An analysis of purchasing and supply management strategies on the financial performance of a firm [Case study of Parracombe packaging]

BY

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This dissertation is submitted in partial fulfillment of the requirements of the bachelor of commerce accounting honors degree at Midlands State University
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Dedication

For your love and kindness, having me always on your heart this dissertation is dedicated to my mother and father Mr and Mrs Vengai, Pastor Busi I will always cherish you, Ratidzo Vengai for always being there for me I love you all.
ABSTRACT

The research was used for the analysis and the impact of purchasing and supply strategies implemented by Parracombe packaging and its effect on the financial performance of the firm. The tremendous decline in revenue, cash flow movements, the reduced financial performance and the financial position of the firm made a way for a research to be undertaken. The researcher was conducted with reference to literature that was already done. Closed ended questionnaires and interviews were used in the collection of data. A mixed research approach was used in the undergoing of the study. The research focuses only on the effect of PSM strategies on the performance and excludes other factors such as strategic alignment of functional strategies. The firm which was used for the study is a single manufacturing firm located in Zimbabwe which limited the study in the selection of local and international companies. The selection of the firm only considered the manufacturing excluding the other industries such as the banking sector or the retail industry. The researcher proposes that Parracombe Packaging should concentrate more on how PSM strategies used by the firm affect the firm’s financial performance as it is a major influence on the manufacturing company.
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CHAPTER ONE – INTRODUCTION

1.0 Introduction

Past researchers have studied the impact or the effect that PSM has on the performance of a company financially, came up with researched evidence on the relevance of PSM on a firms financial. A considerable amount of studies provide evidenceconclusions that PSM practices have an impact on the performance of a firm financially such as (Ellram and Cooper 2012, Ellram et al. 2008, Chen, Paulraj and Lado 2009). The authors investigated the relevance and the connections between supplier management practices, the relationships that firms have with their customers, and the role of the organization in determining its performance. The relation of PSM was used for different purposes such as in marketing that is according to (Krasnikov et al. 2009) and in the operations or supply chain management (Hendricks et al. 2009). (Zimmermann and Foerstl 2014) noted that even though most of the publications based on the relationships discovered that there is an impact between PSM practices and the performance of the firm it is however, not clear to what extent the PSM strategies relate to the performance. Different authors also went on that include (Moser and Henke 2012; Ramsay and Croom 2008; Rozemeijer, 2008; Gonzalez-Benito 2010) who noted that the studies previously done were narrowed and limited in the use of purchasing practices and depended on the use of own reported measures because they used one main financial indicator ROI (return on investments) to determine the impact of PSM on performance. According to (Ellram and Liu 2012) they noted that using only a single financial measure is inappropriate as PSM influences various other aspects in a firm other than the return on investments showing that other several measures could be used. Several financial indicators can conclusively be said that they can be applied, that show evidence of the financial performance of a firm based on their PSM decisions and therefore the study aims at researching
the impact of PSM on financial performance using other financial measures besides the use of ROA leading to an opportunity which exists in the illustration of the significance of PSM by measures which are either financial or non-financial.

1.1 Background of the study

(Otley 2007) states that the PSM function is accountable for major factors and these factors are affected by the time taken for goods to be delivered (delivery time), the services provided during deliveries that are made (delivery reliability) including the efficiency of the deliveries being made, the levels of inventory that a firm holds (inventory levels) and investment in assets (asset investment) that requires supply chain management. Firstly, are the creditors and according to the financial statements of Parracombe packaging they show diminished balances in the cash generated by the company by more than 50% from 2011 to 2014. In an attempt to mitigate the problem the (FD) financial director implemented a policy were by for a product to be produced, customers were to pay 50% deposit yet alone the deposit paid could not generate the amount needed for the purchase of the materials to be used for the manufacturing of the product which led to the creditors balance escalating due to ineffective PSM strategies in the management of payment terms from suppliers as well as customers.

Due to the JIT purchasing policy which was recently acquired by the company’s management team (minutes of Parracombe packaging management meeting 2013) the closing inventory level of the firms materials would go below the obligated level because according to (Gonzalez-Benito 2010) not all of the materials that need to be purchased are equally equitable to the JIT purchasing practice. The financial statements of the firm showed a drop of more than 40% profit, due to the drop in the closing inventory levels because of the JIT purchasing strategy which affected the COS leading to a 23% decline on ROC and in 2011 the operating profit was $300
000 and the capital employed ,$1 million yet in 2014 the operating profit was $100 000 and the capital employed was $1.5 million which resulted in the ROC dropping from 30% to 7% in the years.(retrieved from the financial statements of 2011 and 2014)

The company’s purchasing policy of inventory, JIT is a strategic activity which was used in the acquiring of inventory and this resulted in inventory levels dropping by 30% because of how materials were being acquired for example, the purchasing officer would negotiate with suppliers when the materials were already in need which resulted in poor negotiations affecting the firms inventory level leading to a direct impact on working capital therefore affecting the firm’s financial position.

The firm’s management strategy in handling the purchase and supply of materials led to the manager’s incapability’s to handle issues that arose in the day to day business activities because they did not have time to focus on long term strategic initiatives. This was reiterated by the GM (minutes of Parracombe packaging management meeting January 2014). As a result, management often found it difficult to keep up with the latest management practices and trends due to the fact that their decisions were short term implemented. During the meeting it was decided that the company would take out a loan which would help in the financing of the purchasing of materials which amounted to $200 000 (retrieved from the financial statements of 2014) from CBZ a local bank. As a result of the loan obtained, the capital employed was affected by the interest on the loan which increased by 5%, and loan fees were charged, both of which reduced the ROI.

1.2 Statement of the problem

The full potential of strategic PSM has not yet been realized by most organizations and firms or companies which results in the use of limited financial measures that do not show the full
potential of a firm on its financial performance thus firms are failing to best integrate PSM strategies that affect the performance of a firm.

1.3 Main research question
How to determine the relevance of PSM on the financial performance of a manufacturing company by applying financial measures and illustrating the impact of strategic PSM?

1.4 Research objectives
1. To determine factors affecting the purchasing strategies of a firm that have an impact on performance.

2. To determine factors affecting supply and supplier development that have an impact on performance.

3. To establish the relevance of PSM on the financial performance of a manufacturing firm.

4. To find out strategies of PSM that have a positive direct effect on the performance of a company.

5. To determine the best practice in PSM.

1.5 Research questions
1. Which factors affect the purchasing strategies of a firm that have an impact on performance?

2. Which factors contribute to supply and supplier development that show an effect on performance?

3. How can one determine the relevance of PSM strategies to performance?

4. Which factors of PSM have a positive impact on performance?

5. What are the strategies that are being practiced in PSM?
1.6 Delimitations of the study

The research is focused on a single firm, Parracombe Packaging a local firm growing but presently without any branches yet, it is situated in the industries of Zimbabwe at which the student was attached to and the period affecting the research covers from the year 2011 to 2014 and does not cover periods after and before the period conveyed. The research focused only on the implications of effective PSM strategies on the performance of the firm. The attention of the firm focused on the finance director, the managing director, the purchasing officer, the stores and handling manager, the production manager as well as the sales executives as they are the personnel directly linked to the productions of the firm and the decisions made for the firm.

1.7 Limitations of the study

The research focuses only on the effect of PSM strategies on the performance and excludes other factors such as strategic alignment of functional strategies, efficient expertise of the personnel in their areas of work and the economic state of a country as well as practices or capabilities therefore limiting the research to PSM strategies only. Another limitation might be the selection of a single manufacturing company, were as the selection of other companies as the population for the study would have focused on a mixed population of firms in terms of revenue and the performance of companies locally and internationally. Another limitation towards the study is the financial difficulty prevalent in the country and its resultant prices of raw materials, and the recent economic meltdown in the country proves it to be difficult to ascertain the implications of effective PSM strategies affect the performance of the company. The selection of the firm only considered the manufacturing industry and did not include any other industries such as construction, banking, clothing, pharmaceutical, telecommunications, electronics, and retail.
1.8 Assumptions

One of the assumptions made in the carrying out of the study was that the company does not face any difficulties in the procuring of materials used in the manufacturing of products and that the prices of these materials and the product do not escalate and change and that a steady state manufacturing conditions exist. All environmental and economic factors will remain the same. Research methods used during the course of the study were reliable and that they gave accurate information. The results and outcomes that were found would be valid and relevant to deal with the current situation and other similar cases in future and that respondents were to cooperate in completing the questionnaires and interviews.

1.9 Significance of the study

A way in which the importance of PSM can be illustrated to the management of a firm is by demonstrating and showing how relevant PSM practices are to the performance of a company through the use of financial measures. The incorporation of financial data will enable the provision of demonstrating the relevance of PSM through the use of financial measures and clarifying the importance will provide a demonstration of how PSM is relevant to management and to the FD of the company. The research seeks to inform other researchers on the relevance and the effectiveness of the influence done by PSM strategies on the financial performance of manufacturing firms.

It also aims to impact and add to the body of knowledge how PSM strategies based on the decision making in the management of the firm have a direct impact on the financial performance of the company on the financial directors and at management levels.
1.10 Definition of key terms

PURCHASING: Purchasing is the act of buying the goods and services that a company needs to operate and or manufacture products.

ROCE: (Return on Capital Employed) brings and shows a dynamic measure of the operational performance of a firm. It integrates both Profit and Loss (P&L) and the Statement of financial position in a single indicator. It is an accounting ratio used in finance, valuation, and accounting. It is a useful measure for comparing the relative profitability of companies after taking into account the amount of capital used.

RETURN ON INVESTMENT: is the benefit to the investor resulting from an investment of some resource.

1.11 Acronyms

PSM – Purchasing and supply management

ROCE- Return on capital employed

FD –Financial director

RIO –Return on investment

ROA – Return on assets

1.12 Chapter Summary

The chapter provided the gap being filled in the current study as to the financial measures that can provide evidence on the relevance of PSM decision made by the firm on the impact of PSM on its financial performance. The chapter covered an overview of the research and the literature concerning the impact of PSM on financial performance is covered in the next chapter.
CHAPTER TWO- LITERATURE REVIEW

2.0 Introduction

The study is based on an issue that would be discussed in this section of the research through an analysis and expansion of the literature previously written by other researchers which will result in providing results and conclusions which are line with the current study.

2.1 Factors affecting the purchasing strategies of a firm that have an impact on performance

Purchasing performance and firm performance is explained as the measurement of a firm’s progress on its operations and its environment in the financial sense (Gonzalez-Benito, 2010). The relevance between purchasing strategies and firm performance has to be determined. Firstly, purchasing strategies show a direct and effective impact on the profit and loss statement in terms of a reduction in the costs of operations (Ellram, 2012) and secondly, purchasing strategies have an effect on the sales growth and market share of a firm which is an added advantage on the firms contributions to sales growth and market share growth through its contribution in terms of the value of the goods and improvement on quality (Paulraj et al, 2008). Finally, purchasing strategies have an impact on the financial position of a firm as it positively affects the financial position of firms through improved asset utilization and reduced capital tied up (Ellram and Cooper, 2012). In addition to PSM’s contribution to the value of the firm’s products and services offered in the marketplace, PSM also enhances the value of the firm (Ellram and Cooper 2012).

