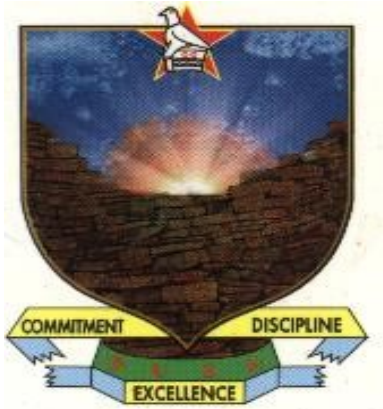


**BINDURA UNIVERSITY OF SCIENCE EDUCATION**



**FACULTY OF COMMERCE**

**THE IMPACT OF SUPPLIER SELECTION ON ORGANISATIONAL  
PERFORMANCE:- A CASE STUDY OF COCA COLA – TRANSPORT SERVICES.**

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**B1850105**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE BACHELOR OF COMMERCE DEGREE IN  
PURCHASING AND SUPPLY OF BINDURA UNIVERSITY OF SCIENCE  
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The undersigned certify that they have supervised Munashe Musasike's dissertation entitled "The impact of supplier selection on organizational performance. A case of Coca Cola's- Transport Services" submitted in partial fulfillment of the requirements of Bachelor of Commerce (Honors) in Purchasing and Supply at Bindura University of Science Education.

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## DEDICATION

This dissertation is dedicated to my parents Mr. and Mrs. Musasike and my uncle L. Musasike who encouraged me through out. Last but not least I would like to express my sincere appreciation to my aunt Joyce Manyonga for her unending love and support. May the Almighty God bless you for standing with me throughout the course of this study!



## **ABSTRACT**

The purpose of this study is to examine the impact of supplier selection on organizational performance. This research examines the supplier selection criteria available at Coca Cola Transport services as well as how the supplier selection impacts on organizational performance. Previous studies have focused on price, quality, delivery and communication as the basic criteria in supplier selection. However, little research has been done to cover aspects like reputation, business ethics as well as government policies. Centralized supplier recruitment has negatively affected most organizations therefore; a study on how this centralized process influences the performance of Transport services as a strategic business unit is important. Based on previous researches, the results show that the most commonly used criteria are competitive pricing, delivery service, product quality and supplier capability which are more significant relating to the organizational performance. Nevertheless, greater emphasis should be placed on supplier involvement because the intangible criteria have significantly impact on the organizational performance. Consequently, supplier performance does not have the mediating effect on the relationship between supplier selection criteria, supplier involvement and organizational performance. The researcher focused mainly on qualitative research design and a sample of 44 respondents at Coca Cola Transport Services was selected using stratified random and random sampling. In summary, the present study provides guidelines for the business units to analyze the selection decisions and also shows the dimensions of supplier selection and supplier involvement applicable to the beverages transport industry. Thus, this study will contribute to better purchasing strategies and greater buyer-supplier performance.

## **ACKNOWLEDGEMENTS**

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**Thank you!**



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## CHAPTER I

### 1.1 Introduction

The supplier selection process deploys an enormous amount of a firm's financial resources and plays crucial role for the success of any organization. It is a crucial activity within a purchasing cycle and thus has a significant effect on the organizational profitability. Using Coca-Cola – Transport Services as a case study, the researcher seeks to investigate the effectiveness of the supplier selection criteria in place to organizational performance. In this chapter the researcher outlines the background of the study, statement of the problem, research objectives, delimitations, limitations and the significance of the study.

### 1.2 Background of the study

Coca-Cola was created in 1886 in Atlanta, Georgia, by Dr. John S. Pemberton. It was first offered as a fountain beverage at Jacobs Pharmacy by mixing Coca-Cola syrup with carbonated water. Coca-Cola Company is one of the greatest recognized international beverage production companies with operation in over hundred international locations throughout the world. The selection of the Inco terms addresses the business terms of the company towards its buyers and suppliers (Coetzee, 2010).

Since September 2012 transport services has been dealing with severe demanding situations in dealing with their suppliers. Starting from September 2012 the subsidiary company became confronted with the problem of receiving substandard inventory items specific from the samples from suppliers. As if not enough, in 2013 any other problem arose wherein a few suppliers after having been given a purchase order had been not capable of meeting deadlines and in 2014 approximately 50% of the suppliers were not able to deliver at all.

All these symptoms have resulted due to an ineffective supplier recruitment and selection process. The cost of delivery has increased tremendously in recent years (Pauly, 1995). This has raised concern among the transport providers in reducing these costs. Further to this, cost of technology is also amongst the highest of supplier selection costs and it is expected to rise as the transport



technology and innovation provides the improved methods of vehicle repairs (Mohaghegh, 2007). However, the use of technology might attract the buyers to seek services from the suppliers that embrace technology as well. In addition, Irwin, Hoffman, and Lamont, (1998) Suggested that organizations could improve their performance by acquiring new technologies. Besides, Bodenheimer (2005) stated that the cost of technology would also impact on the quality and efficiency. Chernew (2004) also supported that there is a connection between quality, technology and market competition. Being the perceived quality as a quality leader, advance technology is needed to achieve this position (Irwin, et. al). In trying to rectify the problems the company opted to deal with well-established and reputable companies only, but this proved not to work because at times these suppliers failed to adequately supply due to high demand from other customers. The other option which was opted was to try and engage indigenous firms but some of them could not stick to their promises such as being reliable and efficient, hence creating misunderstandings. It is against this background that the researcher seeks to assess the impact of supplier selection on the organizational performance. The problem of recruiting and selecting inefficient suppliers has resulted in stock-outs, poor quality, disturbances in production, and high costs with negative effect to the company's profitability.

### **1.3 Statement of the problem**

Due to the centralization of buying activities, businesses want the handiest providers to stay aggressive however they are regularly not able to justify the need for new suppliers. Buttler (1995) pointed out that the businesses had been alert of growing price consistent with kilometer and sense the wishes to conquer the expectancies of better performance of transport. It suggests that there is need for the transport businesses to recognize the significance of locating a powerful supply chain to enhance their business overall performance in phrases of sales growth, return on assets, marketplace share, and average competition. Therefore the assessment of the supplier choice and supplier involvement is important for the transport enterprise in making the suitable choices via the utility of supply chain pleasant practices from different industries. This has prompted the



researcher to research how the supplier selection process is being accomplished and what it is that is proscribing the recruitment of different suppliers.

#### **1.4 Research aim**

The aim of this research is to investigate on the effectiveness of supplier selection process on the performance of Coca- Cola Transport services. The researcher additionally aims to analyze and decide the essential standards influencing the decisions on supplier selection and the way it affects the overall performance of Coca-Cola Company. This entails the evaluation and examination of the standards and influencing elements to supplier selection process that have an effect on the overall performance.

#### **1.5 Objectives of the study**

1. To assess the current supplier selection strategies Coca-Cola Company.
2. To evaluate the impact of supplier selection on organizational performance.
3. To identify determinants of an effective supplier selection process.

#### **1.6 Research questions.**

1. What are the effects of supplier selection on the performance of Coca-Cola company?
2. How is the supplier selection of Coca-Cola Company being done?
3. What determines an effective supplier selection process?
4. What are the critical supplier selection criteria for Coca-Cola Company?

#### **1.7 Significance of the study.**

The research will benefit stakeholders in the economy as follows;

Coca-Cola manufacturing sector

The research objectives to focus on crucial regions in supplier selection process. This study identifies a literature whole within side the supplier selection and evaluation process consequently brought about with the aid of using the need to

fill on this hole. It serves as written proof to policy makers inside Coca-Cola Transport Services to make knowledgeable choices on supplier selection to attain sustainability in view of profitability, viability and economic soundness with the commercial enterprise going concern in mind. This study can also result in critical facts to the control of Coca-Cola Transport Services

The researcher

The research will add valuable knowledge to the researcher on the supplier selection subject. It permits the researcher to benefit expertise on the practical experience on the ground. In addition, different researchers may also discover this study beneficial because it may also assist put together a platform for further studies on related topic. Opportunities for value addition may also be unearthed through an evaluation of the supplier selection process.

The University

The Bindura University of Science Education (BUSE) calls for the researcher to adopt the project as an educational measure on the way to award her the Honors Degree in Purchasing and Supply. The results of this have a look at can also shape the floor for destiny research regarding the supplier selection concept. It will work as a reference for different researchers who intend to perform studies at the subject.

### **1.8 Assumptions.**

In carrying out this research the following assumptions are assumed by the researcher;

- a) Good faith and ethics are going to be exhibited in the research.
- b) The research is done for academic purposes and can be accessed by any stakeholder.
- c) Relevant information will be provided to the researcher by the procurement department.

d) The data provided by respondents will be free from bias and accurate to the best of their knowledge.

e) All respondents will provide information to the best of their knowledge and opinion.

f) The informants and participants are willing to cooperate and give the rightful information

### **1.9 Delimitation of the study.**

The researcher's activities can be executed with the usage of Coca-Cola Transport Services head workplace in Harare. The observed is restrained to Coca Cola Transport Services with Harare being the geographical place of concentration. Top management, institution procurement officers, consumers and shops clerks had been the important source of data. Documented secondary data extracted from journals and different guides changed into additionally applied as connection with comparable cases globally. The research can be constrained to the effectiveness of supplier selection to the overall performance of Coca Cola Transport Services.

### **1.10 Limitations of the study.**

The researcher had difficulties in acquiring confidential information. Personnel from whom data was collected were suspicion on exact purpose of the research and some of them were not willing to co-operate.

Financial constraints limited the researcher could not work on a large group of respondents which would require a large resource base. The researcher faced challenges in mobilizing the financial resources needed to meet the costs of carrying out the research

The researcher had to work on a limited time frame hence the work was carried out under pressure so as to meet the stipulated timelines for the completion of the research.



### 1.11 Definition of terms

For the purpose of this research, the terms used in the course of the researcher will be defined as follows:

- Supplier selection is the process of selecting a supplier to acquire the necessary materials to support the outputs of organizations. Selection of the best and/or the most suitable suppliers is based on assessing supplier capabilities (Shih et al., 2004).
- Efficiency is the undertaking of tasks in an optimal way and doing things right (Bossibori, 2012)
- Effectiveness is doing the right things to achieve valued results, fulfilling the desired goals (Ellram, 1990).
- Procurement involves all those activities required in order to obtain products and services from the supplier and get them to the place of actual use (Lysons, 2007).
- Procedure is a system of sequential steps or techniques for getting a task or job done (Weele, 2005).

