

# **INFLUENCE OF BUYER-SUPPLIER DEPENDENCE ON PERFORMANCE OF FOREIGN BASED DEVELOPMENT AGENCIES IN KENYA**

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## **Abstract**

*Buyers depend on suppliers for goods and services while suppliers depend on buyers for revenue. In business, dependency theory holds that firms can benefit from each other by building relationships where they feel obligated to act in responsible manner to support other firms because they depend on them. The theory holds that the higher the dependency the higher the benefits and hence performance. This study evaluated the dependency theory using data obtained from 111 respondents from 37 foreign based development agencies in Kenya. The respondents included senior managers, procurement officers and accountants and data was obtained through a questionnaire and analyzed using SPSS. The study obtained negative,*

*weak correlations between buyer-supplier dependence and performance and coefficients were not statically significant and 5 percent level of significance. Instead of levels of dependence, the study recommends the need for buyer supplier dependence symmetry such that both parties depend on each other and value each other for them to protect the relationship.*

*Keywords: Buyer-Supplier Dependency, Performance, Development Agencies, Kenya*

## **INTRODUCTION**

Dependency theory dates back to 1950s and explains that entities can have relationships where one depends on the other (Theotonio, 1971). As opined by James (1997) the theory was developed to oppose the modernization theory which argued that the less endowed firms and countries would be lifted to prosperity by depending on the more successful ones. However, as observed by Hays (1964) the less endowed tend to be disadvantaged and often lose to their successful counterparts because of capitalism. According to Theotonio (1971) dependency theory views the unsuccessful firms are mere primitive versions of those that are more endowed. In this paper dependency theory is tested empirically using data from senior managers, procurement officers and accountants from foreign based development agencies.

The question that should be answered in regard to the concept of dependency is how dependence can influence performance of firms. While empirical literatures indicate that there is a missing link between dependence and bridging the gap of less endowment and firm prosperity, there is no doubt that dependence has some benefits to firms (Newman & Kenworthy, 2015). Mutual relationships between firms could bring benefits to the entities involved but that can happen if the parties involved aim to bring benefits to each other rather acting capitalistically to enrich themselves even if the others gets impoverished. The problem is that the above concept beats logic. Even in the context of buyer-supplier relationship Chen (2015) opine that the buyer and supplier need each purely for their gain. The question that needs to be answered is whether and how buyer-supplier dependence influences firm performance.

## **LITERATURE REVIEW**

Coyle et al. (2016) argues that the dependency nature of business of buying and supplying entails sourcing from firms with requisite resources and capabilities who can reliably meet the needs of the organization. Dependence means relying on one or a few entities for the supplies. By nurturing the relationship through commitment of the firms to support their partners and meet

their stock needs and by sourcing from such partners and building a network of partners whom to buy from, Newman and Kenworthy (2015) posit that firms which establish, nurture and exploit advantages of sourcing from a few dependable entities can benefit from such dependence.

Heide *et al.* (2014) opine that buyer supplier dependence relations on the basis of capability, resources and reliability are often established by buyers/suppliers who lack awareness of other alternative suppliers/buyers. That may bring sub-optimality. Relying on inefficient suppliers may transfer costs of their inefficiency to other entities. Also, the cost of replacing the buyer or supplier may be too much making some organizations to continue in relationships they do not like (Gualandris & Kalchschmidt, 2016). However, dependence can threaten buyer's autonomy or even survival when more endowed firms exploit their weaker counterparts to the point of collapsing (Li & Wan, 2016). On the other hand, dependence can enhance synergy and information sharing to the benefit of members. However, the role of interdependence symmetry is critical influencer of the benefits of members. Where the dependence is one way powerful members in the relationship might practice exploitative tendencies (Karim, 2016).