2.1.1 Operational activities

Wynstra, and Moser (2013) analysed how strategic purchasing has an impact on the performance of a firm financially. This resulted in various factors being used in determining purchasing strategies that have an impact on performance (Caniato, Luzzini and Ronchi 2014). The authors
defined the operational performance areas which include cost, time, quality, flexibility, innovation and sustainability. (Mehra and Inman 2009; Krause and Pagell, 2008) stated that firms have an added advantage by improving strategies on the critical success factors (CSF) which are cost, quality, customer service, responsiveness and time. This in turn then is connected to the firms quality of inputs or outputs, cost of purchasing activities, being able to deliver goods in time, the number of suppliers the firm has, the response time given to the changes of production volumes and designs of the products. Thus it enables the study to evaluate whether or not the purchasing function has relevance to the firm. (Porter and Kramer 2011, Zheng et al. 2007, Luzzini and Ronchi 2011), also defined the performance areas cost, time, quality, flexibility, innovation and sustainability.

Ways or strategies on reducing the costs connected with the procurement of materials is based on determining the total expenses incurred by the business and the purchasing decisions made in view of the overall purchasing (Mehra and Inman 2009).

(Caniato, Luzzini and Ronchi 2014) noted that it is important to consider the costs of purchasing done by the firm through the finance department by measuring and taking into account savings obtained from suppliers. It was further noted that the measuring of the savings acquired by the firm is the difference between the budgeted prices and the prices that were actually paid.

However according to (Krause et al 2008) he noted that the approach used purchasing competitive facts and not the financial outcome on performance of the firm. Other authors such as (Nollet et al. 2008) determined that the purchasing function should not only focus on saving measures. (Day and Lichtenstein 2007) added that the relevance of strategic operations makes clear that the performance of a firm on purchasing the complete results depends, on one side that is the internal supply management process and on the buyer supplier relationship.
2.1.2 Strategic planning

Comprising of purchasing in strategic planning shows what the suppliers are required to do and ensures the selecting of suppliers for the firms strategic activities. Having purchasing in strategic planning allows the firm to reduce its reliance on the suppliers in supplier integration. According to (Schiele 2010) he noted that the election of suppliers is important and needs to be taken with caution as it affects the supply chain management systems of the firm. The responsibility of the supplier in providing product technology, assisting and implementation of the development of a product are important factors required of the supplier. Thus, according to (Nair et al 2015) participating in strategic purchasing has an effect on the criteria in choosing suppliers, both from strategic and operational views through the use of either single sourcing or multiple sourcing of materials.

However, the effect of strategic purchasing on performance cannot function alone and requires the need of supply management practices. According to (Lawson et al 2009) it is not enough for a firm to only have strategic purchasing means and thus firms are required to create conditions that enable them to have the buyer which is the firm and the supplier to develop a relationship that has an added advantage to the performance of the company. Numerous practices of supply and management establish the process, and are put in detail below. Past studies relied on the supplier as the basis of their analysis and not how much relevance exists on PSM and the financial performance of a firm thus the need of the present study.

2.1.2.1 Single sourcing

According to (Canel and Rishel 2013) single sourcing is the practice of acquiring a product or raw materials from a single supplier. This type of purchasing involves the firm having and initiating the need for a prolonged relationship with the single supplier. The purchasing of direct
materials from one supplier has an added advantage on the price of the materials being bought, the quality of the materials, the involvement of the supplier in the process of purchasing as well as the cycle time taken in the process of purchasing which affects how a firm performs. The use of single sourcing also has an added advantage over competitors of both the supplier and the buyer of materials. As the firm is using single sourcing, a demand for an increase in the quantities being bought on credit might be made which allows the buying firm to acquire more materials that what they would have actually paid for which then improves the performance of the company and its financial position (Canel and Rishel 2013).

However, according to (Chopra and Meindl 2007) the use of one source as a supplier in the purchasing or acquiring of material increases the risk of competition in keeping prices low and if the supplier becomes insolvent or encounters other financial problems this leads to the purchaser having problems in acquiring the materials as before, the suppliers incapacity to provide the materials and the reduction in the quality of materials now being produced by the supplier which results in the performance of the buying firm being affected and thus the suggestion for using multiple sourcing.

2.1.2.2 Multiple sourcing

Weele (2010) defines multiple sourcing as the purchasing or the buying of resources from two or more suppliers that provide the same products. Multiple sourcing has certain advantages that could be of value to the performance of the buying firm which include competition of the products on the market that results in the reduction of the cost of goods and services and reduces the reliance of buying firms on a single supplier. Moreover, according to (Hassini, et al 2012) he noted that the use of multiple sourcing enables a buying firm to have an improved access to various technology innovations, purchasing of materials from various and different suppliers
reduces the risk of supply commotion and increases the access of better quality and improved materials from the different suppliers.

However, according to (Ellram et al 2008) the use of multiple sourcing affects a firm negatively and increases the costs or expenses of the firm such as costs of exchange and administration costs. There is also a risk of not being sure on future orders being made by the firm as suppliers are hesitant in the production of materials for firms that they do not have a relationship with thus the benefits of scale are reduced by sharing the volumes of materials between competitors according to (Ellram et al 2008).

2.1.3 JIT Purchasing implementation

According to (Gonzalez-Benito et al 2011) JIT can be defined as an operating concept used to eliminate and reduce waste. Also according to (Gonzalez-Benito et al 2011) he defines waste as everything that does not have the required amount in terms of equipment, materials, parts, and space which can add value to a product or service. (Canel and Rishel 2013) noted that the aim of JIT is to lower the risk of lead time so as to reduce inventory waste, shortening or the reduction of lead times, the capability of changing demand issues can be attended to with speed, issues of quality can also be assessed and regulated therefore causing the firm to produce a product without waste. Gonzalez-Benito et al (2011) recognizes JIT as a way in which firms especially manufacturing firms are able to emphasise the need for delivering quality products on time to the customer and the reduction or completely eliminating waste.

Through the use of JIT firms enjoy various benefits such as an improvement made in production, reduced inventory holding costs, a reduction in transportation expenses, elimination or the reduction of scrap, improved quality on finished goods and saving up of the firms resources (Canel and Rishel 2013).
However, purchasing goals and responsibilities have improved, changed and increased. Giunipero et al (2009) states that shifting or changing from operational functions such as JIT is required for a firm to achieve the improvements that are needed in purchasing to accommodate the changes in business practices, technological advancement and an increase in demand of goods and services.

Nonetheless, defining the PMS factors (cost, quality, customer responsiveness, and time) is not enough to measure the performance of operating PMS (Franco-Santos et al 2007, Marchand and Raymond 2008) thus the need of the current study.

2.2 Factors affecting supply and supplier development that have an impact on performance

2.2.1 Supplier integration

According to (Chopra and Meindl, 2007, Tseng 2010) supply chain management practices include activities that associate with suppliers of materials, firms that manufacture the product and customers so as to improve the performance of a firm. Rosenzweig et al (2009) states that the integration with suppliers is an activity that has an effect on the performance of a business. The emphasis laid on supplier integration is aimed at the operational level which results in an increased continuation of supply of materials (Handfield and Bechtel 2009). According to (Wagner et al. 2012) the need for a relationship with suppliers develops the success of supplier integration. Some of the ways in developing the integration according to (Lawson et al 2009) includes the participation of suppliers in the designing and planning of a product being produced.

However, according to (Sufian, 2010) strategic supplier partnerships have to be addressed and developed and not at the operational level only thus a strategic supplier partnership is a long term partnership between firms and their suppliers which includes purchasing of goods and services.
from the suppliers and the adding of value as well as the improvement on supply chain performance.

Thun (2010) noted that information technology has an effect on the effectiveness of supply chain management. He also stated that the development and the use of information technology results in the firm having a more satisfying firm performance in terms of return on investment (ROI). Calantone and Vickery (2010); Ellram and Liu (2008) also indicated that in supply chain management, integration is determined through the use of information technology, which directly impacts the financial performance of the firm resulting in the gap of the use of one level indicator which is most likely to influence one aspect of firm performance. This research therefore attempts to develop a framework and a better understanding of the importance of performance financial measures used by firms.

2.2.2 Customer relationships

Li (2011) noted that the importance of information sharing to supply and supplier development practices. The main principle being the sharing of information within supply chains because of the sharing of information with members included in a firm's supply chain, a firm can respond faster to the varying needs of a customer. In agreement (Gonzalez-Benito et al 2011) stated that having customer relationships is important for the reason of resolving complaints raised by customers, facilitating the development of long term relationships and the ultimate goal which is meeting and satisfying the needs of the customer.

However, according to (Cousins et al 2009) poor supplier selection results in a deteriorated performance by the firm which in turn has a negative impact on the operations of the firm as the firm would fail or have difficulties in meeting the needs of the customer affecting the relationship between the customer and the firm.
More so supply chain management processes aim at satisfying the needs of the customer (Hald and Ellegard 2011) which leads to an increase in product costs for example transport costs are incurred for, only to satisfy the customer and in return setting aside the need of supplier performance financially. Organizations must facilitate the development of operating plans that take into account the needs and requirements of both the supplier and the customer rather than focusing on the customer side only.

2.2.3 Supplier responsiveness

Supplier characteristics have a large impact on the performance of the firm. According to (Handfield and Bechtel 2009) considering and taking into account of the supply base and a firm’s environment is an important factor of supply chain performance which has an impact on the overall performance. The response in supply chain management can be a way of increasing the earnings of a firm and hence the firm performance. According to (Hald and Ellegard 2011) the practice of the base in supply responses is used to show the level in which the firms major sources in terms of suppliers are able to show the point to which a firms main suppliers are capable of adapting and modifying the changes in delivery schedules and the acceptance of delayed mix and volume changes.

However according to (Chen and Lee, 2010) the reliance placed on suppliers by buying firms leads to a number of problems for buying firms such as poor supplier performance in delivering quality materials and supplier shortcomings in materials.

Chen and Lee (2010) went on to disagree that the use of accounting data in the measurement of how a company performs is inadequate as it side lines factors such as the time value of money.
and the opportunity cost. The performance of a firm is then measured by financial data using measures such as ROI. Day and Lichtenstein (2007) observed that ROI was an effective measure concerning how a firm performs financially.

However, the consideration of ROI as a reliable performance measure according to (Ellram and Liu 2008) again side lines the time value of investments and the opportunity. Alternate financial and non-financial measure of performances have been excluded and thus the need of the current study to establish the use of other financial measures.