### 1.12 Research Outline

The study was outlined as follows:

Chapter I; It introduces and discusses the background of the industry as well as the problem that triggered the research. It states the objectives, aims, significance and limitations of the study.

Chapter II; It reviews the literature on supplier selection that has been explored by previous researchers.

Chapter III; It explains the research methodology which include the approach and design of the research, sampling and data collection.

Chapter IV; It presents and interprets the data using tables, graphs and pie charts.

Chapter V; It concludes the study and provides recommendations to the



organization.

### **1.13 Summary**

In summary, this chapter was mainly giving an introduction of what the study is all about, highlighting the background of the study, and also the statement of the problem. Objectives of the research were outlined preceding the research questions. It also provided the importance of the study to the researcher, the company as well as the university. Limitations, delimitations as well as the definition of keys were also outlined. The following chapter will be providing or reviewing what different authors or researchers discovered on the impact of the supplier selection process and assessment procedure to the effectiveness of the procurement process.

## **CHAPTER II**

### **Literature Review**

#### **2.1 INTRODUCTION**

The previous chapter looked at the background of the study, statement of the problem, purpose of the study, research questions, assumptions, and significance of the study, limitations, delimitations and definition of terms. This chapter additionally pursuits to present definitions' of core factors of supplier selection and recruitment and could discover what different researchers have come up relating to the effects of supplier selection on organizational performance. It additionally offers theoretical and empirical proof at the supplier selection and recruitment process because it relates to organizational performance in addition



to figuring out the research gaps that this dissertation will try to fill.

## 2.2 Theoretical framework

Theoretical basis such as the supplier selection process will be used to develop the framework for this study. The supplier selection process is a model that prescribes the steps to be followed when selecting a supplier to acquire the necessary materials to support the outputs of organizations.

### 2.2.1 The Supplier Selection process



The identity of the need at the preliminary stage triggers the supplier selection process. A make or purchase decision is taken into consideration and a purchasing decision ends in supplier sourcing. Potential suppliers are identified and a supplier selection criterion is formulated. Invitations to tender as well as requests for quotations are sent to suppliers so that they submit their quotations



for supplier selection. On the qualification stage, suppliers are then chosen from the selection pool to an attainable wide variety consisting of three to five suppliers. However, screening will not be applicable in conditions wherein there are few focused suppliers or few monopolies in the market. At this stage, purchasing department consider several aspects such as suppliers' financial health, supplier's history on performance, capacity, nature of unresolved litigation, and also insufficient knowledge. Supplier visits and audits can be used to verify these. Supplier selection is finalized from the outcomes of the qualification stage and supplier is evaluated on overall performance after supplying.

Recent researches display that supplier selection has emerge as the maximum vital stage of the supply chain and has a great effect at the achievement of an organization. Supplier selection is defined as an essential task of purchasing by Monczka, Handfield, Giunipero, Patterson (2008).Furthermore, Ellram and Carr concluded that buying performs a key function in company strategic achievement through the ideal selection of suppliers assisting the company's long term approach and competitive positioning. Consumers purchase products primarily based totally on a combination of cost, quality, availability, maintainability, and popularity factors. However, various issues must be taken into consideration before choosing the best supplier selection criteria. Some of these include the purchasing method, the product category and finally the phase of purchase. The companies along with their supply chains, which can provide these desired things, will ultimately be successful Wisner, Tan, and Leong (2008).In conditions that contain unstable buy decisions, most companies prioritize suppliers with proven track record as acquainted suppliers assist to lessen perceived risks Hurt and Speh, (2009). Organizations will achieve their sourcing targets when they get the right supplies who will deliver goods and services on time. Weber, Charles, John and Benton (1991) considered supplier selection as a long term process and indicates the assessment of suppliers basing on their core competencies and strategic needs. With the facts supplied above, it suggests that the manufacturing of high quality products at a fairly low cost cannot be achieved in an aggressive marketplace if the supplier selection process is not performed in a right manner.



This justifies the fact that the selection of competent suppliers is one of the most important purchasing decisions in addition to the upkeep of suppliers as indicated by Weber et al (1991).

### **2.3 Issues to consider before choosing supplier selection criteria**

Choosing the right supplier involves much more than scanning a series of price lists. Each situation requires a different concept of supplier selection and these include purchasing method, product category as well as phase of purchase. The best supplier selection criteria are determined by various factors resulting from different situations.

#### **2.3.1 Purchasing method**

There are a variety of ways to purchase goods and services, depending on the type of good and/or service, the cost, and the relationship the supplier has with the buyer. These include purchasing by quotation where three or more quotations are sourced and mainly used on short term projects, supplies as well as when procuring capital equipment; procurement by tender where suppliers submit their bids and the best supplier is picked; procurement by direct purchase where the goods or services are on a once-off basis and for immediate use; emergency purchases where the goods or services are urgently required to cover a critical gap.

#### **2.3.2 Product category**

Kraljic matrix display how purchasing products can be classified into different categories. These classes will resource in deciding on the best feasible supplier selection standards considering that different suppliers require special strategies to supplier selection. The Kraljic matrix is a method used to segment the purchases or suppliers of a company by dividing them into four classes, based on the complexity (or risk) of the supply market , and the importance of the purchases or suppliers determined by the impact that they have on the profitability of the company. This subdivision allows the company to define the optimal purchasing strategies for each of the four types of purchases or suppliers. These are leverage, noncritical, strategic and bottleneck. Leverage items are



items that have a high profitability, but a low risk factor. According to Kraljic (1983) leverage items are known as the “best” placed items. These are items of high importance at strategic level and are easy to manage. The process of supply is normally nicely mounted and mature because awareness is greater on building supplier relationship to permit mutual appreciate and future communication of requirements.

Strategic category focuses on future strategies and it comprises of goods or services that are of high supply risk and high strategic impact. Purchases in this category are difficult to manage and specific management practices are required like the implementation of long-term relationships with suppliers. The organizational performance can be as a result of this category; this means that if it is successfully managed it will lower the chance of poor performance. Therefore it will be best if the supplier is regarded and trusted as an alliance of the firm.

High supplier risk and high profit impact items cover strategic category. These are critical to the business. These items most effective constitute a handful of suppliers, however making sure a powerful and predictable supplier relationship is fundamental to the future of the buying company. Managing such suppliers calls for a numerous array of abilities and may subsume a great percentage of government time in sponsoring and directing the relationship. Strategic partners should look to innovate each product and process innovation and they are able to anticipate long-time period dedication from the customer in addition to proactive development in return.

Bottleneck items are not as crucial thus the most underestimated items. The strategic impact is very low, but a high risk of supply. The strength is in the hands of the supplier. The market consists of few suppliers that can behave oligopolistically to force prices upward. The purchases are very difficult to manage and are highly likely to suffer supply delays and interruptions, among many other types of supply disturbances. Identifying viable substitutes and standardizing the acquisition are measures that may be carried out so that it will



manipulate this category, Ellram and Olsen (1997).

The non-critical category involves purchases with a low impact on business and low supply risk. They are easy to manage through the use of purchase standardization and consolidation. The importance of this category is very low because high performance and low cost are the drivers. Non-critical items are low risk and have a low impact upon organizational profitability. The most commonly used example in this segment is office stationery. Although important for employees to perform their duties, pens and paper do not have a significant impact upon the business, nor does their absence represent a serious threat. The sourcing strategies deployed here focus on efficiency and reducing administrative burden. The supply relationship manages itself and administrative costs reduction is the main target.

### **2.3.3 Phase of purchase**

The procedure of choosing the supplier additionally may be decided with the aid of using the nature and phase of the purchase. There are three phases of purchase which are categorized as new buy, straight rebuy and modified rebuy as identified by Van Weele (2010).

A new buy is a situation requiring the purchase of a product for the very first time. A straight rebuy is when the purchaser records the same products without looking for information of considering other suppliers. A straight rebuy is basically the situation where the purchase is redone from the previous supplier. A modified re-buy is a buying situation in which an organization buys goods that have been purchased previously but changes either the supplier or other element of the previous order. These changes could be on suppliers or specifications of the product. Due to the importance of supplier selection, the situations above aim to identify the best possible criteria available for a particular purchase situation. The researcher will discuss the various criteria available on supplier selection based on previous researches done.

These adjustments may be on suppliers or specifications of the product. Due to the significance of supplier selection, the conditions above purpose to identify the

high quality viable standards available for a selected purchase situation. The researcher will discuss the various criteria available on supplier selection primarily based totally on previous researches done.

#### **2.4 Different supplier selection criteria**

Supplier choice is complex with the aid of using various criteria that have to be taken into consideration whilst making selections in addition to the selection process. The needs of a buying organization are pondered with the aid of using the supplier selection criteria that they use. However because of the complex nature of the supplier selection process, criteria are probably deserted and not all decision makers may recall the same criteria (de Boer et al. 2001). In Workshop Company set up, for example, members of the team typically would include purchasing representative, quality, technical and the user department. With growing importance of the buying function buying decisions end up extra depending on suppliers both direct and indirect results of bad decision making end up more severe. Quality, price, vendor's financial solidity, delivery punctuality and know-how and product uniqueness are the criteria to use in supplier selection (Nassimbeni and Sarto2006). Precedence is another criterion that can be considered. Okello et al (2016) suggests that suppliers with a good transport records are a lot higher than those that provide low charges and bad quality. Weber et al (1991) suggests that quality on its very own cannot assure that the supplier will supply accurate quality requirements without other needless costs although quality is considered as the most crucial attribute. Tahriri, Osman, Ali and Yussuff (2008) agree to quality, financial and delivery but add on the aspect of direct cost and trust. In addition, Tahriri et al. (2008) identified rejection rate control and toxic chemical usage control above quality, cost and delivery aspect. Guinipero et al 2006 additionally added that supplier relationship management is a key element in supplier selection, considering that desirable overall performance of the supplier will result in desirable overall performance of the buying organization.



