier					
Business volume					

Price paid for supplier's products					
Quality of supplier's products					
Timeliness of delivery of produce					

SECTION F: EFFECT OF BUYER-SUPPLIER RELATIONSHIP ON SME'S PERFORMANCE

*Please indicate how you agree or disagree to the following indicators by ticking the appropriate box
(Note: there are no right or wrong answers for these questions)*

1 = Strongly agree 2 = Agree 3 = Indifferent 4 = Disagree and 5 = Strongly Disagree					
Indicators	1	2	3	4	5
My relationship with my supplier has increased the growth of business in market share					
My relationship with my supplier has increased the growth in sales					
My relationship with my supplier has increased my returns on investment					
My relationship with my supplier has increased the growth rate of my business					
My relationship with my supplier has increased my profit					
My relationship with my supplier has increased my sales turn over					
Compared to five years ago, there has been a general improvement of my business due to my relationship with my supplier.					

Comments

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Thank you for your time.

Frank Percy Stephens (0545337044)