2.3 Ascertaining the relevance of PSM on the financial performance of a manufacturing firm

According to (Schoenherr et al 2011) firms measure the performance of a firm that is the success or failure of it through the use of measures in financial terms that are recorded and entered into the AFS on a quarter basis or yearly such as ROI. Financial performance measures are of value as they are used to apprehend the economic decisions made by a firm. According to (Wisner 2011) management decides on how the organizational resources are going to be used to generate income for the firm and for management they need to determine the relevance of their decisions on the financial outcome. Schoenherr et al (2011) noted that in order to achieve this, the use of developing links with what the firm has done and what has been produced with the results financially, the firms PSM strategies have to be relevant so as to gain visibility on the financial outcomes.

The financial statements of an organization consist of the following primary statements (IASB framework 2010) and each of the reports that is the financial reports is essential to the business which are:
• Income Statement and the Profit or loss statement – is a report that shows or provides figures of the firm’s earnings over a particular period of time.

• Statement of financial position – is a detailed report that shows the firm’s assets and liabilities and the financial position of the firm.

• Statement of Cash Flows – is a detailed statement that provides how cash is moved around, its sources, the use of the cash and financial activities within the firm.

a) Income statement

The net income or profit figure is the main or one of the important figures used in the measuring of a firm’s performance besides the use of ROI. The elements included in the statement of the net income for example gross profit is directly affected by the PSM decisions that are made and a comparison between the components found in the income statements and PSM are described below according to (Wisner 2011).

• Revenue is a component of the income statement and the PSM issues that have an effect on it consists of the lead time in production, the time taken in the production of new products, the time taken to market the products, the time taken in responding to customers’ needs, on time delivery of goods, quality of products produced, stock outs of inventory in hand and the returns made of products that is made by customers.

• Production costs are also components of the income statements and have an effect on how the financial results of a firm are obtained. Production costs are made up of transportation costs, purchasing costs of materials, inventory costs (made up finished goods, WIP and raw materials), storage costs incurred by the firm, packaging costs of the products produced, scrap, the number of suppliers the firm has and the production costs.
• Sales, general and administrative costs are components of the income statement that have an effect on the financial of the firm and is made up of the selling costs incurred, transactions costs for example stationery and the salaries and wages for the employees. PSM as function is not only subjected to production purposefully on the cost of goods sold. According to (Wisner 2011) the effect of PSM on materials which are not related to production alone are shown in the profit and loss statement.

b) Statement of financial position

Within the statement of financial position an important factor for the success or failure of the firm is the ability and enablement to manage working capital. PSM decisions are connected to the working capital of the firm and its flows which in turn affect the firm’s financial performance (Wisner 2011). According to (Paulraj et al 2008) a firm that has deficiencies in sufficient working capital will have problems such as the inability to pay employees, suppliers or tax which might lead to a firm shutting down.

The firm would need to loan funds to meet the working capital needs. Examples of PSM performance measures to measure and determine the performance of working capital include inventory days, accounts receivable and accounts payable.

According to (Wisner 2011) the importance of converting goods into cash is by controlling the investments done by a firm in inventory and the credit payments agreed upon by a firm with the firm’s customers. According to (Otley 2007) PSM decisions control certain activities and elements of the financial statements namely:

• Creditors – this includes how the payment terms concerning a credit facility are managed and controlled by management for the purpose of cash generation.

• Inventory – materials directly associated with production known as direct materials directly affect the working capital of the firm.
• Direct materials lead time – delivering of direct materials on time ensures that the firm would have adequate levels of inventory so as to eliminate stopping a factory from running due to lack of raw materials. The delivery of direct materials on time enables the firm to have sufficient inventories of materials ready for production which sets the total amount or quantity of inventory.

The PSM functions stated have an effect on the working capital of the and also affects the performance of a firm financially and this is evidenced by the following components according to (Wisner 2011)

• Working capital involves inventory days and the inventory days are affected by the holding cost of inventory, obsolescence of inventory, inventory being stolen as well as the delivery time of the inventory.
• Accounts receivable days is a working capital component which is affected by the credit losses incurred by the company, follow up calls made by the firm in receiving payments, correction of invoice terms and the proofs of cash received.
• Accounts payable days is also a component of working capital and is affected by discounts that the firm gets, delaying of payments done by customers and the correction in invoice terms.

The components listed above show how PSM activities affect the statement of financial position.

c) Statement of Cash flows
The information acquired from the drafting up of the statement of cash flows is obtained from the income statement and statement of financial position. The PSM decisions made by an organization have an impact on the report since it is influenced by the income statement or the statement of financial position of the firm.

A majority of publications addressing the ascertainment of PSM relevance and its relationship with performance establishes a conclusion that PSM practices affects how a business performs (Ellram et al. 2008, Chen, Paulraj and Lado 2008, Paulraj and Chen 2009) explore the
relationships between the practices of supplier management, the relations with customers and how the firm performs.

However according to (Otley, 2007, Baier et al, 2008; Schiele, 2010) there is no single financial measure that could be used in measuring how a firm performs financially. Various indicators can be used that provide evidence or highlights how PSM strategies affect the performance of a firm. Financial indicators such as the use of ROCE enables how PSM affects the financials of a firm and thus the need of the current study.

2.4 PSM strategies that have a positive direct effect on the performance of a company

According to (Monckza et al 2009) the PSM function is as an important contributor to strategic success, helping firms meet the challenges of an increasingly competitive and dynamic environment. Strategic purchasing allows the function to play a greater role in planning, and is more likely to lead to a successful collaborative relationship (Chen et al. 2009). However, according to (Chen and Paulraj 2008) the extent to which purchasing strategy affects the purchasing practice has not been established.

2.4.1 Strategic purchasing

According to (Lawson et al 2009) purchasing is as strategic means and has the ability to facilitate and develop relationships that have an effect the financial performance of a firm. Numerous authors such as (Kern 2011) have noted that the main objective of strategic purchasing is creating long term relationships and managing the supplier relationships. The previous literature defined strategic purchasing as a process were planning is involved and directs the purchasing activities towards the firms abilities to achieve and maintain its goals. According to (Fendt 2011) having supplier partnerships has an impact on the firms.
However, according to (Flynn et al 2011) for a firm to be able to enjoy the benefits from having supplier relationships the firms way of managing the relationships has to be considered. An example is that the relationships are established by close interactions and a progressing integration between the supplier and the buyer has to be developed, the coordination and safeguarding of resources and the protection of joint resources for continuous competitive merits according to (Flynn et al 2011). Thus, it is not enough for a firm to have a strategic purchasing relationship and therefore, companies are to facilitate and establish an environment which enables the supplier and the buyer to have and maintain a relationship. Different practices in supply management are detailed below.

2.4.2 Supply management practices

2.4.2.1 Socialization mechanisms

According to (Cousins et al 2009) supply chain socialisation refers to the degree of interaction between the suppliers and buyers, frequent communication between various firms which facilitates familiarity and improved communication. According to (Cousins et al. 2009) socialisation mechanisms relate to the ways and means by which entities obtain information relating to another entity. The trust, respect and exchange of information developed by the interaction increases the entities in being able to develop relationship specific investments, which adds advantages to the firms in the sense that it can be used for advantage in the market.

However researchers such as (Binder and Clegg, 2007; Basole and Rouse, 2008; Sussman, 2011; Bartolomei et al 2012), state that being able to understand the performance and behavior of supply management strategies requires the use of technical and social issues. According to (Bendul 2014) management from most firms have aimed on the socialisation factors and do not
consider the importance of technical issues as they are the ones used to record and give an explanation on supply management practices.

2.4.2.2 Supplier integration

The focus on integration with suppliers is at the operational level. According to (Handfield and Bechtel 2009) operational integration is focused on making the supplier an extended supplier of the firm and thus ensuring the continuation of supply of materials needed for production. According to (Wagner et al. 2012) ways in which the integration could be enabled include participation in the designing of a product and the use of ordering systems.

However, According to (Rossetti and Choi 2008) the use of supplier integration leads to a firm to encounter various problems such as the reduced flexibility of the supplier and buyer relationship thus resulting in a decrease in the performance of the firm. The authors states that supplier integration can lead to a rapid change in management difficulty, decreasing the flexibility, financial risks and a decrease in performance as conflicts arise between suppliers and buyers which will therefore affect the operations of the business.

2.4.2.3 Supplier responsiveness or Supply base flexibility

According to (Handfield and Bechtel 2009) supplier characteristics can have a large impact on the performance of a firm. The bringing into line the supply base to the firm and its operations is an important factor. Also according to (Hald and Ellegard 2011) supply base responsiveness is used to show the level on which the firm’s main and important suppliers are able to modify and to tailor make a product, adapting to the delivery changes and the acceptance in changes of volumes.
However, according to (Sufian 2010) for a firm to achieve effective supply responsiveness using technological information the firms could ensure the flow and the impact of the various supply chain factors which consist of the quality of products, delivery times, costs of materials, quality of the materials and products and the profitability in which the firm would have. Byrd and Davidson (2010) found that information technology has an impact on the supply chain and its effectiveness and noted that the development and the use of information technology enables a firm to have a better firm performance in terms of return on investment (ROI). The use of only one level indicator seems inappropriate as PSM is most likely to influence not just one but various aspects of firm performance (Ellram and Liu 2008) and therefore the current research is trying to fill that gap.

Calantone and Vickery (2010) stated that supply chain management and integration is facilitated by using integrated information technology, which directly impacts financial performance of the firms. According to Sufian (2010) to achieve a better performance, supply chain management strategy needs support of the business strategy.

**2.5 Determining the best practice in PSM**

Recent research has stressed that purchasing and supply management can have a profound impact on the firm’s financial performance (Ellram and Liu, 2008). Below are various PSM practices which are used.

**2.5.1 Strategic purchasing**

The facilitation of PSM in the contribution of the performance of a firm and is a strategic function has been widely discussed (Day and Lichtenstein 2007, Schiele 2010). Early researchers have concluded and determined the relevance between the performance financially and strategic purchasing. The link of strategic purchasing and the performance of a firm is established in later
studies (Chen, Paulraj, and Lado 2008, Paulraj and Chen 2007). Moreover, a positive direct effect of practical skills on financial performance is determined and other authors agree that performance measurement is highly associated with PSM (Wagner and Kaufmann 2012) therefore strategic purchasing has an effect on how a firm performs financially (Hoffmann, van Raaij, and Wynstra 2008).

However, arguments have arisen which note that purchasing should not only look at strategic purchasing but it should expand into activities such as total cost of ownership and value analysis, product design and specifications, target costing (Ellram 2015), inventory management (Monczka 2009) monitoring strategic materials cost drivers and availability of materials (Austin 2008).

The function of purchasing however involves more than the procurement of materials at reduced prices but also requires that the purchasing decisions by the firm should take into account the firms goals and its consistency between operations.

### 2.5.2 Buyer, supplier relationships

Noted researchers found that different buyer supplier relationships produce different levels of financial. According to (Kerkfeld and Hartmann, 2012) the authors stated that supply base reduction leads to an improved communication process and interactions between the buyer and the supplier which results in increased quality performance. This then concludes that relational interactions lead to operational and financial performance improvements.