#### **2.4.1 Supplier selection criteria associated with supplier relationship**

Supplier relationship is the process of identifying the suppliers that are critical to a business and implementing a system of managing relationships with those key suppliers. There are basically two types of supplier relationship namely collaborative partnership and adversarial competitive. Collaborative has advanced and stepped forward to be greater useful to each party even though it is primarily based totally on mutual advantage and trust, relational exchange and cooperation (Gules and Burgess (1996).

It became observed that ninety per cent of the punctual deliveries have been because of supplier selection focusing at the supplier relationship. This in addition ended in 10 per cent discount in delayed deliveries and ultimately customer service department's reviews highlighted that customer complaints have been additionally decreased by 7 per cent. The above supports that the right choice of suppliers results in development on organizational performance (Chii 2003). Collaboration improves the way the supplier and the buyer work together and solves problems. This leads to more innovation, efficient processes, increased success, and improved communication.

#### **2.4.2 Supplier selection criteria associated with provision of Quality Products**

According to Munyimi and Chari (2018) quality is a totality of features and characteristics of a product that bears on the ability to satisfy stated needs. He additionally stresses that the definition of quality cannot make any sense until it is primarily based totally on what the customer wants, that is, a product is a quality product only when it conforms to the customer requirements. Quality performs a vital function within the organization because of the proper recruitment of suppliers as they typically deliver products of the desired standard.

#### **2.4.3 Supplier Selection criteria associated with cost and delivery performance factor**

Cost and delivery performance can be defined as the level up to which products and services supplied by an organization meet the customer expectation. It provides an indication of the potentiality of the supply chain in providing products



and services to the customer. This metric is most important in supply chain management as it involves the measurement of performance right from supplier end to the customer end.

This criterion targets to perceive important elements of costs that partner with purchase. Purchase price, transportation charges and taxes seem as the most common costs associated with a product as highlighted by Stanley and Gregory (2001). During supplier selection process, operational expenses are also taken into consideration. Transaction processing and price of rejects are taken into consideration in operational expenses however it requires extra effort to estimate. Therefore, cost is considered a very vital criterion for choice of proper suppliers. The standard costs of raw materials have an effect on the company's budget provision and the general overall performance of the company making it a key parameter of consideration in choice of suppliers of raw materials, Tahriri et al. (2008). This variable will robotically affect at the pricing of the company. The company always requires the minimal rate of the product to increase the profitability. The company consequently should identify a low-cost supply base that minimizes costs associated with product manufacturing. However, from researches accomplished critical to word that once an organization makes a purchase, the price of the products should suit the quality delivered or else it would locate itself incurring losses when they use extra cash than is needed to purchase supplies which can be substandard and which in turn will compromise on its sales. This is purported by Tracey and Tan (2001) in Hassan, Habib and Khalid (2014) who note that, "the firms need to check the bidders' product and service quality and match it with the price they are offering before selecting them as a supplier so as to delight the customers in every expectation they have with the firm". Moreover, price performs an essential criterion in supplier selection when buying high-technology equipment because it takes longer time to attain the break-even points as highlighted by Lee Jun Li (2008). Therefore, the company must identify high quality with low value for equipment in order to achieve profit maximization.



#### 2.4.4 Supplier selection criteria associated with Contract Terms

The contract terms agreed between the purchaser and the supplier are necessary as they do have an impact on the buyer or the organizational overall performance in terms of their flexibility. According to Ateka and Ochieng (2014), flexibility of supply contract terms refers to the capacity to cope with environmental uncertainties with minimal aid outflows in terms of costs or performance. Flexibility seeks to allow a company to deal with uncertainties in supply sources, product or procedure life cycles, supplier deliveries or operation disruptions, and consumption patterns. It consequently capability that if contract terms are flexible adequate stretching to observe up services then the buying organization will be at exquisite gain as supported by, Lee Jun Li (2008), "The strength of supplier's commitment for on-time delivery service includes follow-up services is considered in the supplier selection." The contract terms additionally want to be purchaser friendly as Lee Jun Li(2008) goes on to mention that the shipping lead-time, flexibility in changing the order, and delivery in corrector good condition is an necessary criterion for selection guide on supplier selection. He additionally goes on to state that if the contract is flexible in terms of post delivery service it will have a precise effect on the buying organization. He says that, "delivery service also refers to the response of the suppliers towards their post-sales services such as equipment installation. These follow-ups are important to the purchasing organization in terms of procurement planning". Beil (2009) in addition postulates on the significance of contract terms on the buying organization, he says "The supplier selection process culminates in a contract between the buyer and one or more suppliers. The information received from suppliers via the requests ultimately must be translated into formal contractual terms before contracting can occur. A contract with a supplier specifies what the supplier should do and how they will be paid by the buyer". At the best possible level, contract terms relate to both monetary transfer (payment terms) or how the contract will be completed (non-payment terms). The choice of the particular contract structure (e.g., long-term or short-term, fixed price or value plus, etc.) is made. According to





Beil (2009), in a fixed-price contract, the price term specifies what the supplier will be paid regardless of the actual fee to execute its contractual obligations. In a cost-plus contract, a formulation is targeted which determines how the supplier will be paid for example, under a cost-plus contract the supplier may want to obtain a constant share of the total cost incurred, or receive payments for time and materials.

#### **2.4.5 Supplier selection criteria associated with communication**

When there is great communication between the purchasing organization and the supplier the two of them remain to be in a good position to perform well as they play roles strengthening the lines between them. Wagner (2008) in Hassan, Habib and Khalid (2014) argued that strong ties with suppliers help in upgrading creativity and quality product manufacturing. Hassan additionally proceeds to note that successful relationships with suppliers will obviously result into purchasers' success that can be supported for a longer term than usual. Narain and Singh (2012) in Hassan, Habib and Khalid (2014) explained that trust and communication is the thing that that can make or destroy relationships among buyers and suppliers. Moreover Mwikali and Kavale (2012) further help that the straightforwardness of communication and negotiability with the suppliers determine the long term buyer supplier relationship. Great suppliers should be great communicators despite the fact that languages, business customs, ethics and communication devices differ from one country to another.



Hassan et al. (2014) additionally noticed that having faithful suppliers leads to production of good quality products, make a reliable picture of the purchaser as timely deliveries are guaranteed, higher competitive, enhanced creativity and overall low costs. Along these lines this loyalty can be instilled through steady communication between the supplier and the purchasing organization. Shared trust, coherence of the relationship, and the ability of each party to make a productive business for the other, are the establishments on which the relationship is fabricated. Additionally, Murigi (2004) further underlines that the frequent meetings between the two parties are significant when he says that, "frequent meetings with suppliers facilitate the prevention of inefficient practices at an early stage and encourage continuous improvement of suppliers".

At Coca cola supplier preference is mostly based on cost followed by quality and lead time among different elements. Shorter lead times and conformance to specifications additionally are of more prominent significance in the supplier selection criteria. However great quality and prompt delivery guarantees a continuous stream in business activities despite of the fact that there are contradictory factors, similar to the supplier with the best price probably won't have the best quality or the supplier with the best quality may have longer lead time. Inability to identify the most ideal suppliers that comply with essential standards will influence the performance of the organization overall as examined below.

#### **2.4.6 Supplier selection criteria associated with business ethics**

Carter and Jennings (2004) characterizes business ethics according to buying functions as the optimal flow of high quality and sensible expenses of products or services from inventive suppliers in a sensible, reliable way that meets the organizational standards. The issue of ethics in an indirect way affect performance since the unethical business direct diverts its presentation. Furthermore, without core values like ethics, an individual can't accomplish the best expected however through the implementation of ethics as expressed by Collins (2001).



Berger (2006) observed that supplier selection can be affected by unethical business conduct like the procurement of labor and products for personal gain during business transactions. This will result to a one-sided choice of those suppliers, the purchaser will focus on personal gain other than those that will help the association and enhance the commitment of supplier selection to purchasing firms' performance.

Also, previous studies show that great ethical practices upgrades the company's integrity and reputations Carter et al. (2004). Organizations that practice and consider business ethics on a significant degree of need will likewise push its business partners like suppliers to expanded responsibility on business ethics. All the more so suppliers that profoundly focus on and practice great ethical values regularly accomplish high degrees of accountability in business activities through to adherence to contracts as agreed between the two parties Badenhorst (1994). This will prompt the achievement of the organizational performance.

#### **2.4.7 Supplier selection criteria associated with government policies**

Government policies include the utilization of legislations and bits of law that oblige associations to act with a particular goal in mind. The fundamental point of these policies is to secure the stakeholders along with the organizations to promote a fair trade on the ground. These government policies mean to secure the local market just as help the smaller and more local organizations. This adds to sustainability by empowering local development and furthermore decreases transport costs for the purchasing firm as suppliers are located closer Vagstad (1995).

Anyway Coca Cola somewhat conforms to these government policies during the supplier selection measures. The Safety, Health and Environmental strategies are those that deal with good health and proper safety of workers and it also looks at how an organisation's operations sustain the environment. Coca-Cola follows these policies and furthermore considers the degree with which the supplier

conforms to these policies before recruitment and selection stage.

## **2.5 The impact of supplier selection on the performance of an organization**



Suppliers have a great impact on an organization's total cost of production thus consuming the biggest chunk of expenditure on a company's statement of financial position. Significant reduction in purchase price can be as a result of choosing the right supplier. For this reason supplier selection becomes the most significant activity of the purchasing function as outlined by Ghodsypour and O'Brien (2001). On the other side the implementation of effective purchasing strategies on the right suppliers results in a good saving for the company thus affecting positively on the organizations financial position. Apart from recording savings on purchases, there is need to work with suppliers continuously in order to remain competitive by reduction of lead time, less product development time as well as product quality improvement .

The selection of suppliers based on precise criteria such as reliability, delivery, quality and product performance improves customer satisfaction and organizational performance as indicated by Michael, Tracey and Tan (2002). However purchasing right quality products at the right quantity and right price from the right source is the main objective of the purchasing function. Previous researcher concluded that quality, price and punctual delivery are part of the essentials of supplier selection criteria that determine the performance of an organization.