## **METHODOLOGY**

This study sought to evaluate the influence of buyer-supplier dependence on performance of foreign based development agencies. The study used census survey because the target population was small. Therefore 37 units of analysis with a total of 111 respondents were involved. The study followed descriptive research design and obtained the data from 111 employees from 37 foreign based development agencies in Kenya as at July 1<sup>st</sup>, 2017. The data was obtained through questionnaires. The respondents who included the senior managers, procurement officers and accountants were asked to rate the extent to which they agreed with various Likert-type questions regarding buyer-supplier dependency and their firm performance. The data was analyzed using SPSS to obtain descriptive inferential statistics such as R, R-Square and significant value. The regression analysis results were used to determine the nature of the relationship and to test the hypothesis. The hypothesis was tested at 95 percent confidence level.

## **ANALYSIS AND RESULTS**

Buyer-supplier dependence can be assessed by evaluating the reliance on certain provider of services. Typical supplier sourcing entails analyzing their capabilities, reliability and of course supplier resources that can enable the entity to meet the needs of their service providers (Cohen & Dienhart, 2013). Performance or simply supply chain performance is assessed in

terms of cost benefits, quality and customer satisfaction as a result of well-functioning supply chain network. As per the findings from the regression analysis involving supply chain performance, as dependent variable and buyer-supplier dependence as the independent variable. The analysis obtained a positive correlation coefficient equal to 0.153 and coefficient of determination equal to 0.023 respectively. However, coefficient corresponding to buyer-supplier dependency was negative and the significant value was greater than the alpha value of 0.05 which suggests a very weak statistically insignificant relationship between the two factors.

Table 1: Regression Analysis Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.153 <sup>a</sup>	0.023	0.013	0.14238	
a. Predictors: (Constant), Ln_Buyer					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.512	.159		9.534	0.000
Ln_Buyer Supplier Dependency	-0.230	0.154	-0.153	-1.497	0.138
a. Dependent Variable: Ln_Supply chain performance					

## DISCUSSION AND CONCLUSION

Based on the study results, the alternate hypothesis that that buyer-supplier dependency has a significant influence on supply chain performance in foreign based development agencies has not been confirmed at 5 percent significant level because the corresponding significant value which is equal to 0.138 is bigger than the alpha of 0.05. Due to the negative coefficient, study concludes that the stronger the dependence between buyers and suppliers, the less the performance. Various past empirical studies associate buyer-supplier dependence with both negative and positive causation of supply chain performance. For instance, O'Brien (2014) indicates that high levels of dependence can influence performance through increased information exchange and as the entities support each other. When assured of long-term benefits from the relationship, the two entities can support one another and through synergy both organizations can benefit (Li & Wan, 2016).

However, as argued by Gualandris and Kalchschmidt (2016) some excessive dependence causes complacency on the part of the stronger counterpart. When the dependence is in one direction the relationship can be abused. As Li and Wan (2016) indicate

that autonomy and firm survival, can be threatened by excessive dependence. That occurred when stronger suppliers or buyers get to know about the business of the dependent partner and start to engage in their business, hence becoming competitors. Therefore, it is not the strength of the buyer supplier dependence that matter; dependence symmetry is critical in BSR. If both parties depend on each other and they value the relationship, there would be synergy that can help the organizations to benefit and attain higher performance.

## LIMITATIONS OF THE STUDY

There were a number of anticipated limitations in the current study. Some respondents were unwilling to cooperate in filling the questionnaire without authority from management or fear of intimidation from their supervisors or lack of knowledge about the subject; however, this was overcome by having a conversation with the respondents first. In addition, respondents took a long time to fill and complete the questionnaire. The significance of the study was to be articulated objectively to the prospective respondents during the piloting phase and the actual study. Respondents were assured of strict adherence to ethical standards throughout the research. They were assured of strict confidentiality where any information obtained was used solely for the purpose of the present study and no any other use whatsoever. The study sought and obtained informed consent from study participants before the commencement of data collection. Lack of the ability to explain or predict performance based on design or model associated with BRS descriptions and management prescriptions limited the study. In addition the inability to obtain consensus on BSR variables that best fit the relationship had effect on the study.

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