Researchers have raised concerns on the fact that a relationship based alignment is related to a greater extent with the developing and maintaining of extended tactical alliances compared to a transaction between the entities. According to (Rossetti and Choi 2008) buyer and supplier
relationships lead to increased organization complexity, decreased flexibility of the supplier and buyer relationship and therefore resulting in a decrease in the performance of the firm

2.5.3 Supply management and customer responsiveness

Barney (2012) stated that supply chain management practices have the potential to enhance a firm’s performance. The selection of the best suitable supplier’s results in the firms being able to exchange information, sharing of risks and rewards, being able to rely on each other and the willingness in the maintenance of such a relationship. According to (Kerkfeld and Hartmann, 2012) they say that the benefits which arise include the use of fewer suppliers which facilitates flexibility between the buyers and suppliers, reduced inventory management, an increase in the economies of scale and reduction over transport costs which in result have an impact on the performance of a firm.

Such relationships facilitate the firm in being able to respond with urgency to the needs of the customers. According to (Stanley and Wisner, 2011) a firm’s ability to adapt to the changes and the needs of the customer facilitates the establishment of a close relationship. According to (Calantone and Vickery et al, 2010) firms have achieved notable cost savings through the reduction of the number of suppliers and in the development in strong business relationships with the remaining suppliers and by doing so there is an improvement on customer responsiveness which directly has an impact on the performance of the firm. This provides support that customer responsiveness has a relevance to a firm’s financial performance. Thus close working relationships with a limited number of suppliers will have a positive effect on customer responsiveness and firm performance.

However, according to (Stock et al. 2010; Stock and Boyer 2009) the authors noted that supply management is difficult to operate practically and therefore firms tend to overlook the benefits
brought about by the strategy of supply management which in turn would affect how customers respond as the firm does not recognize the importance of the supplier leading to poor deliveries on customers resulting in the performance of the firm being affected.

2.5.4 Purchasing practices and product strategy, manufacturing strategy and business strategy

Other researchers such as (Pagell and Krause 2008) have aimed at how performance has an impact on purchasing strategies used by the firm, the strategy used in production, strategies used in the manufacturing of a product and the business strategy of a firm. The study conducted by (González-Benito 2010) provides evidence that a stronger level of relationship between a firm’s strategies used in production and the structure of the PSM function of the firm is product strategy and PSM’s organizational design has an impact on the financial performance. Pagell and Krause (2008) states that there is a relationship between the manufacturing and the purchasing function concerning the firm’s strategic priorities. This is then related to business level strategies by González-Benito (2010). They concluded that the impact of PSM to the performance of a firm is based on several factors which combine the purchasing strategy and the strategic integration.

However, González-Benito (2010) was not the only author to recognize the importance of PSM’s strategic integration. Day and Lichtenstein (2007) indicates evidence for the opinion that strategic PSM practices are directly related to higher levels of PSM performance and company performance and it therefore remains unclear whether PSM practices are assisted by strategic PSM practices or whether they also have a direct impact on company performance as different conclusions were given by the authors that strategic purchasing has an impact on the communication efficiency between the buyer and the supplier. It remains a gap in the researches
previously done in providing a link between PSM practices and firm performance thus the current research is trying to fill the gap.

2.6 Chapter summary

The section above looked at previous studies that have been produced and discussed by several authors on how PSM decisions made by a firm have an effect on the performance of a firm financially. The chapter had authors who provided agreeing remarks as well as those that were opposing them which resulted in the clarifying of the problem discussed above.
CHAPTER THREE- RESEARCH METHODOLOGY

3.0 Introduction

This section of the study shows how the research was carried out in obtaining data that was to be used in the analysis of the same data to become information. It shows that the research was done through the use of a research design and the method that was used in the research design. The chapter provides information on the population that was used, the size of the sample, sources from where the data was collected, procedures used in sampling, instruments that were used in the collection of data which comprised of questionnaires and interviews, the validity of the data and how reliable it was and lastly the presentation of the data.

3.1 Research design

According to (Gupta 2008) the author defined a research design as a way in which a study is conducted. Degu and Yigzaw (2006) also explained the term research design and described it as a means in which it provides information on how data can be acquired, analysed and transformed into information. Kothari (2012) also states that research design is the presentation of criteria for collection and analysis of data in a mode that seeks to add relevance to the research objective.

A descriptive research design was used in the study as it is the one which looks with intense accuracy at the phenomena of the moment and then describes precisely what the researcher sees (Saunders et al 2015). A descriptive research approach ensures proper provision from bias.

Descriptive design includes both qualitative and quantitative techniques and the current study used a qualitative technique and a quantitative technique.
According to (Parkinson and Drislane, 2011) qualitative research uses methods such as observation of the participants or case studies which result in describing a set of practices. Qualitative research ensures and provides findings that best describe a problem or a condition from the point of view of those experiencing it in this case from the participants of Parracombe packaging and finally the use of closed ended responses and interviews were used as a form of data collection (Jonhson and Christensen 2008).

Besides the use of qualitative research methods the study contains quantitative research methods. Copper and Schindler (2014:89) describe quantitative approach as a method that focuses on specifically measuring occurrences. This is ideal and most applicable for this research because the responses have to be quantitatively grouped to make a clear objective analysis and statistical analysis of the data will be conducted in excel and these are included in the quantitative approach. In light of the above the quantitative and qualitative approach with the mixed methodology is most ideal for the study.

3.2 Study population

According to (Levy et al 2013) the author described a population as a number of individuals to which the results of a survey have been carried out and information is to be extracted from the same individuals. The population is explained and defined as it is important to obtain the data from the population who has the required and reliable information regarding PSM. Kothari (2012) and Creswell (2009) came up with a conclusion that to have a justifiablerepresentation of the population a carefully chosen number of individuals known as a sample is required to provide the necessary information that is connected to what is being conveyed. The target population was obtained from the following departments, finance department, purchasing
department and the production and operations department as well as the stores and handling
department including the top shop flow workers.

**Table 3.1: Target population**

<table>
<thead>
<tr>
<th>Key Respondents</th>
<th>Target Population</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>General manager</td>
<td>1</td>
<td>Interview</td>
</tr>
<tr>
<td>finance manager</td>
<td>1</td>
<td>Interview</td>
</tr>
<tr>
<td>Purchasing manager</td>
<td>1</td>
<td>Interview</td>
</tr>
<tr>
<td>Accountants</td>
<td>2</td>
<td>1 Interview + questionnaires</td>
</tr>
<tr>
<td>Production managers</td>
<td>5</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>stores managers</td>
<td>3</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>Quality managers and assistances</td>
<td>10</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>Top shop flow workers</td>
<td>20</td>
<td>Questionnaires</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td></td>
</tr>
</tbody>
</table>

In the accounting department the finance manager, assistant and the accounts clerk were selected
as they are directly involved in the analyzing and in the recording the performance of the firm. In
the purchasing department the purchasing manager and the purchasing officer were the
intended population whilst in the production and operations department the production manager
was the target and in the stores and handling office the stores officer and the manager were the
intended target as well as shop flow workers. The targeted population was chosen as they are
linked to PSM directly and indirectly.
However, the individuals in the population are chosen and therefore a representative of the total population is selected. The sample was made up of respondents who were chosen on the basis of their knowledge and involvement in PSM decision making.

3.3 Sample size

The sample drawn up by the researcher was made up of respondents who were chosen on the basis of their knowledge and are involved in PSM decision making.

Table 3.2: Sample size

<table>
<thead>
<tr>
<th>Key Respondents</th>
<th>Target Population</th>
<th>Sample</th>
<th>Percentage to total population</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>General manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>Interview</td>
</tr>
<tr>
<td>finance manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>Interview</td>
</tr>
<tr>
<td>Purchasing manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>Interview</td>
</tr>
<tr>
<td>Accountants</td>
<td>2</td>
<td>2</td>
<td>100%</td>
<td>Interview, questionnaires</td>
</tr>
<tr>
<td>Production managers</td>
<td>5</td>
<td>3</td>
<td>60%</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>stores managers</td>
<td>3</td>
<td>2</td>
<td>66%</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>Quality managers and assistances</td>
<td>10</td>
<td>6</td>
<td>60%</td>
<td>Questionnaires</td>
</tr>
<tr>
<td>Top shop flow workers</td>
<td>20</td>
<td>13</td>
<td>65%</td>
<td>Questionnaires</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>29</strong></td>
<td><strong>67%</strong></td>
<td></td>
</tr>
</tbody>
</table>

According to (Wegner 2008) the author states that a sample size should at least be higher than 50% for it to be concluded that it fairly represents a population and in this study the sample size is 67% which therefore it was able to show a fair representation of the population.

Greener (2008) notes that by using a sample as a means of extracting information it provides evidence of how the people included in the sample function and perform their activities, the
attitude that they havetowards a specific matter and their actions concerning the business. A sample design is a certain plan for obtaining a sample from a given population. Kothari (2012) refers a sample design to a way in which researchers can implement in the selection of sample from the population. Sample designs are classified into different categories which are the non-probability sampling and the probability sampling. Probability sampling is based on random selection whilst non-probability sampling is based on non-random sampling. Sampling was also defined as a method that is used in selecting elements from a target population (Dattalo 2008). The researcher used both non probability sampling methods and probability sampling methods.

Probability samples are said to have different ways in which they can be used for example the use of stratified sampling in which the current study used. Kothari (2012) notes that if one was to use probability sampling as a technique it would provide every item or individual a fair chance of being included in the sample. Quota sampling was used as a non-probability sampling technique as both quota sampling and stratified sampling are said to be similar and cater for the weaknesses and strengths of each method that is being used (Levy and Lemeshow 2008) The population is divided into categories in both methods were elements are then selected from each category this allows the use of more than one sampling method to ensure that bias is minimized and the results obtained provide sufficient and reliable information as in the case of stratified sampling the elements within each category are selected using simple random sampling and in quota sampling the elements within each category are selected using availability sampling which is non-random sampling(Scheaffer et al 2006).

3.3.1 Stratified sampling
Stratified sampling is defined as a probability sampling method in which the researcher selects the whole population and puts them into different categories and then randomly choose the final
people or items from the sub categories chosen. Degu and Yigsaw (2006) noted that a sample has to be inclusive of specific study groups with a specific manner and the sampling design is to be grouped into categories or sections according to the characters. Using the stratified sampling technique the researcher split the population of Parracombe packaging into sections namely the accounting department, purchasing department, the production and operations department and the stores and handling department. These departments would aid in gaining suitable evidence suitable for depicting reliable conclusions.

Stratified sampling would ensure that specific groups are represented, even proportionally, in the sample by selecting individuals from the strata list. The researcher chose the named departments above to represent the study population evenly and proportionally by selecting certain individuals from the departments. Stratified sampling produces results that are both largely unbiased and accurate as they often produce data that is more representative of the entire population because of the attention towards the smaller subgroups within the population. It is also the best way to obtain results that reflect the diversity of the population in question. This advantage makes stratified sampling much more effective than simple sampling for large populations.