According to Sezhiyan and Nambirajan (2010), supply selection plays a key role for companies to achieve overall business performance. They identify and explain nine categories of an organization affected by supplier selection. First, it affects the return on investment through the relationship of efficiency with supply chain. Secondly it affects the return on assets; this is how profitable a company's assets are used in generating revenue for the firm. It is a straightforward tool to measure the carrying value of the firm. Thirdly, it affects the return on sales which is a firm's "operating profit margin" and it measures how much profit is being produced per dollar of sales. Fourthly, it affects the overall product quality which is inferred as a product that is able to meet given requirements of the manufacturer, quality system followed in the firm and of the end user. Fifthly, supplier selection affects the overall customer service level of the firm which focuses on how the products and services are supplied by the company and how it meets or surpasses the customer expectation at various service encounters and different levels. Sixthly, it affects the overall performance on delivery that is; delivery of the product and the services that happen without failure, which are indicated in terms of time, quantity, customer service, etc. Next it also affects the overall performance on flexibility which relates as the flexibility to adopt to new and turbulent situations like immediate sourcing, production, delivery, technology upgrading. It also affects the overall competitive position of the firm which is embedded with the overall industry structure, attractiveness of the industry, the intensity of the competition among the competitors and the firm's ability to meet the challenges .Last but not least, supplier selection affects the variable of employee satisfaction.

Previous researches show that the implementation of certain strategies in supply chain has an impact on organizational performance. Tan (2002) examined the practices and management of supply chain which had an influence on company performance. The management of supplier relationships has also proved to be crucial for the improvement of organizational performance. The supplier selection criteria determine the establishment of a supplier that will yield excellent



organizational performance, product quality, availability and regular punctual deliveries. These abilities increase in both supplier performance and buying organization's performance. This shows that there is need to carefully consider supplier selection criteria as well as factors influencing supplier section. Therefore there is need to particularly recognize the functions of supplier selection as the main driver of company enhancement, overall impacting on the organizational performance.

## **2.6 Empirical framework**

Literature review shows that from empirical front, comprehensive efforts have been made to develop decision methods and techniques for supplier selection. Mendoza (2007) cited that 74 articles were reviewed and classified with regard to particular criteria used in supplier selection. There are several aspects that determine an effective supplier selection process as discussed in this chapter.

### **2.6.1 Determinants of an effective supplier selection.**



Basing on the previous literature of supplier selection, what comes out as the major supplier selection determinants include net price, delivery, quality, production facilities and capabilities, and geographical location. On the other hand Kannan&Keah (2003) identified another different set of determinants of supplier selection which are quality, service level, on-time delivery, quick response time in case of emergency, and finally flexibility to respond to unexpected demand changes.

Degraeve et al uses the Total Cost of Ownership (TCO) as the framework for comparing supplier selection models. But it is De Boer et al study that is comprehensive enough as it looks at supplier selection literature by even classifying the existing literature in a framework. The framework enumerates steps preceding supplier selection decision. These steps are problem definition, formulation of selection criteria, pre-qualification, and final selection.

Mendoza (2007) identified different purchasing situations that determine an effective supplier selection namely first time buys, modified re-buys, and straight re-buys. Omar and Sim (2010 in a study on supplier selection criteria conducted on Malaysian manufacturing firms found that cost followed by quality ranked higher than any other determinants. Delivery ranks third on their analysis.) Nevertheless, findings of previous researches also indicate that the importance of supplier selection criteria does vary based on the type of purchase and product and there is no common list of criteria used across the supplier selection studies (Pearson and Ellram, 1995). The underlying characteristics of supplier selection are abstract and difficult to measure, thus it is important to establish a set of criteria to evaluate and compare potential sources each time a purchase situation arises (Kannan and Tan, 2002).

## **2.7 Research gap**

This research is different in many aspects from the previously conducted





researches on the same topic. Various researches have been done focusing on how the supplier selection affects the performance of an organization although little has been done in the Zimbabwean Coca Cola industry. In this study the researcher aims to bridge the gap by focusing on the Coca Cola industry of Zimbabwe and how the performance is affected by supplier selection. The previous researches show that supplier selection plays a big role in enhancing organizational performance, this research aims to assess whether this is true in Zimbabwean Coca Cola industry.

## **2.8 Chapter Summary**

The chapter reviewed related literature to the research problem at hand. The sources of literature were aligned so as to be in line with the objectives of the study. It also gave theoretical and empirical evidence on the supplier selection criteria as it related to organizational performance. In summary this chapter impounded on the fact that if the supplier selection process is not done effectively, the capabilities of suppliers which serve as key resources in the development of the operations' own capabilities and performance will be negatively affected, e.g. in achieving product quality which depicts the picture of the organization to its clients and users rather than the failure by the on procurement performance of public institutions; this study sought to fill the existing research gap by conducting a study evaluating the impact of supplier selection on organizational performance using Coca Cola – Transport Services as a case study.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section presents how the research study was led focusing on the research methodology, justification of the research plan, population size, sampling procedures and data collection techniques. Primary and secondary sources of data techniques were used during the study. Research methodology clarifies the process used by the researcher to meet the expressed objectives. The researcher aims to get to the bottom of the imperative perspectives that concern the effect of supplier selection on organizational performance using Coca Cola as case study.

#### **3.2 Research Design**

The research approach for the study is primarily descriptive that it is straightforward as respondents can give information in their own words thus in this manner giving out significant realities for the study. The research design was used to extract data from Coca Cola Transport Services stores faculty, purchasers, heads of departments, purchasing manager, finance administrator just as suppliers. The researcher distributed and gathered the review questionnaires. More information and rich information was acquired using inside and out interviews

#### **3.3 Descriptive Research**

This research design permits the collection of a lot of information from a sizeable population in a highly efficient manner. Likewise the information



gathered is generally standardized thus allowing easy and simple comparison. The inspected respondents figured out how to communicate their perspectives freely through the used questionnaires.

### **Justification for Descriptive research**

The researcher picked this design since it is basic and it gives facts that help with responding to the research questions. As indicated by Gray 2010, descriptive surveys are significant for the achievement of the research as they can be source and stimulus for strategy changes and social action. In this study descriptive research empowered the researcher to come up with precise and accurate information that is reliable just as to enable the researcher to come up with results that are free from bias.

### **3.4 Case Study**

Case study is another type of research design that gives an encounter of and adds strength to what exactly is known relating a specific subject. Case study limits bias and expands reliability of data collected. In the beverages area in Zimbabwe, there are many players some of which are Coca Cola, Delta Beverages, Lyons, Dairiboard, Revive, Schweppes, Probrands and Dendairy among the many. The researcher picked Coca Cola since it's one of the large players in the beverages business and in this way can fill in as the best area of study.

### **3.4 Target Population**

The population on focus for this study comprises of Delta Beverages employees from stores and supplies department, heads of departments, finance management as well as suppliers. This population is a whole pool of research respondents in which the researcher relies on for information. The population was well selected based on the research topic which requires people who have knowledge on supplier selection and how it is possible impact on the performance of Delta Beverages. The table below shows composition of the population size.

The population on focus for this study involves Coca Cola workers from stores



and supplies division, heads of departments, company buyers, finance managers and also suppliers. This population is an entire pool of research respondents wherein the researcher depends on for data. The population was well selected dependent on the research subject which requires individuals who have knowledge on supplier selection and how it is possible effect on the performance of Coca Cola. The table below shows composition of the population size.

**Table 3.1: Target population**

Target group	Target population
Company buyers	10
Purchasing managers	4
Stores personnel	35
finance managers	4
Departmental heads	15
Group procurement team	10
Total target population	78

### 3.4 Sample Size

Sample size is the measure of the number of individual samples used in an experiment. A sample is the total number of elements drawn from the whole population size. Gill and Johnson (2009) mentioned that the appropriate sample size is of thirty percent and any size less than thirty percent is regarded as ineffective representation of a large population. The researcher used Solvin's of 1960 formula to determine the sample size.

Formula:  $n=N(1+Ne^2)$

$$n=78(1+78 \times 0.12)$$

$$n=781.78$$

$$n=44$$



The sample size was 44 and the researcher selected respondents that are more critical on supplier selection. The table below shows the composition of the sample size.

**Table 3.2**

<b>Sample variable</b>	<b>Target Population</b>	<b>Sample size for each category</b>	<b>% representation</b>
Company buyers	10	10	12.8
Purchasing managers	4	4	5.1
Stores personnel	35	6	7.7
Finance manager	4	4	5.1
Departmental heads	15	10	12.8
Suppliers	10	10	12.8
<b>Total sample used</b>	<b>78</b>	<b>44</b>	<b>56.4</b>

### **3.5 Sampling Techniques**

The researcher used non-random examining techniques to choose the samples from the target population. The researcher needed to choose components that are more relevant to the research which are essential for the procurement and finance functions as also well head of departments. For every office, the researcher chose one head of department using simple random technique.

#### **3.5.1 Convenience sampling**

It is non-probability sampling method where respondents are chosen to suit the researcher's convenience. The researcher adopted convenience since it is more affordable and it permits the researcher freedom to decide the methodology that is easy to use in evoking data from the respondents.

### **3.5.2 Judgmental**

This is a non-likelihood method for sampling, otherwise called purposive sampling where the researcher chooses respondents to be sampled dependent on researcher's information and judgment as expressed by Gill and Johnson (2009). The researcher picks a sample that fulfils need inside the population. The strategy is critical for interviewing the key informants. The use of judgmental sampling is justified by the fact that the researcher had a particular specific group for the research dependent on their insight on what supplier selection affect on the performance of Coca Cola.

### **3.6 Sources of Data**

The researcher used two sources of data which are primary and secondary data for the purpose of this research. Primary data is the first hand information obtained directly from the respondents as stated by Veal (2008). Secondary data according to Gray (2010) refers to second hand information that already exists for other purposes regardless of this research.

#### **3.6.1 Primary Data**

This involved the researcher going into the field to assemble data about the effect of supplier selection to the performance of Coca Cola using tools like individual interviews and questionnaires. This was acquired through the sample representing the total population. Although primary information collection is exorbitant, it can give direct data applicable to the study and it additionally gives data with less bias.

#### **3.6.2 Secondary Data**

This is desk area research which centers on data that generally existed for different purposes before this research. The researcher glanced through and investigated the previous buying records, item quality records in the technical department, value history inside the buying framework reports, just as monetary records in the finance division. This was done so as to collect information to help the essential information in making final conclusions on the research. The



secondary information was utilized to supplement the primary information by giving a previous pattern on the supplier selection and on the organizational performance. The researcher also gathered data from Coca Cola management reports, Coca Cola website on the internet as well as journals based on supplier selection and organizational performance, for the purpose of this study.

### **3.7 Data collection procedures**

The research problem detailed gave knowledge of what sort of information was needed to study the problem and the kind of analysis appropriate for analyzing the information. The researcher used mainly qualitative information collection techniques. Qualitative research takes estimation that are hard to analyze numerically yet being valuable since it contains significantly more data, simpler to interpret and more significant to real world situation than quantitative outcomes. Quantitative research takes measurement that can be investigated numerically. In doing the examination, the researcher used both primary and secondary information. The primary information used in the research was gathered by utilizing interviews and questionnaires. The secondary was researched using utilizing desk research.

### **3.8 Pilot study**

From the survey, a pilot study was done to perfect the questionnaire. The pilot study was done among stores staff, group procurement examiners, purchasers, heads of departments and also chosen purchasing managers. The fundamental aim for the pilot study was to distinguish areas that were vague or hard for the respondents to understand, and the results of the pilot study were used to improve the questionnaire. A little sample of 35 respondents took part in the pilot study and just 28 respondents to the pilot survey. The questionnaires were physically given to the chosen respondents and a discussion was done upon collection.



### **3.9 Research Instruments**

This describes how the data collection techniques were utilized. Structured interviews and questionnaires were the research instruments utilized in this study. Further it describes the information that has been gathered in each case. The research instruments used are;

#### **3.9.1 Interviews**

The researcher conducted individual interviews to some of the sample components. Because of time, the researcher picked organization buyers, purchasing manager as well as the finance director among the sample population and the rest conducted organized interview through survey. The researcher conducted personal interviews on 6 individuals.

Interviews proved to be more accurate and objective as the researcher had space to eliminate insignificant data and simultaneously seek clarification were it was fundamental. However, a few respondents were not available on scheduled time and thus time consuming in re- scheduling new appointments. Additionally it was difficult meeting the managers.

#### **3.9.2 Questionnaire**

For the purpose of this study, the main information collection apparatus was the survey questionnaire. Self-controlled surveys permit the respondent to be more open since there is no interdict from the interviewer. This is additionally adaptable as respondents can play out the tasks at their own available free time that are scheduled and restricted time on schedule. Bias was decreased since questionnaires have a component of secrecy subsequently being the major reason behind why the researcher considered questionnaire as a data collection instrument.

Both closed format and open ended questions were utilized to extract the data to coordinate the respondents on what precisely is needed by the researcher and yet permitting the respondent to air his perspectives on open ended questions. This





strategy was favorable for the researcher since it is cheap to conduct as printing costs were decreased since a large portion of them were circulated through electronic mail (email).

Questionnaire pre-test is vital before the real survey is done, the explanation being that a pilot study distinguishes likely defects. Questionnaire comprehensiveness was guaranteed through conducting a pre-test utilizing the three heads of departments and three stores personnel. Upon receipts of their responses, the questionnaire was revised and further refined. The updated version was then dispersed with the purpose of the research.

### **Justification of using questionnaires in the research.**

The use of surveys brought benefits as they are generally straightforward and quick in eliciting data from the intended respondents. As indicated by Veal (2008), questionnaires give a bigger inclusion of the population inside a short space of time at a lower cost. On the other hand interview situations are not generally attractive. In this way, the most ideal way for the researcher to stay away from such circumstances is to utilize the questionnaires in which the respondents answer the questions on their own without associating with researcher.

### **3.10 Data Analysis**

After data collection, data was grouped into usable classifications for data analysis. The information gathered was compiled, organized, coded and captured into the computer for analysis utilizing the Microsoft Excel software package. Qualitative information will be used in the clarification of the data that is portrayed by the graphs, charts and tables. Through data analysis, the researcher figured out how to draw conclusions on research findings which helped in responding to the research questions.

### **3.11 Data Presentation**

The researcher used graphs, charts and tables representing gathered data to give



the pictorial facts of findings. Subjective information was utilized to clarify graphs, tables and charts. These diagrams have an apolitical show of the data under study. The outcomes got from the interviews were presented in different ways that enabled its interpretation mainly on the overall findings.

### **3.12 Validity and Reliability**

Validity and reliability is the freedom from bias in drawing up conclusions in the perspective on data or information given through research. Validity of the questionnaire was guaranteed by piloting to the three heads of department and three stores personnel at Coca Cola Transport Services before the actual distribution was done to permit space for essential corrections on the questionnaires. Validity on interviews was guaranteed by conducting them in private and under strict guarantee that everything examined during the interview was totally private and confidential and to be utilized distinctly for the purpose of this study

With regards to reliability, the questionnaire was designed through a detailed procedure where they were revised by the study supervisor in order to ensure that field work was conducted using high quality data. In addition, literature from books, journals demonstrated reliability for the author's quoted report and measures of consistency with the research topic.

### **3.13 Ethical Consideration**

The researcher was directed by the research morals were the researcher just focused on data fundamental for the purpose of this research and not to dwell much on the organization's sensitive and confidential information. This assisted to avoid friction between the researcher and management team at Coca Cola Transport Services.

### **3.14 Chapter Summary**

This chapter focused on the research methodology, research design, population and sampling techniques, data collection, validity and reliability issues, research limitations as well as data analysis and presentation. The next chapter is going to focus on the presentation and interpretation of responses that came from questionnaires and interviews from the sample.

## **CHAPTER IV**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **4.1. Introduction**

The previous chapter involved the discussion of the choice of the research methodology and the data collection tools used in this study. The purpose of this



chapter is to present and analyze the data that was collected and also to interpret the findings of the study. The data will be presented next using tables, pie charts and graphs.

#### 4.2 Response Rate

The response rate of the distributed questionnaires as well as conducted interviews from a sample of 44 respondents from Coca Cola is shown on the table below.

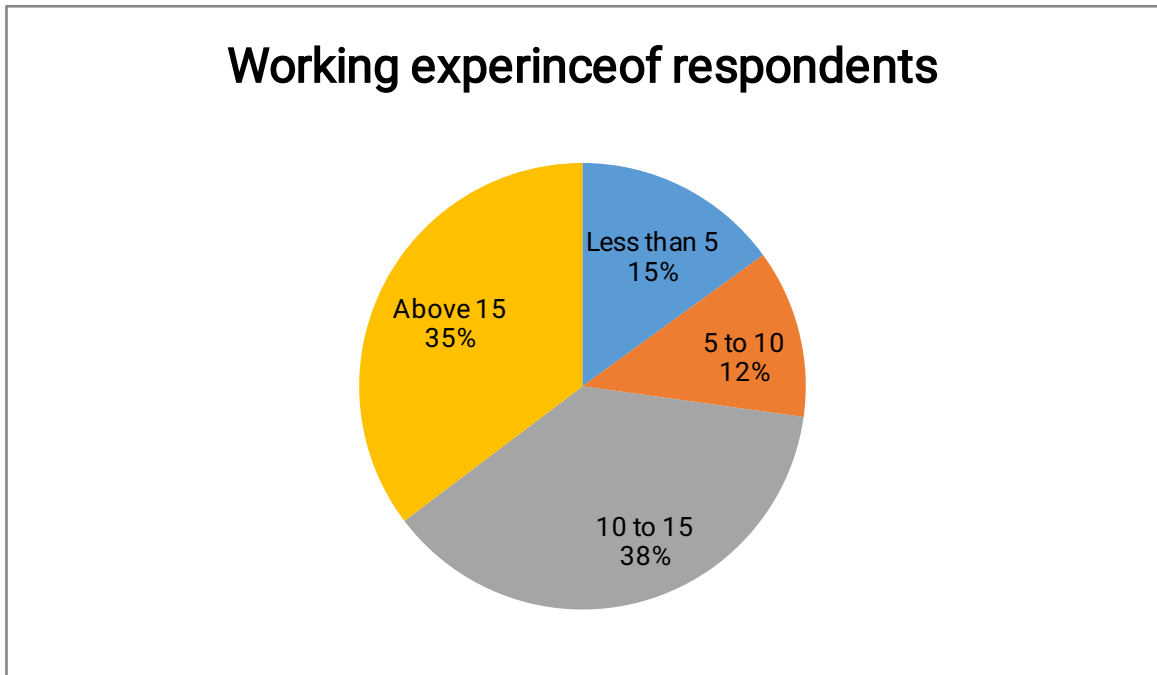
**Table 4.1 Questionnaire response rate**

Variable	Questionnaire sent	Questionnaire returned	% response rate
Buyers	10	9	20.4
Purchasing managers	4	4	9.1
Stores personnel	6	4	9.1
Finance managers	4	4	9.1
Departmental heads	10	8	18.1
Group procurement team	10	10	22.7
TOTAL	44	39	88.6

Source: Primary Data

The data presented in table 4.1 above shows that from the 44 questionnaires that were distributed, 39 were returned which is 89 per cent response rate. The interviews also had a 100 per cent response rate as all the interviews were successful.