### 3.3.2 Quota sampling

Quota sampling falls under the category of non-probability sampling (Kothari 2012). Sampling involves the selection of a portion of the population being studied. Unlike probability sampling, were each element in the population has a chance of being selected through the use of a random selection procedure such as stratified random sampling (Dattalo 2008), nonprobability sampling does not involve known non zero probabilities of selection (Ravlakas 2008). Quota sampling has some similarities to stratified sampling. The idea of quota sampling is to set a target number of
completed interviews with specific subgroups of the population of interest. Quota sampling also gives a better representation of certain groups within the population, without over representing them. Using the quota sample makes the comparison of these groups easier unlike in stratified sampling and also ensures a selection of adequate numbers of subjects with appropriate characteristics and is independent of the existence of sampling frames (Denzin and Lincolin 2011)

3.5 Sources of data
Data are nothing but information and there are two sources of information which are primary data and secondary data.

3.5.1 Primary data
According to (Kothari 2012) the author described primary data as data which is being acquired for the first time. Different ways are used in the collection of data which include observing the particular individuals, holding interviews, and the use of questionnaires. The use of primary data during a research must be based on the research itself and what the research requires for it to be carried out. This study made use of interview and questionnaires. Based on the fact that the research is aimed at bringing new information on the effect that PSM decisions that have been made of the performance of a firms financials new data had to be acquired and thus the use of primary data.

3.6 Data collection instruments

3.6.1 Questionnaires
Saunders et al (2015) defined a questionnaire as a way of data collection in which an individual is required or asked to provide feedback on a list of questions regarding a survey. In this research the sample population was given questionnaires for respondents to give feedback. Respondents
will read and analyze the questions and get an understanding or expectations on what the questionnaire requires and then provide their own answers, questionnaires ensured that respondents’ feelings would not be limited.

For the purpose of this research a questionnaire was selected as it has its advantages. (Wallonick 2004) states that questionnaires have the following advantages that there is limited interviewer bias as the interviewers themselves are not present when the questionnaires are completed, postal questionnaires give the respondents more time to complete them and the questionnaires are appropriate for questions requiring more personal information. In addition questionnaires do not require the respondents to leave their job and attend to them thus there is no problem with management as no working time would be wasted thus less time spent on administration, it enables easier questioning of larger numbers of people perceived providing more accurate data on sensitive issues.

According to (Kothari 2012) questionnaires are either structured or unstructured, were structured questions are already ascertained and explained and that they follow a specific set of instructions whilst unstructured questions aid the individual in asking questions on an expected answer and does not have a specific set of instructions. In this research the questionnaires were structured using the Likert Scale which has closed ended questions being asked and also had an unstructured section in order for respondents to provide more explanations on some of their responses. The questionnaires were self-administered and respondents were able to respond to the questions without the aid of the researcher.

3.6.1.1 Likert scale

Kothari (2012) notes that the use of a Likert scale is used when a certain person is asked to give answers regarding a specific area or matter and the level of being in agreement is in five different
stages. When one is answering to a Likert scale questionnaire the individual will select their response agreeing, disagreeing or being neutral to what the question concerns. The range of responses in a Likert scale are seen below

**Table 3.3: The Likert scale**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Cooper and Schindler (2014)

The study used a Likert scale as it allowed respondents to reflect their level of opinion allowing for an enhanced and more accurate data analysis rather than using the defined yes or no answer without any level or degree of response. The closed ended question allows researchers to analyze the data at a much faster rate than the open ended question, because there are a limited number of responses (Evans and Rooney 2008)

### 3.6.2 Interviews

Interviews involve the conversation of questions and responses orally or verbally between an interviewer and an individual (Kothari 2012; Harrel and Bradley 2009). Interviews can be done face to face and or through the use of other media like telephones and the current study used the face to face method (Hair et al 2015). The information that is acquired through the use of interviews is firsthand information. The use of an interview enables the interviewer to gain other information whilst interviewing. According to Seidman (2013) interviews may be unstructured or structured. The author noted that the use of an interview clarifies any discrepancies that may arise in responding to questions being asked which results in additional information and better clarity of work and this is why the researcher used interviews.
3.7 Reliability and validity

Validity is defined as the point in which a tool used explains what it is supposed to be produce according to (Kimberlin and Winstertein2008). Drost (2011) describes reliability as a similar way in which results have to be obtained or are expected. To ensure that the data that was obtained can be said to be valid and reliable a pilot study was performed on the questionnaires used as well as the interviews before the individuals gave their responses.

According to (Smith 2012) a pilot test has a document that shows how a study is being carried out to the different questions being asked which assist in the administering of the study population which is targeted and the intended respondents of the questions being and therefore the pilot study was also a control to measure the reliability and validity of the research instruments which were selected.

3.8 Data presentation and analysis

Kothari (2012) states that, data analysis refers to the searching for patterns of relationships that exist or link some data sections and calculation of different measures. Cooper and Schindeler(2014) note that the analysis of data is a way in which the data that has been collected which show a trend and a way to determine and facilitate relationships that can be used in communicating the findings of a research.

Cooper and Schindeler (2014) state that data which is said to be qualitative is based on datathat is in terms of words. The authors describe qualitative data is concerned with how activities are carried out which includes data reduction, displaying of the data and verification of the data. Data reduction is a way which includes the selection of, and clarifying of data into information. Data display involves data that is centralised and the displaying of it so as to simplify the conclusions to be made. Verification of data is described as the checking of a trend in the data.
The data that was collected was presented in the form of graphs, tables and pie charts by the researcher. These were used as they are able to provide a clear and simplified manner in which data could be presented.

3.9 Ethical considerations

Respondents were assured that the responses that they gave to the questions that were administered to them was for the use of academic knowledge and that their views and comments were confidential.

3.10 Chapter summary

This section of the study provides information on how the data that was collected, the format of the presentation of the data, the research design that was used as well the instruments or ways of collecting the data that were used by the researcher.
CHAPTER FOUR – DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter is based on the presentation and analysis of data. Research findings will be presented and analyzed with the aid of theories in the research study. The data used was obtained through the use of questionnaires and interviews. Data analysis will include both qualitative and quantitative data and the presentation will be made through the use of tables and graphical presentation. In this chapter there is data presentation and analysis of the data gathered. Conclusions and recommendations will be based on the findings from this research are also made.

4.1 Questionnaire response rate

Table 4.1: Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Questionnaires distributed</th>
<th>Completed and returned</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>General manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>finance manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Purchasing manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Accountants</td>
<td>2</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td>Production managers</td>
<td>3</td>
<td>3</td>
<td>100%</td>
</tr>
<tr>
<td>stores managers</td>
<td>2</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td>Quality managers and assistances</td>
<td>6</td>
<td>5</td>
<td>83%</td>
</tr>
<tr>
<td>Top shop flow workers</td>
<td>13</td>
<td>12</td>
<td>92%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>29</td>
<td>27</td>
<td>93%</td>
</tr>
</tbody>
</table>
29 questionnaires were distributed of which 27 (93%) out of 29 were returned whilst 2 (7%) out of the 29 were not returned. This is still in line with the validity of 67% stated by (Wegner 2008) who determines that a sample size that is greater than or equal to 50% is said to best represent the whole population and is in support with the sample size stated in chapter 3.

According to (Ott2010) the author stated that a rate of response to the question asked that is above 60% is proven to be reliable and valid in the results obtained. In the previous chapter Wegner (2008) stated that a sample size had to be higher than 50% of the total population and (Drost 2011) also states that a response rate has to be greater than 90% for the data to be concluded as reliable and valid.

4.2 Questionnaire response analysis

Question 1

Purchasing strategies implemented by the firm have an impact on financial performance

The main objective of this question was to ascertain the views of management on the purchasing strategies implemented by the firm if they have an impact on performance

Table 4.2: Results

<table>
<thead>
<tr>
<th>Responses</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neural</th>
<th>disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>4</td>
<td>19</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>
The data shows that 4 out of 27 (15%) strongly agree, 19 out of 27 (70%) agree, none were neutral, 4 out of 27 (15%) disagreed and none strongly disagreed.

This shows that 23 out of 27 (85%) agreed that purchasing strategies have an impact on the financial performance of a firm. This being line with (Gonzalez-Benito, 2010; Wisner 2011) who noted that there is a positive relationship between purchasing strategies implemented by a firm and the overall firm performance. 4 out of 27 (15%) disagreed of the fact that purchasing strategies have an impact on the performance of the firm and this is supported by (Nair et al 2015) who stated that strategic purchasing effects on performance can be determined by supply management practices and not the ability of implementing purchasing strategies only. None of the respondents were neutral which shows that they were in agreement with the fact that purchasing strategies have an effect on the financial performance of the firm or did not agree to that.
From the above data given an analysis of it shows a mode of 23 management respondents views (93%) who are in line with or agree to the fact that the different purchasing strategies put to practice by the firm affect the financial performance of the firm this whilst 4 disagreed and this provides evidence of the validity of the data collected as noted by Drost (2011) who asserts that the response rate of should also be greater than 90% to ensure that there is validity and reliability on the findings gathered. In conclusion purchasing activities done by the firm have a strong and positive impact on the financial performance of the firm

4.3 Factors affecting supply and supplier development do they have an impact on performance?

The objective of the question was to determine if the factors that affect supply and supplier development if they have an impact on performance. Determination of how the firms suppliers affects the financial performance of the firm was of importance as well as the number of suppliers involved and how they provide materials required for production

4.3.1 The use of supplier integration

Table 4.3: Results

<table>
<thead>
<tr>
<th>Responses frequency</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neural</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>15</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>
The data shows that 15 out of 27 (56%) strongly agreed, 9 out of 27 (33%) agreed, 2 out of 27 (7%) were neutral, 1 out of 27 (4%) disagreed and none strongly disagreed. An analysis of the respondents view show that 24 out of 29 respondents (56%) agree that supplier integration has an impact on the performance of a firm financially which concludes that the integration with suppliers is an effective means for strategy as it ensures continuity of supply of materials towards the firm this supported by (Tseng 2010 ; Lawson et al 2009). On the other hand 1 out of the 27 respondents (4%) disagreed and the argument was based on that with strategic supplier partnerships, there is consideration for better developments in terms of the relationships between a firm and its suppliers was in line with (Sufian, 2010). An analysis of the data show a mode of 24 people in the management were in agreement to the fact that supplier integration has as a factor of supply and supplier development has an influence on the financial performance of the firm whilst 1 was in disagreement which shows that the supplier integration does have an effect on the performance of the firm.
4.3.2 Having customer relationships

The objective of this part was to ascertain whether having customer relationships has an impact on the financial performance of the firm.

Table 4.4: Results

<table>
<thead>
<tr>
<th>Responses</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>14</td>
<td>9</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>

Figure 4.3: customer relationships

The data shows that 14 out of 27 (52%) strongly agreed, 9 out of 27 (33%) agreed, none were neutral, 4 out 27 (15%) disagreed and none strongly disagreed.

Analysis of the data shows that 23 out of 27 agreed to the fact that customer relationships affect the financial performance of the firm which means that customer relationship is a main practice that is considered for the purpose of resolving customer complaints as well as developing
relationships between customers and the suppliers which stabilizes its financial impact on the performance of the firm, a firm can respond more quickly to the customer’s changing needs and is in line with (Li 2011). Of the respondents to the question none were neutral which meant that having customer relationships is either an added advantage to the firm or leads the firm in incurring certain challenges.

However, 4 out of 27 disagreed and argued that supply chain management processes aim more at satisfying the customer needs which causes the firm to incur extra costs such as transport costs so as to maintain relationships and in return miscalculating the critical link of supplier performance to customer satisfaction and this is supported by (Hald and Ellegard 2011). An analysis of the data also provide that none of the respondents strongly disagreed as they only disagreed to the fact.

A mode of 85 % (23/27) shows that customer relationships are directly linked to the performance of a firm financially whilst 4 out of 27 (15%) are in disagreement and in conclusion it is noted that customer relationships do have an impact on the financial performance of the firm.

4.3.3 How suppliers respond

The objective of the question was in asking how supplier responsiveness as a factor of supply and supplier development if it had an impact on the financial performance of the firm

<table>
<thead>
<tr>
<th>Table 4.5: Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses</td>
</tr>
<tr>
<td>frequency</td>
</tr>
</tbody>
</table>
Figure 4.4: supplier’s responsiveness

The data provides that 6 out of 27 strongly agreed, 15 out of 27 agreed, none were neutral, 5 out of 27 disagreed and 1 out of 27 strongly disagreed.

As illustrated by the data above 21 out 27 respondents agreed that supplier responsiveness has an impact on the financial performance of a firm which means that the fact of supply base responsiveness is used to show a level of which a firms main suppliers are able to adapt to any changes which might affect firm performance and this is supported by (Hald and Ellegard 2011). From the same data none of the respondents were neutral as it shows that suppliers responsiveness is important to the firm and its operations or that supplier responsiveness is important to a lesser extend in the operations of the firm and not being uncertain as to which level of response to give.

On the other hand 5 out 27 disagreed which meant that a result of depending on the suppliers more has been leading the firm in incurring problems such as the poor delivering of results in how the suppliers perform and incapability may arise due to problems of inferior quality levels
and not being able delivering materials as and when the firm now requires them and this is supported by (Chen and Lee, 2010).

Combining the respondents views, a mode of 21 respondents agreed whilst 5 disagreed and in conclusion it can now be drawn that the fact that supplier responsiveness does have an impact on the financial performance of the company. An analytical analysis of all the factors of supply and supplier development having an impact as evidenced by the data given show that factors of supply and supplier development affect or have an impact on the financial performance of the firm.

4.4 PSM strategies have a positive and a direct effect on the performance of the company

The objective of the question was to show how the various PSM strategies affect how a company performs financially and how the effect will be shown on the financial statements of the company.

4.4.1 Strategic purchasing

Table 4.6: Results

<table>
<thead>
<tr>
<th>Responses frequency</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>13</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>
**Figure 4.5: strategic purchasing**

The data provides that 9 out of 27 strongly agreed, 13 out of 27 agreed, 3 were neutral, 2 disagreed and none strongly disagreed. An analysis of the data provides evidence that 9 out of 27 (33%) and 13 out of 27 (48%) were in agreement of the effect of strategic purchasing on the performance of a firm financially which means that that purchasing is said to be highly regarded as a means in which relationships concerning the firm can be developed for a firm’s financial performance noted by (Lawson et al 2009).

On the other hand 3 out of 27 (11%) were neutral to the fact implying that purchasing strategies being implemented by the firm may or may not affect the financial performance of the firm this also being in line with (Kern 2011) who noted that strategic purchasing is a planning process that focuses its attention on achieving a firms goals through the help of suppliers.

However an insignificant number of respondents 2 out of 27 (8%) disagreed towards strategic purchasing affecting the financial performance of the firm which meant that purchasing strategies implemented by the firm do not have an effect on the firms performance because
having strategic purchasing activities is not only enough were firms should also develop an environment which enables the supplier and the buyer to have a relationship and this being in line with (Rosenzweig et al. 2009). None of the respondents strongly disagreed to the fact as they only disagreed.

An analysis made based on the data collected show that a mode of 22 of 27 were in agreement whilst 2 out of 27 disagreed which in conclusion shows that strategic purchasing being implemented as a purchasing and supply management strategy affects and impacts the financial performance of the firm in the view that PSM decisions made affect the working capital of a firm, the flowing of capital the results affect the performance of a firm financially (Wisner 2011).

4.4.2 Supply management practices

The objective of the question was in asking that supply management practices used by the firm how and if they have an impact on the financial performance of the firm.

4.4.2.1 Socialization mechanisms

Table 4.7: Results

<table>
<thead>
<tr>
<th>Responses</th>
<th>Strongly agree</th>
<th>agree</th>
<th>Neural</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>7</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>
Figure 4.6: Management’s view

Based on the data provided 7 out 27 (26%) strongly agreed, 10 out of 27(37%) agreed, none were neutral, 10 out of 27 disagreed and none were strongly disagreed.

An analysis of the data shows that 17 out of 27 agreed 13 meaning that the firms socialization mechanisms adopted have had a positive impact on the firm’s financial performance and this being in line with (Cousins et al. 2009) who noted that the trust and respect gained from the socialisation mechanisms increases the supplier and the buyer to develop and facilitate making investments through the relationships thus indirectly affect the firm’s financial performance. An analysis of the data also provide evidence of respondents who were not neutral to the question which means that they agreed or did not agree to the fact that socialisation mechanisms affected how the firm performs financially.

On the other hand 10 out of 27 were in disagreement meaning that socialization mechanisms do not have an impact on the financial performance of the firm. According to (Susana, 2011; Bartolomei et al 2012) they state that an understanding of the performance and behavior of
supply management strategies requires not only socialization mechanisms but also technical issues concerning the firm. In light of this the respondents who disagreed 10 out of 27 were in agreement of the fact that the firm had primarily focused on socialization issues and leaving the importance of technical issues were the use of technical issues effectively capture and describe the structural and behavioral complexities in supply management practices also leading to a better financial performance of the company.

An analysis of the data provides a mode of 17 (63%) agreed to the fact that socialization mechanisms had a positive impact on the performance of the firm whilst 10 out of 27 of the respondents were in disagreement of that fact which concluded that both views had a significant number of management people who had a concern on whether socialization mechanism affected financial performance but of the respondents management aired that socialization does have an impact on the financial performance of the firm.

4.4.2.2 Supplier integration

Table 4.8: Results

<table>
<thead>
<tr>
<th>Responses</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neural</th>
<th>disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>8</td>
<td>17</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>
Figure 4.7: supplier integration

The data shows that 8 out of 27 (30%) strongly agreed, 17 out of 27 (63%) agreed, none were neutral, 2 out of 27 disagreed and none strongly disagreed.

An analysis of the data shows that 25 out of 27 (93%) were in agreement meaning that supplier integration has an impact on how the firm performs this being in line with (Handfield and Bechtel 2009) who noted that integration with suppliers is recognized as an effective strategy for improving business performance. From the data given it shows that none of the respondents were neutral which meant that they only agreed or disagreed to supplier integration having an effect on how the firm performs. On the other hand 2 out of 27 (7%) were in disagreement meaning that they concluded that supplier integration does not have an effect on the financial performance of the company this being in line with (Hoffman 2006) who noted that supplier integration leads to an increase in management complexity, a reduction in the flexibility of the firms and a
decrease in performance as problems arise between suppliers and the firm which will therefore affect the operations of the business and thus affecting the financial performance of the firm.

An analysis of the data provide evidence that a mode of 25 were in agreement and 2 disagreed and concluding that supplier integration does have a positive effect on the financial performance of the company.

### 4.4.2.3 Supplier responsiveness

#### Table 4.9: Results

<table>
<thead>
<tr>
<th>Responses</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>3</td>
<td>19</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>27</td>
</tr>
</tbody>
</table>

**Figure 4.8: supplier responsiveness**
From the data given 3 out of 27 (11%) strongly agreed, 19 out of 27 (70%) agreed, none were neutral, 5 out 27 (19%) disagreed and none strongly disagreed.

An analysis of the data shows that 22 out of 27 (81%) of the respondents were in agreement which means that supplier responsiveness is said to have a large impact on how the company performs this being in line with (Cousins et al 2009) who noted this can be referred to as a way of increasing the profitability and firm performance. From the data given above none of the respondents were neutral which meant that the respondents only agreed or disagreed to supplier responsiveness having an effect on the performance of the firm. On the other hand an insignificant number of respondents 5 out 27 (19%) were in disagreement. Their argument was based on the fact that a result of increasing reliance on suppliers has been leading to the firm incurring problems such as that shortcomings in supplier performance and competency arose due to problems of inferior quality levels of materials and not delivering materials as and when the firm would now require them (Chen and Lee, 2010).

In conclusion the analysis of the data provided shows a mode of 22 who agreed and 5 who disagreed which means that the fact that supplier responsiveness affects the performance of a company in financial ways therefore supplier responsiveness is said to have an influence on the financial data of the firm.

4.4.3 Best practices of PSM that have an impact on financial performance

The main objective of the questionnaire was to analyze, determine and come up with the best PSM strategy that has an impact on the performance of the firm.
Table 4.10: Results

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>agree</th>
<th>Neutral</th>
<th>disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic purchasing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>4</td>
<td>19</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Percentage</td>
<td>15%</td>
<td>70%</td>
<td>0%</td>
<td>15%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Buyer, supplier relationships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>2</td>
<td>24</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Percentage</td>
<td>7%</td>
<td>89%</td>
<td>0%</td>
<td>4%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Supply management and customer responsiveness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>0</td>
<td>25</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Percentage</td>
<td>0%</td>
<td>93%</td>
<td>0%</td>
<td>7%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Product, manufacturing and business strategies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>5</td>
<td>16</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>Percentage</td>
<td>19%</td>
<td>59%</td>
<td>7%</td>
<td>11%</td>
<td>4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.4.3.1 Strategic purchasing

The data provides that 4 out of 27 (15%) strongly agreed, 19 out of 27 (70%) agreed, none were neutral, 4 out 27 (15%) disagreed and none strongly disagreed

An analysis of the data show that 23 out of 27 share the same view of how strategic purchasing affects the performance of the company having and this being in line with (Lawson et al 2009) who noted that strategic purchasing is noted as a strategic way or tool and its ability to create relationships for a firm’s financial performance thus in conclusion strategic purchasing is said to
have an impact on the financial performance of a firm. From the data given above respondents who were neutral is 0 which meant that strategic purchasing either has an impact on how the firm performs or does not.

On the other hand 15% (4/27) of the respondents were in disagreement meaning that they said that it did not impact or have an influence on the impact of the firm. This was in line with (Rosenzweig et al. 2009) who said that it is not enough for a firm to possess a strategic purchasing orientation and in addition to that he noted that firms should establish and facilitate an environment that develops an interaction between the supplier and the buyer therefore strategic purchasing alone affects how the firm performs financially to a lesser extent.