### 4.3 Working experience of respondents.

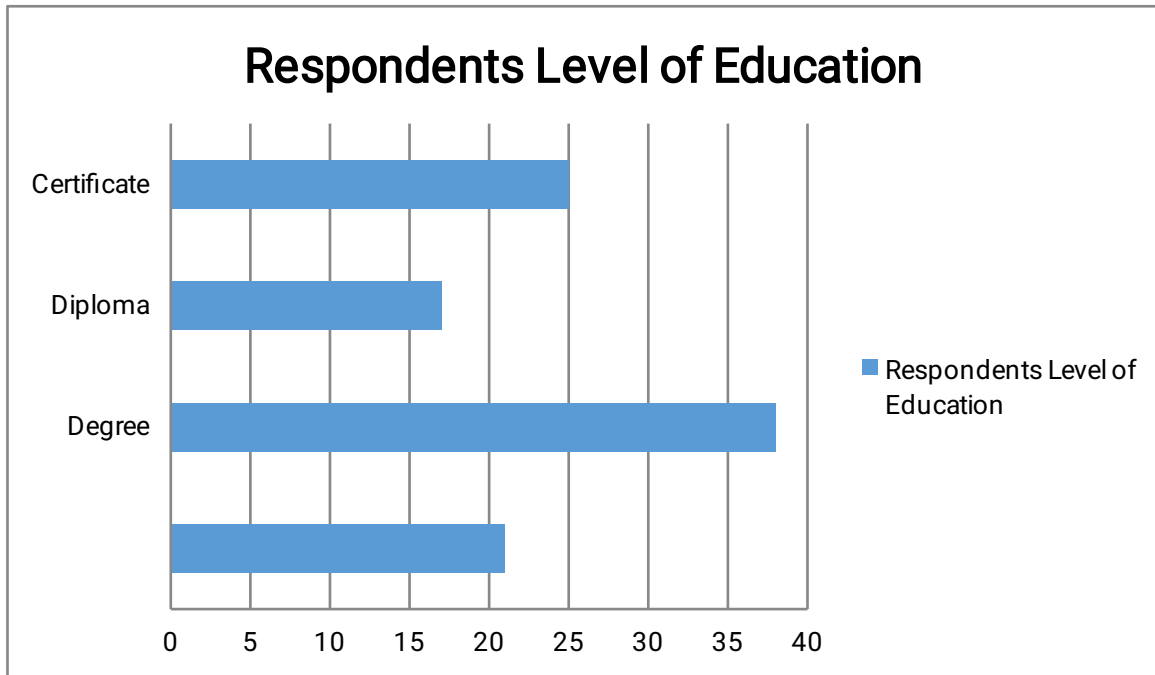


Source: Survey data

**Figure 4.1** Distribution of respondents working experience.

Figure 4.1 shows that 38 per cent have been at Coca Cola for a period between 10 to 15 years, 35 per cent for above 15 years, 15 per cent for less than 5 years and 12 per cent for 5 to 10 years.

#### 4.4 Level of education attained by respondents



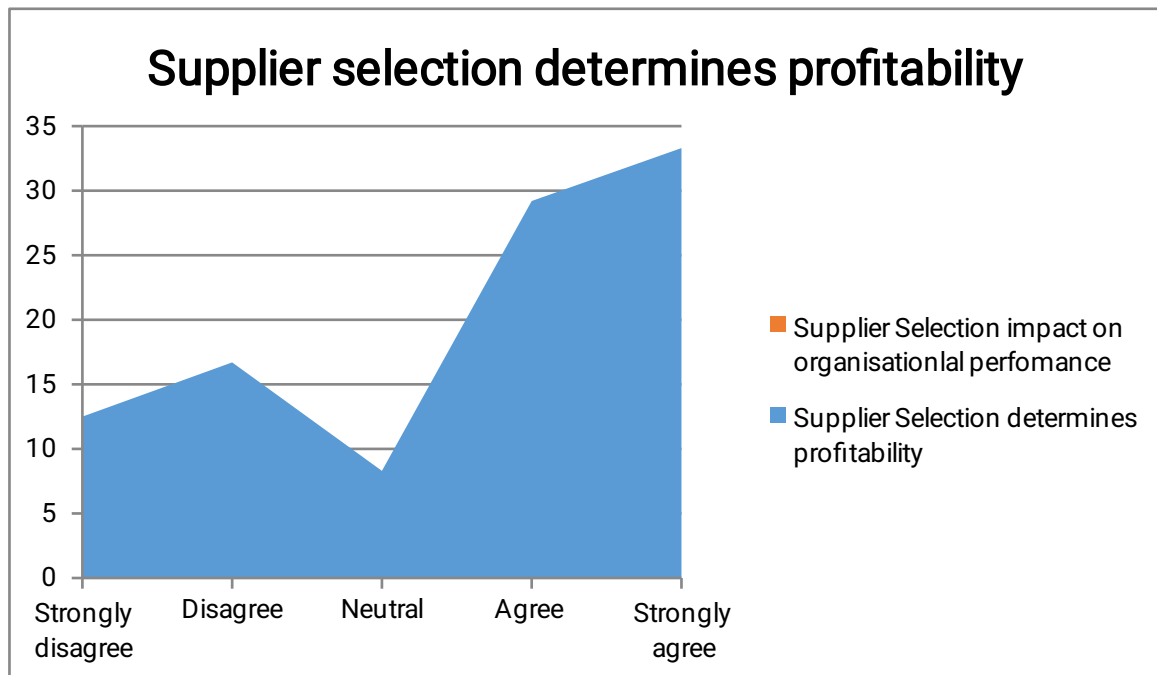
Source: Primary survey

Figure 4.2 Respondents level of Education

Figure 4.2 above shows that the majority are holders of degrees which are a mixture of Finance, technical and purchasing degrees. This shows that there is high level of competence that will help in coming up with combined decisions on supplier selection. This is supported by Lysons et al., (2008) who states that the qualifications of people involved in supplier selection determines how the purchasing function will impact on the performance of an organization. He adds on to explain that incompetent selection team increases the operating costs of the buying firm. The study carried out by Beil (2009) also agreed that the higher the human resource skills that the personnel possess the better selection of the

suppliers.”

#### 4.5 The impact of supplier selection on organizational performance.



Source: Primary Survey

Figure 4.3 the impact of supplier selection on organizational performance.

Figure 4.3 above shows that the majority response agreed that supplier selection has an impact on the performance of the buying organization. In a study carried out by Beil (2009) it was found out that the selection of suppliers affect the financial position of the buying organization. The selection of inefficient suppliers results in inefficiencies within the buying firm. This means that the procurement function of supplier selection is also a factor that determines the performance of a buying firm.

The supplier selection should be done in a transparent, efficient and ethical manner in order to enhance the profits of the buying organization. This can be achieved by the proper selection of criteria depending on the nature of product as well as the classification of purchase Li Jun (2008).

#### **4.6 Supplier Selection Process**

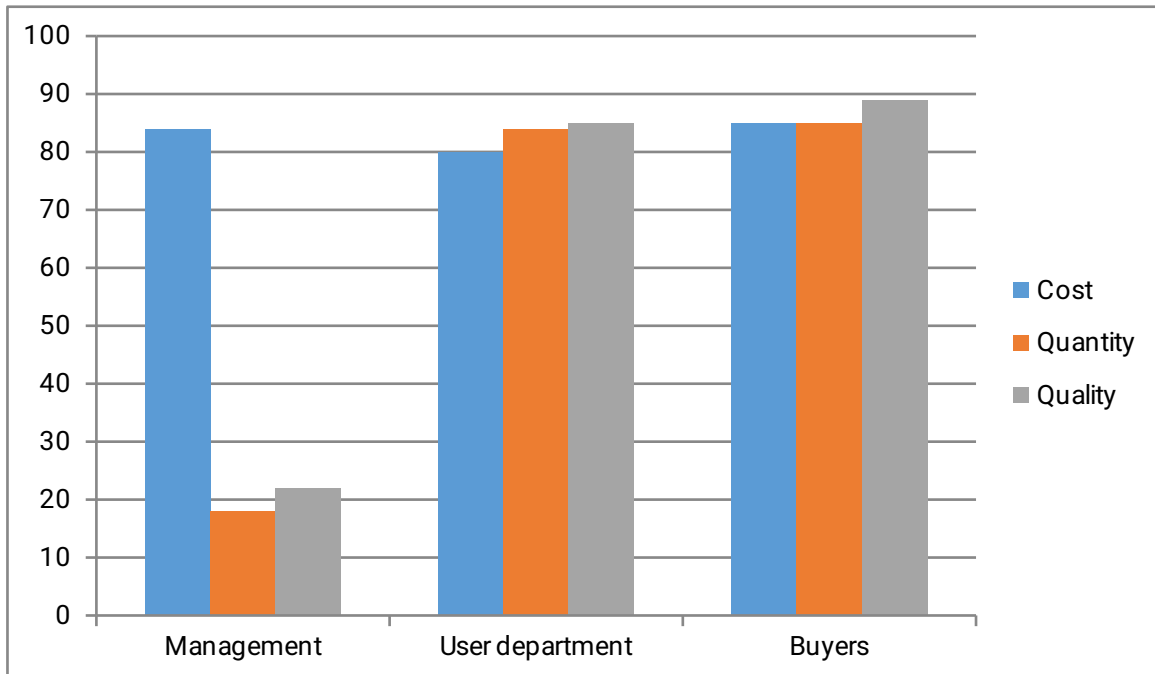
Several questions on this variable sought to interrogate the buyers and group procurement team on the steps taken when recruiting and selecting suppliers. The researcher wanted to find out the procedures, practices and processes applied during supplier selection to see if we can make a comparison with the one outlined briefly in chapter 2.

During the interview with the group procurement team, it was established that they do follow the standard selection procedures; however the researcher noted two important aspects. The first one is that the recruitment stage of supplier selection is centralized and determined only by the group procurement team and the buyers do not have a say in the whole process. The second aspect noted was that step 3 of identifying potential sources of supply is often omitted and the known suppliers are intuitively shortlisted. This means that some new suppliers are consequently left out. Analyzing the first aspect, through the questionnaires it was realized that the management or the group procurement team determine the supplier selection process. However, the researcher interviewed the group procurement team to assess how much knowledge they possess when it comes to the suppliers needed in the transport division.