In conclusion to the data above a mode of 23 out of respondents(85%) agreed and 4 out of 27(15%) disagreed strategic purchasing does have an impact on the financial performance of the firm as the respondents that is management were in agreement to that fact and only an insignificant few of them were in disagreement

4.4.3.2 Buyer supplier relationships

The data shows that 2 out of 27 (7%) strongly agreed, 24 out of 27 (89%) agreed, none were neutral, 1 out of 27(4%) disagreed and none strongly disagreed

An analysis of the data above shows that 26 out of 27 (96%) agreed meaning that different buyer supplier relationships produce different levels of financial performance and is characterized by multiple construct that the supply base of the firm leads to increased communication and long term relationship between the firm and the suppliers involved thus resulting in increased quality performance being in line with (Kerkfeld and Hartmann, 2012) which will then affect the financial performance of the firm. From the data given 0 respondents were neutral which meant
that having buyer and supplier relationships either has an impact on how the firm performs or it does not have.

On the other hand 1 out of 27 4% disagreed meaning that they did not agree that having buyer supplier relationships has an impact on the financial performance of the firm and this argument was supported by (Rossetti and Choi 2008) who noted that having buyer supplier relationships leads to increased organization complexity, decreased flexibility of the supplier-buyer relationship which then results in a decrease in the performance of the firm

In conclusion the analysis of the data above shows a mode of 26 who agreed and 1 who did not and in conclusion having buyer supplier relationships does have an impact on the performance of the firm.

4.4.3.3 Supply management and customer responsiveness

Data provided in the table above shows that none strongly agreed, 25 out of 27 (93 %) agreed, none were neutral, 2 out of 27 disagreed and none strongly disagreed.

An analysis of the data show that 93%, 25 out of 27 agreed meaning that supply management and customer responsiveness do have an impact on the financial performance of the firm this being supported by (Chen et al 2008) who noted that a careful choice made on suppliers enables a firm to share risks and rewards and can have a prolonged relationship thus reducing different costs of that having an effect on the financials of the company. From the data given 0 respondents were neutral which meant that supply management and customer responsiveness either affects performance or does not have an impact on the performance of the firm.

However 7%, 2 out of 27 did not agree which means that supply management and customer responsiveness does not have an impact on the financial performance of a firm this being in line
with (Cousins et al 2009) who noted that poor supplier selection often leads to poor supplier performance, causing the negative impact on the operation of the firm.

In conclusion the data provided show a mode of 25 respondents who agreed and 2 who disagreed and in conclusion supply management and customer responsiveness do have an impact on the financial performance of the firm as this has been indicated by the number of respondents who agreed which gave a total percentage of 93.

4.4.3.4 Product, manufacturing and business strategies

Data from the above table provides that 5 out of 27 strongly agreed (19%), 16 out of 27 agreed (59%), 2 out of 27 were neutral (11%), 3 out of 27 disagreed (11%) and 1 out of 27 (4%) strongly disagreed.

An analysis of the data shows that 21 out of 27 of management responses were the same as they agreed to product, manufacturing and business strategies having an impact on the financial performance of a firm this being in line with researchers who have focused on the performance effects of alignment between purchasing practices and product strategy, manufacturing strategy (Pagell and Krause 2008) and business strategy. 2 out of 27 were neutral being in line with (González-Benito 2010) who noted that a positive performance effect of purchasing alignment with the strategies and that PSM’s organizational design is positively related to elevated financial performance.

On the other hand 4 out of 27 disagreed which means that product, manufacturing and business strategies don’t have an impact on the financial performance of the firm and their argument was supported by (Weele 2010) found that purchasing integration enables the relationship between
PSM practices and manufacturing performance, leading to the conclusion that product strategy is an individual competitive competence.

In conclusion the analysis of the data provides a mode of 21 (78%) who were in agreement, 11% were neutral and 1 out of 27 disagreed (4%) thus, manufacturing and business strategies have an impact on the financial performance of the firm whilst an insignificant number of the respondents were in disagreement as well as neutral.

4.5 Adoption of ROCE as a performance measure and its significance on PSM

The objective of the question was to analyse the fact that the firm used ROI as its performance measure of PSM and if ROCE was to be adopted how it would affect PSM and this was directed towards the general manager and the finance department which included the finance manager and two accountants giving us a total of four respondents.

Table 4.11: Results

<table>
<thead>
<tr>
<th>Responses</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Percentage</td>
<td>0%</td>
<td>75%</td>
<td>0%</td>
<td>25%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The data given above provides data that none strongly agreed, 3 out of 4 agreed (75%), none were neutral, 1 out of 4 disagreed (25%) and none were neutral. The respondents included the finance manager, accountants and the general manager.
Analysis of the data provide that 3 out of 4 respondents agreed to the use of ROCE as a performance measure and this being in line with (Axelsson, Rozemeijer and Wynstra, 2007; Weele 2010) who noted that by using financial measures such as ROCE, it through universal metrics like Return on Capital Employed (ROCE), it is possible to analyses how PSM affects the performance of a firm in major activities of the firm for example the cost of goods and services costs of marketing a product and developing it, the inventory of raw materials, payment terms of cash and. In addition the use of both PSM strategies and ROCE ensures a possibility for the firm to assess the decisions they have made regarding PSM to show any improvements made by the decisions.

In addition to that the fact of the adopting ROCE as another performance measure and this is supported also by (Calantone and Vickery 2010) who noted that the inclusion of financial data such as return on capital employed from sources such as may enable researchers to provide evidence of the link between PSM and financial performance. From the data 0 respondents were neutral which meant that the adoption of ROCE could be of value to the firm or it does not affect the performance of the firm.

However 1 out of 4 disagreed and the argument was supported by (Schoenher et al 2011) who noted that financial specialists increasingly interested in return on assets (ROA) as a measure of corporate performance as it is highly regarded as the standard and that the way to demonstrate the importance of PSM to higher levels of management is to establish and illustrate the link between purchasing practices and a firms performance using financial measures such as ROA and the value of shareholders.

In conclusion to the analysis of the data above shows a mode of 3 respondents who agreed and 1 who did not agree. This means that PSM strategies contribute to the generating of cash done by a
firm, managing of the firm’s assets, managing of indirect materials or services and the turnover produced. The facilitation and establishing for the use of financial measures such as ROCE in measuring the operational performance of the firm unlike the use of the traditional cost saving measures will bring an overall measurement on the performance of the firm financially.

4.6 Interviews

4.6.1 The importance of PSM strategies and their recognition by the company

The strategic importance and contribution of purchasing and supply management strategies, have they been recognized by Parracombe packaging as a firm?

The first respondent noted how PSM strategies affects the performance of a firm and that it has been recognized and taken into consideration by the firm as an aid to the financial performance of the firm and this was in line with (Day and Lichtenstein 2007) who presented a theoretical exemplary for determining the link between PSM and performance.

The second respondent pointed out that in addressing the issue it was then concluded, that there exists relevance among PSM practices and performance and that the relationships between supplier management practices, customer relations practices, purchasing strategies implanted by the firm indeed had shown that PSM practices implemented were aiding in the financial performance of the firm.

The third respondent then noted the major activities that PSM is responsible which included factors that are directly affected by the time taken for deliveries, how reliable the deliveries are, the levels of inventory and the investments made on assets (Otley 2007).

The responses given by the above respondents during the interviews show a relationship with the questionnaire asked which on analysis show that 70% of the respondents were in agreement of
the fact that PSM strategies do have an impact on performance which is accordance with (Nair et al 2015)

In conclusion the firm had recognized the strategic importance and the contribution of how PSM practices have an impact on the performance of the firm as a whole. Which was in line with the question asked in the first questionnaire asked.

**4.6.2 Financial measures being used by the firm**

Which financial measures are being used by the firm that demonstrate the relationship between purchasing practices and the firm’s financial performance?

The finance department of the firm includes the accountants and the finance manager and the first respondents were the accountants who provided information that the firm used ROA as their measure as they pointed out that financial experts were increasingly interested in return on assets (ROA) as a measure of corporate performance as it is highly regarded as the standard. However the finance manager pointed that the firm could adopt the use of ROCE as another financial measure since the use of only one level indicator seems inappropriate as PSM is most likely to influence not just one but various aspects of firm performance (Ellram and Liu 2008) proving that there are additional integrative approaches that relate to the link between PSM and performance and conclusively, that the use of one financial indicator in measuring the performance of the firm is not adequate and a way to demonstrate the significance of PSM to higher levels of management is by the establishment of a link between how the company performs and the strategic purchasing through the use of financial measures.

The responses given in the interviews also provide evidence and are in agreement with the 75 % of the respondents that were asked on the adoption of ROCE as a performance measure which
then indicates that the use of other various performance measures has as impact on how the firm would view their performance and also this was supported by (Moser and Henke 2012; Ramsay and Croom 2008; Rozemeijer, 2008; Gonzalez-Benito 2010). The authors argues that previous studies were limited to a to a very little range of purchasing practices and rely on self-reported measures and use only one general indicator ROA (return on assets ) to assess the impact of PSM on performance

4.6.3 The relevance of PSM on the financial performance of a firm

How relevant is PSM on the financial performance of the firm?

The first respondent stated that PSM can be evaluated in the supply management area in which involves costs of manufacturing as well as the distribution costs and the effect it has on the gross profit according to (Wisner 2011) However another respondent noted that besides the influence of PSM on the costs of goods sold it is limited to elements which are related to production. The contribution of PSM regarding indirect materials is also shown in the profit and loss of the firm and within the statement of financial position a key component of a firm’s success or failure is the control of working capital. Working capital is defined as current assets less current liabilities according to the generally accepted accounting principles (GAAP).PSM decisions affect the performance of the firm through the working and how the capital (Wisner 2011)

Another respondent noted that the PSM decisions made by the firm affects flow of cash in the company because the firm has to have a flow that is and thus PSM decisions made by an organization impacts the firm through the statement of cash flows by the decisions that would have been made that concern the other income statements and the statement of financial position.
In addressing the ascertainment of PSM relevance and with performance it is concluded in the existence of a positive relationship among PSM practices and performance as PSM has to a greater extent an impact on the relevance of PSM decisions made by management towards the financial performance of the company.

4.6.4 Reliance placed on suppliers by the firm

How much reliance is placed on suppliers by the firm?

The respondents replied that supplier characteristics affects the performance of a company in financial terms, (Cousins et al 2009) as aligning the supply base to the firm and its environment is a key factor of supply chain performance thereby requiring purchasing to take a strategic focus and to work on a much more responding basis with suppliers. Reliance is however placed on the company’s major suppliers in being able to ensure that products can be tailormade to suit the customers, the adaptation in the changes made in delivery times and the accepting of the changes made in volumes required. On the other hand another respondent noted that the dependency placed on suppliers has lead the firm to incur problems such as the shortcomings in supplier performance, inferior quality levels and not delivering materials as and when the firm now requires them which then would affect the performance of the firm as a whole.