#### **4.7 Who determines the supplier?**







Source: Primary data

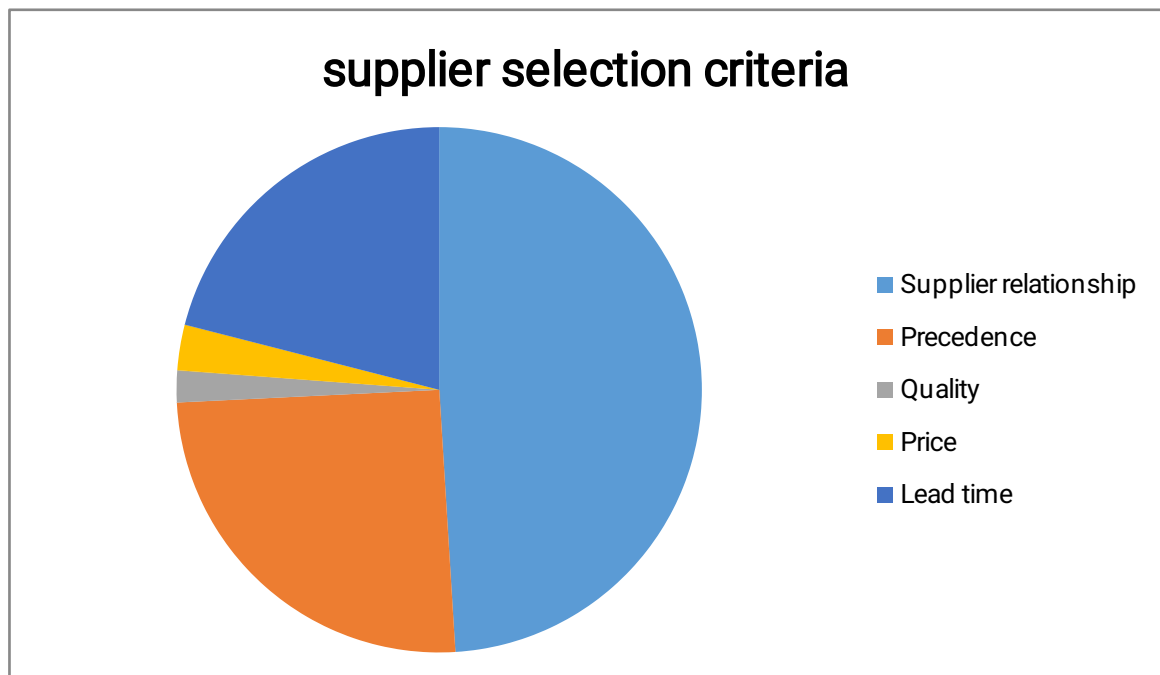
**Figure 4.4 Knowledge of required suppliers**

The graph above indicates data collected on the knowledge of the details of supplies needed. It clearly shows that the buyers at SBU level and the users are the most knowledgeable when it comes to the specifications of the required supplies for continuity. Završnik (1998) also notes that the supplier selection process itself should “include different representatives, one or more engineers, a financial analyst and others interested to join the purchasing manager in various phases of the selection process as needed and appropriate”.

The researcher further probed the management to find out how they identify their key suppliers and their response is what led the researcher to come up with her

second aspect which is; there is no identification of all possible suppliers but the management simply contacts those suppliers that they usually do business with without considering if there are other players in the industry that may provide a much better service in terms of costs. The management gave an example using the servicing companies who usually service their motor vehicles from time to time.

#### 4.8 Factors that contribute to an effective supplier selection.



Source: Primary Survey

Figure 4.5 Factors contributing to effective supplier selection.

Figure 4.5 above shows that 35 per cent of the respondents cited that supplier relationship is the most common factor in supplier selection criteria. Price has the least percentage while precedence, quality and lead time have a fair share of percentages. This is supported by a study carried out by Kannan and Choon (2002) who further mention that firms need to develop relationships with suppliers that are willing to develop closer ties, have order entry systems that support the relationship, are willing to share confidential information, and are otherwise committed to serving the buyer's long-term needs. Guinipero et al 2006 also adds

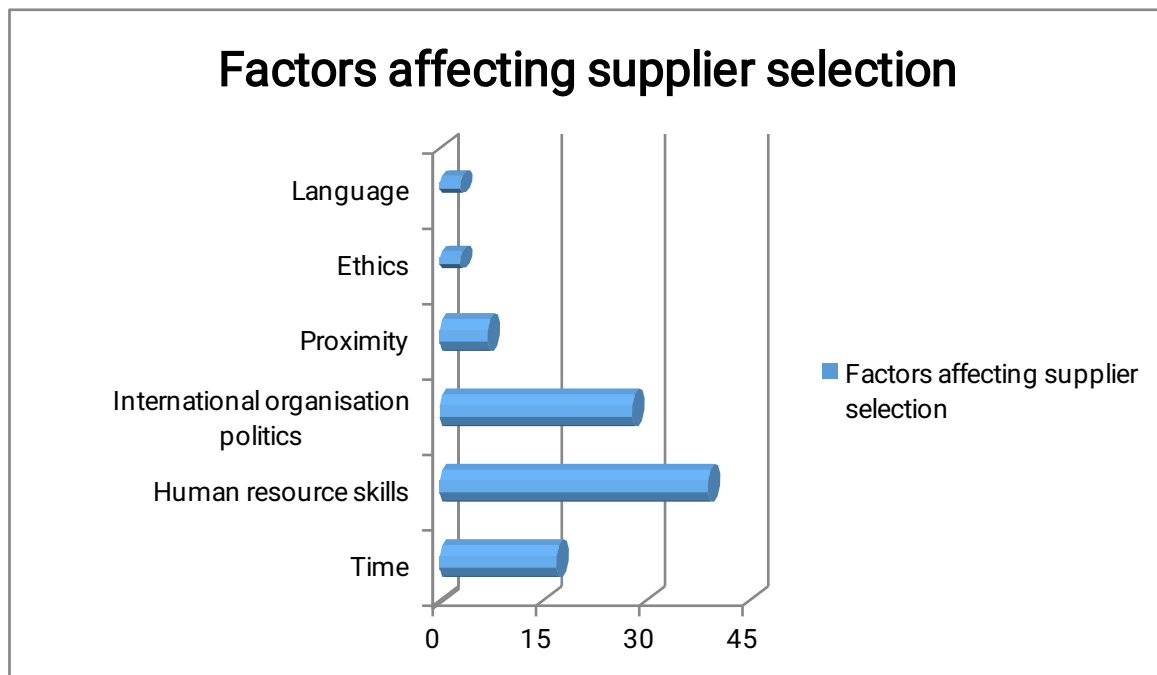
that supplier relationship management is a key aspect in supplier selection, considering that good performance of the supplier will lead to good performance of the buying organization.

Nassimbeni and Sarto (2006) add that quality, price, vendor's financial solidity, delivery punctuality and know-how and product uniqueness are the criteria to use in supplier selection. Precedence can also be considered as supported by Okello et al (2016) who suggests that suppliers with a good service delivery history are much better than those who offer low costs and poor quality. Tahriri et al (2008) agrees to quality, financial and delivery but adds on the aspect of direct cost and trust.

The researcher continued to ask about the factors that lead to high operating costs in their organization and this was to try to assess if at all the supplier selection process is among these factors and the extent of its contribution. Below are the findings which were gathered.

#### 4.9 Factors affecting Supplier selection

Generally all participants agreed on factors that affect supplier selection as illustrated below



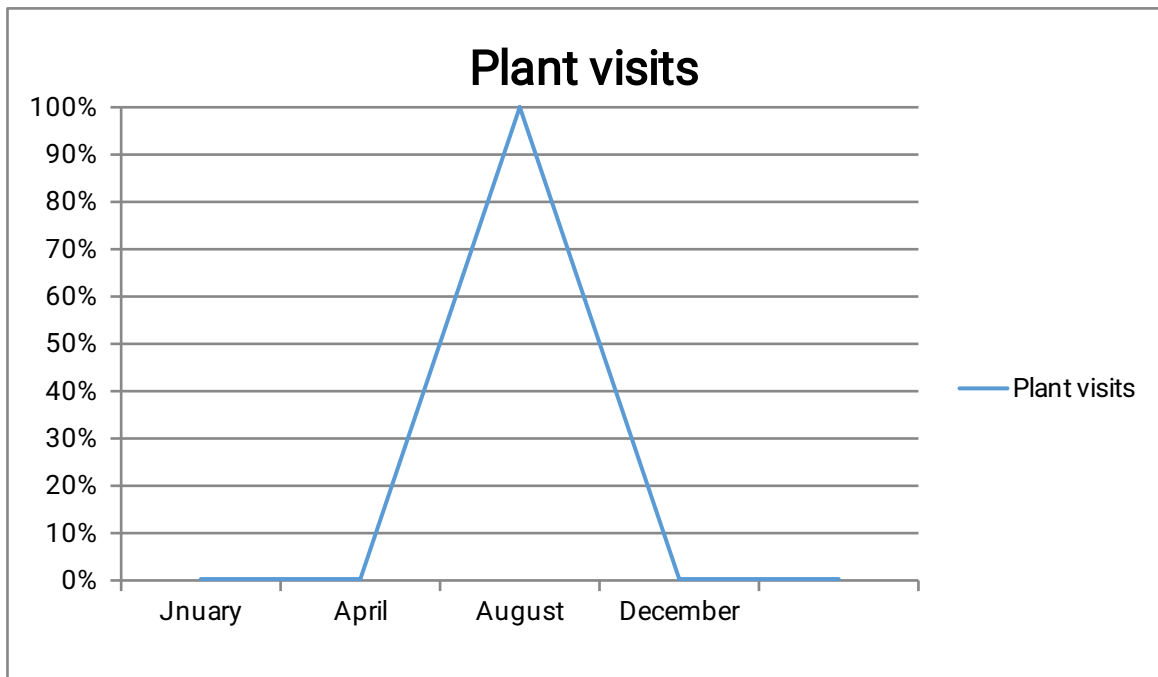
Source: Primary Survey

**Figure 4.6 Factors affecting supplier selection**

The chart above shows that the participants mainly cited human resource skill as the main factor affecting supplier selection together with the internal organization politics. However, very few of them thought that ethics and language also play a role in affecting supplier selection. Their argument is supported by Lyson (2007) he asserts that, “quality products enable the organization gain popularity and large market. (Lysons et al., 2008) in Bosibori (2012). Beil (2009) also postulates that “To identify best value, the buyer must interface with technical, legal, and operations experts within the buyer’s company, and act as an expert negotiator and coordinator across many internal and external parties”.

#### 4.10 Frequency of plant visits done during supplier selection process

The researcher went on to ask about the frequency of plant visits done during supplier selection process in the year of 2016 and below are the results which were gathered.



**Source: Primary Survey**

**Figure 4.7 Frequency of plant visits during supplier selection.**

From the results shown above, it shows that in the year 2016 in the months shown when the organization acquired their supplies, plant visit was only done once in August and no plant visits were done at all in the other months when purchasing took place.

This is supported by Beil (2009) who stated that it is important to “visit the supplier’s production facility and interview line workers and engineers to ensure that all members of the supplier team understand the critical features of the product in their charge”. He goes on to say that it is also important to audit the production facilities to ensure that production can and will only proceed in a manner approved by the buyer.

It is important for the buying organization to view the technology used by the supplier to check if it is up to date and hence justify their pricing. However, from the results it showed that Coca Cola Company does not prioritize plant visits; they have done it once in a whole year meaning that it is a flaw within their supplier selection process because they do not hesitate to do business with suppliers whose operations they have never witnessed. Završnik (1998) also notes that the supplier selection process itself should “includes different representatives, one or more engineers, a financial analyst and others interested to join the purchasing manager in various phases of the selection process as needed and appropriate”. These join hands and visit the plant in order to ascertain its capabilities to supply the needed materials. The infrequent plant visits are a clear indication that supplier selection process at Coca Cola Company is not being conducted efficiently and effectively.

#### **4.11 Summary**

The chapter presented the findings of the research. The research questions raised at the inception of the research were answered, particularly the overarching question of how supplier selection is conducted at Coca Cola. The main research

questions sought to establish the procedures, practices and processes employed by the organization in the selecting of suppliers, the criteria used, the effects of the process on the organization and the factors affecting the process. This allowed the researcher to measure the efficiency of the group procurement team in ensuring that the best selection practice is adopted which will have apposite impact on the organization. It emerged from the interview process that the Coca Cola team which are main focus of this study have no say in the selection of suppliers who supply products that they use on a daily basis and have a thorough knowledge on and this still leaves a lot to be desired. Supplier selection seem to be controlled by the group procurement team and management who have their own criteria for selecting suppliers, preferences and reservations and seem to do what suits them best which may be in sharp contrast with what the concerned unit really need. The same old suppliers are always considered and this narrows down the selection pool yet there are other new suppliers who can offer better deals and impact the organization positively. Most respondents from the Coca Cola have called for the decentralization and total autonomy of the whole procurement process of acquiring products and services that they may need from time to time within the organization. The next chapter discusses the summary, conclusions and recommendations, which might improve the obtaining situation at the Coca Cola.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This section sums up the research as well as giving the conclusion and



recommendations drawn from the research findings. Conclusions and recommendations were made dependent on the objectives of the study. This section additionally includes ideas for further research and recommendations that will support further in developing the supplier selection criteria at Coca Cola.

## **5.2 Summary of the research**

This research investigates and looks at the effect of supplier selection on the performance of the purchasing organization. The goals of this research were to assess the effect of supplier selection on organizational performance, assess the current supplier selection techniques at Coca Cola and to identify the determinants of an effective supplier selection process. The major challenge that influences the supplier selection at Coca Cola is the interference of the executives during the selection process and furthermore the non-contribution and consideration of purchasers by group procurement team in supplier selection at enrolment stage

Literature review was done to permit the researcher to gather more information and understanding of the problem so as to give recommendations. A sample of 44 individuals was chosen from a target population of 78 individuals. These were chosen through convenience testing and judgmental sampling techniques which permit the researcher to choose specific people who are directly involved in the procurement and also furnished with relevant data on how supplier selection impacts organizational performance.

The researcher distribute questionnaires and conducted interviews in order to gather information which was then presented and analyzed using pie charts, bar graphs as well as tables. General findings of this research show that quality, business ethics as well as government policy were not considered to be part of the supplier selection criteria at Coca Cola. The main aspects considered were price or cost, supplier relationship and lead time among other things.

## **5.2 Conclusion**

The researcher concluded that:

1. Factors like price, cost, supplier relationship and lead time have a direct impact to supplier selection. These have been identified as significant aspects to consider when choosing criteria of supplier selection at Coca Cola. Good supplier performance will definitely positively impact the organizational performance.

2. Business ethics was one of the criteria variables which conclude that there is need for employees who take part in the selection process to comply with the code of conduct so as to achieve transparency especially in areas related to unethical business practices. The supplier selection process has seen many employees tempted to unethical practices hence the need to involve employees from different aspects of the buying organization to enhance transparency. If supplier is suspected of unethical behaviour that interferes with supplier selection, necessary action like blacklisting the particular supplier for future business is taken.

3. Group procurement team determines the suppliers that are selected for recruitment into the organization's supplier database. Buyers at SBU level have no total control on which suppliers are recruited into the database for use.

4. Management interferes much with supplier selection decisions. This means that the buyer together with the user department cannot use their expertise to determine the best possible supplier and it leads reduces the efficiency and effectiveness of the supplier selection process.

5. The research findings of this study have concluded that there are several factors influencing supplier selection and organizational performance at Coca Cola in Zimbabwe. While supplier relationship and supplier delivery performance are the most crucial factors when selecting supplier, other factors like quality, business ethics, communication and government policy should also be equally considered when selecting suppliers. All the various factors influencing the





criteria of supplier selection should be considered in a relational manner as some of them go hand in hand in affecting the supplier selection decision.

### **5.3 Recommendations**

For the supplier selection to contribute positively to the performance of Coca Cola, the researcher recommends that:

1. Supplier selection at recruitment stage should be decentralized to strategic business unit level so that each unit is able to adopt suppliers that are of great importance to their business and increase competition among suppliers leading to better organizational performance through reduced prices.
2. Top management must share direction but not lead most on the supplier selection process and let the buyers and user department obtain what is really required to avoid wrong purchases and high cost purchases that reduces profits and performance of Coca Cola.
3. The researcher recommends that Coca Cola must build and maintain stronger long lasting supplier relationships with its suppliers as these results in increased supplier commitment leading to the positive impact on the buying organization as well.
4. In order to strengthen supplier relationship as well as build supplier trust, the researcher recommends that Coca Cola must be committed to effective communication and compliance on contacted agreements and communicate with suppliers as soon as a problem arises in order to avoid buyer-supplier conflicts.

### **5.4 Areas of future research**

The main aspect of this research was the critical factors that determine supplier selection criteria at Coca Cola. The study also looked at how the supplier

selection criteria impact on work efficiency as well as organizational performance. The research findings were limited to the Coca Cola industry in Zimbabwe and this might be inapplicable to other industries and countries. With this in consideration, further research can be done in future on the same topic in other business industries and countries. Recommendation for future research is also on how supplier selection in international purchasing impacts the performance of a buying organization.

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[www.cocacola.co.zw](http://www.cocacola.co.zw)



## Appendix C: Application letter to conduct a research

2774 Glen Norah

Harare

The Head of Department Purchasing Department

Coca Cola Transport Services

Box 2587

Graniteside

Harare

Dear Sir

**RE: APPLICATION FOR PERMISSION TO CONDUCT A RESEARCH WITH  
YOUR ORGANISATION FOR LEARNING PURPOSE**

I am a student currently studying a Bachelor of Commerce Honors Degree in Purchasing and Supply with Bindura University of Science Education. I would like to seek for permission and your approval and authority to conduct my research with your organization on this topic: The effects of supplier selection on organizational performance. I would like to assure you that any information given will be treated with confidentiality to the student and the examiner and is meant for academic purpose only.

Your permission granted will be greatly appreciated

Yours Faithfully

Munashe Musasike (Student)



## QUESTIONNAIRE

My name is Munashe Musasike an undergraduate student in Purchasing and Supply at Bindura University of Science Education. I am conducting a study on the effects of supplier selection on organizational performance using Coca Cola Transport Services as my case study. May you kindly make an effort to answer all questions below; your cooperation will be greatly appreciated.

### Section A

#### Question 1

What is your current position at Coca Cola?

Buyer	<input type="checkbox"/>		<input type="checkbox"/>
	<input type="checkbox"/>	Stores Person	<input type="checkbox"/>
H.O.D	<input type="checkbox"/>	Purchasing Manager	<input type="checkbox"/>
Finance Manager	<input type="checkbox"/>		<input type="checkbox"/>
Supplier			

#### Question 2

What is your working experience with Coca Cola?

Less than 5 year	<input type="checkbox"/>
5 – 10 years	<input type="checkbox"/>
10 – 15 years	<input type="checkbox"/>
Above 15 years	<input type="checkbox"/>





**Question 3**

Indicate highest level of education attained

Certificate	<input type="checkbox"/>
Diploma	<input type="checkbox"/>
Degree	<input type="checkbox"/>
Other	<input type="checkbox"/>

State  
.....

**Section B**

To evaluate the effects of supplier selection on organizational performance. Indicate on how strongly you agree with the extent to which supplier selection has an effect on the performance of Coca Cola.

- Strongly Disagree - 1      Disagree - 2
- No Opinion - 3      Agree - 4
- Strongly Agree - 5

No.	Statement	1	2	3	4	5
4	Supplier selection process determines the profitability and performance of Coca Cola.					
5	High operating costs at Coca Cola can be associated with the supplier selection process.					

6	Coca Cola has a standard operating procedure on supplier selection criteria.					
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Explain any other issues

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**Section C**

To identify determinants of an effective supplier selection process.

**Question 7**

What factors contribute and are of great importance to an effective supplier selection process?

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**Question 8**

What are the effects of supplier selection on the performance of Coca Cola?

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**Question 9**

What are the factors affecting supplier selection at Coca Cola Transport services?

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**Section D**

To assess the current supplier selection strategies at Coca Cola.

**Question 10**

How is the supplier selection being done at Coca Cola?

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**Question 11**

Who determines the supplier selection process?

- Buyers
- H.O.D's
- Management

**Question 12**

How frequent are supplier plant visits done during the supplier selection process?

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**Question 13**

Are there any weaknesses associated with the current supplier selection process at Coca Cola?

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## INTERVIEW GUIDE

- 1) How do you identify potential and key suppliers to the business?
- 2) What are the current supplier selection strategies in practice at Coca Cola?
- 3) Briefly explain the policies and guidelines adopted in supplier selection.
- 4) What factors do you consider important when conducting the supplier selection process?
- 5) What is the perceived importance of quality, cost, delivery and flexibility attributes in the supplier selection process?
- 6) How do managers trade off among quality, cost, delivery and flexibility attributes in the supplier selection process?
- 7) To what extent does the supplier selection decision affect the overall company efficiency and performance?