This is evidenced also by the number of respondents who were asked in the questionnaires that agreed and totaled 81%. 19% however disagreed as they argued that the reliance placed on suppliers causes the firm to incur various problems such as shortcomings in supplier performance. In conclusion the firm relies greatly on suppliers as they are the ones who provide them with the necessary materials which are used in production.
4.6.5 PSM strategies being used by the firm that have a direct and positive effect on performance

Are there any other PSM strategies that are being used that have a direct and positive effect on the performance of the firm?

It was noted by the respondents that the firm implemented the use of JIT purchasing system for the acquirement of materials which had advantages towards the firms performance benefits derived through JIT purchasing include improved productivity, lower inventory carrying cost, lower cost for waste, lower costs for transportation, reduction of stock outs, improved quality in service, improved product quality, reduced scrap and rework, improved finished goods quality, reduced quality control, faster response to order changes, and a reduction in firms resources (Canel and Rishel 2013) However another respondent the finance manager then pointed out that due to the use of JIT inventory policy system the firms closing inventory level of materials can go below the obligated level because not all purchases of materials seem to be equally equitable to the JIT purchasing practice which in result the financial statements of the firm show a drop of more than 40% profit as the closing inventory level had dropped affecting the COS leading to a 23% decline on ROC.

The company’s purchasing policy of inventory, JIT is a strategic activity which is used in the acquiring of inventory but inventory levels according to the financial statements show a drop of 30% in inventory levels as pointed out by the purchasing manager who was the other respondent.

Supply chain management practices as another PSM strategy as noted by one of the respondents is said to incorporate practices that effectively integrate with suppliers, manufactures, distributors, and customers to improve business performance and their supply chain (Tseng 2010). Integration with suppliers is said to be an operating and efficient way for an improvement
in the performance of a company. However it was pointed out that strategic supplier partnerships need better coordination between the firm and its suppliers and should not be at the operational level only (Sufian, 2010).

Based on the responses given in the interviews they are similar to those that were asked in the questionnaires as the responses show that more than 77% agreed with the practices as they have an impact on performance and according to (Ellram and Liu, 2008) he noted that PSM practices influence how the company performs in financial terms.

In conclusion PSM strategies being used by the firm have an effect the performance of a firm financially and the company has been noticing a decline in its financial position as well as performance due to the PSM strategies being implemented as well as the financial measures which are used in measuring PSM performance on the financial performance of the firm.

4.7 Chapter summary

This chapter detailed the presentation and analysis of data obtained from the field which was gathered through the use of questionnaires and interviews. Data was presented using pie charts, tables and graphs and analyzed on a percentage basis and measures of central tendency. The data analyzed reveal that the PSM strategies implemented by the firm affects and impacts the financial performance of the firm in a way that reveals the negative as well as positive impacts of the strategies. The following chapter will highlight the findings made as well as recommendation
CHAPTER FIVE – SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION
This chapter summaries in detail the content or the information provided for in previous chapters. It aims at highlighting major findings as well as suggesting recommendations that may be considered as a solution. This is the final chapter of the research study and is a summary of all the previous chapters.

5.1 Chapter summaries

5.1.1 Chapter one - Introduction
Chapter one presented and introduced the main purpose of the research which was to analyze the impact of purchasing and supply management on the performance of the firm using various financial measures. The objective of the study was to determine the full potential of strategic PSM which result in the impact of PSM on financial performance using financial measures therefore being able to best integrate PSM strategies that affect the performance of a firm. Challenges such as the use of only one level financial indicator used in measuring the performance of the firm was noted as well as that studies towards PSM is limited to a to a very little range of purchasing practices and the reliance on self-reported measures. The study was limited to a single local manufacturing company in Zimbabwe.

5.1.2 Chapter two-Literature review
The literature review was based on the research objective The first objective being the various factors that affect the purchasing strategies of a firm that have an impact of financial performance.(Gonza ´les-Benito, 2010) noted that there exists a relationship between the purchasing strategies of a firm and its impact on performance. According to (Ellram, 2015) the
author notes that a positive impact is made on a firm’s profit and loss statement that contributes to the growth of a firm due to its contributions to quality performance and innovations. Paulraj (2011) and Ellram and Liu (2008) show purchasing strategies positively affects the financial position of firms through the use of assets and in the reduction of tied up capital. Another aim was how supply and supplier development impacts the financial performance were supply chain management practices includes practices that effectively integrate with suppliers, manufactures, distributors, and customers to improve business performance and their supply chain (Tseng 2010). In conclusion integration with suppliers was noted as an effective strategy for effective business performance

Ascertaining the relationship and relevance of PSM on the financial performance of a manufacturing firm was the other objective as management finalize their decisions and in the exploitation of the company’s resources that result in the effect it has on the performance of the firm financially (Wisner 2011) and for this to take place management has to consider the results aimed in creating a relationship between the performance of the firm in a financial way and the PSM decisions. According to (Schoenherr et al 2011) the firms PSM functions are noted as they show and provide evidence on the effect that they have on the performance of a firm. Another intention was in determining the best practice in PSM as recent research has pointed out that PSM influences and has an effect on how the firm performs in its financials (Ellram and Liu, 2008).
5.1.3 Chapter three-Methodology

The primary objective of chapter 3 was to detail the entire research methodology used to gather relevant field data. A mixed research approach was implemented which included both qualitative and quantitative approach. The research design was descriptive study. A multi sampling design which included both probability and non-probability sampling was used to put the sample into sections. Stratified random sampling as well as quota sampling techniques were used to obtain the actual sample size of 67%. Research questions in chapter one were used to create the research tools used for data collection that included questionnaires and interviews.

5.1.4 Chapter four –Data presentation and analysis

Questionnaires response rate was 93% whilst interviews had a 100% response rate. Relevant data was presented using charts, graphs and tables formulated in Microsoft excel and analyzed both quantitatively and qualitatively the researcher made use of the mode to analyze the data and findings were expressed in percentages.

5.2 Research findings

The findings of the research were as follows:

➢ The study investigates the extent to which strategic purchasing 81%, supply management capabilities 89%, consisting of long term alignment, limited number of suppliers, and communication and in turn, these capabilities contribute to enhancing customer responsiveness and financial performance for the firm, PSM strategies 63% have a positive impact on the financial performance of the firm, and the use of ROCE would show a better financial performance measure on the overall performance of the firm.
➢ PSM contributes to a large extent in the factors affecting the firm such as the generating of cash, the management of assets as well as of indirect materials and the turnover which the firm has produced from the PSM strategies implemented.

➢ The inclusion of financial data for example ROCE illustrates the importance of PSM on the financial performance of the firm and it illustrates the connection between PSM practices and how a company performs through the use of financial measures.

5.3 Recommendations

➢ The main implication of our study is that the firm should become more active in PSM strategies to capture the financial benefits associated with the decisions made.

➢ The facilitation and development of other financial indicators used in the measuring of a firm’s performance in its operations will bring an overall measurement of PSM performance.

➢ A firm has to manage and control the factors that are in relation to PSM and the performance of the firm, the supply chain in the company must be understood as the activities and decisions made based upon the fact is relevant to how a company performs financially.

➢ The development and facilitation of relevance on the financial results of the firm as a result of PSM decisions that are made are demonstrated in the annual financial statements of the firm.

5.4 further study

Additional studies are recommended on the implications of PSM concerning other companies in Zimbabwe which are still developing. The use of accounting information in the planning and implementation of PSM strategies will enhance a further review on the value of PSM decision
and strategies as a recommendation for further. Moreover the research studied the performance gains from PSM practices, but did not take into account the costs are likely to vary across the PSM practice categories. Therefore further study should focus on the actual costs and opportunity costs PSM practices and the performance effect.

5.5 Chapter summary

The chapter summarized the previous chapters before this one and it provides the findings that were discovered during the proceedings of the study, the recommendations as well as the further study that needs to be undertaken.
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Appendix A – Cover letter

Midlands State University
P.O Box 9005
Gweru
Parracombe packaging
318 Mutamba close
Ruwa
Harare
30 August 2015
Dear Sir/Madam
RE: RESEARCH PROJECT ASSISTANCE
My name is Anna-Maria Vengai I am studying an Honours Degree in Accounting with Midlands State University. In partial fulfilment of my degree I am writing a dissertation on the impact of PSM strategies on the financial performance of a firm. Your assistance in completing questionnaires on the topic will be greatly valued.

Please be assured that the information will be treated in the strictest confidence and will be used purely for academic purposes. Thank you for your time and candid contributions.

Yours faithfully

Anna-Maria Vengai
RESEARCH QUESTIONNAIRE

Thank you for taking your time to complete the questionnaire below

INSTRUCTIONS

-Please answer all questions -Please do not write your name on the questionnaire

-Please provide your answers by ticking in the spaces provided

-Stamp the back of the questionnaire

1) Purchasing strategies implemented by the firm do they have an impact on the financial performance

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>agree</th>
<th>Neutral</th>
<th>disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

2) Factors affecting supply and supplier development do they have an impact on performance?
3) Do the strategies stated below being used have a positive and direct effect on the performance of the company?

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>agree</th>
<th>Uncertain</th>
<th>disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The use of supplier integration</td>
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<tr>
<td>Having customer relationships</td>
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<tr>
<td>How suppliers respond</td>
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<tr>
<td>Strategic purchasing</td>
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<td>Supply management practices</td>
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<tr>
<td>a)socialisation mechanisms</td>
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<tr>
<td>b)supplier integration</td>
<td></td>
<td></td>
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</tbody>
</table>
c) supplier responsiveness

4) Would you consider the following to be the best practices of PSM that have an impact on the firm’s financial position?

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>agree</th>
<th>Uncertain</th>
<th>disagree</th>
<th>Strongly disagree</th>
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</thead>
<tbody>
<tr>
<td>Strategic purchasing</td>
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<td>Buyer supplier relationships</td>
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<td>Supply management and customer</td>
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<td>responsiveness</td>
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<tr>
<td>Product strategies</td>
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<tr>
<td>Manufacturing strategies</td>
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<td></td>
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<tr>
<td>Business strategies</td>
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</tbody>
</table>
5) Would adopting ROCE as a performance measure improve on the significance of PSM as a financial measure and does it include all PSM strategies that the firm is using?

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>agree</th>
<th>Uncertain</th>
<th>disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
</table>

THE END ..........THANK YOU!!!!
APPENDIX C – INTERVIEWS

INTERVIEW GUIDE FOR PARRACOMBE PACKAGING EXECUTIVE MANAGEMENT

1) Has the strategic importance and contribution of purchasing and supply management strategies, have they been recognised by Parracombe packaging as a firm

2) Which financial measures are being used by the firm that demonstrate the relationship between purchasing practices and the firm’s financial performance

3) How relevant is PSM on the financial performance of a firm
4) How much reliance is placed on suppliers by the firm?

5) PSM strategies put in place by management do they have an effect on the overall business strategy

THE END