EFFECTS OF SOURCING AS A SUPPLY CHAIN FUNCTION ON PROFITABILITY IN THE FLORICULTURE INDUSTRY

(A CASE OF CREDIBLE BLOOMS LIMITED)

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DECLARATION

Declaration by the Student
This project is my original work and has not been presented to any other institution. No part of this research should be reproduced in any form without my consent or that of The Management University of Africa.

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Declaration by the supervisor
This research project has been submitted with my approval as The Management University of Africa supervisor.

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DEDICATION

I dedicate this project to the almighty God for enabling me complete my project. Also to my lovely family who have been supportive throughout my course work and to my friends who have been there for me
ACKNOWLEDGEMENT

I would like to thank the Almighty God for His wisdom and strength even at the most difficult times of my study. My sincere gratitude also goes to my supervisor, for the support, time and invaluable contribution accorded to me during the project period. I also appreciate the help of the Credible Blooms Limited officials who took their time to provide the data required.

My appreciation also goes to everyone including my family, classmates and colleagues who ensured that I stayed on course to finish the project.
ABSTRACT

The challenge of demand for quality service and upcoming competitions for most of the firms has realized the need for quality service delivery and efficiency. Sourcing plays a key role in ensuring that this is achieved, therefore there is a need for firms to ensure that they don’t only source but source strategically. Although studies have been done there is insufficient information linking sourcing as a function of supply chain on profitability of floriculture organizations. With these knowledge gaps this study therefore tends to investigate the effects of sourcing at Credible Blooms Ltd. The purpose of this study was to investigate the effects of sourcing as a supply chain function on profitability in the floriculture industry. The specific objectives were to: establish the role of supplier development, the role of contract management, the role of supplier relationship management and role of early supplier involvement on profitability of Credible Blooms Limited. This study adopted a descriptive research design. It targeted all the 35 employees who included Chief Procurement officer, Assistant Chief Procurement officer, Accountant, Procurement officers and storekeepers. Since the population was small with 35 participants and easily manageable, the researcher used census (a non-probability method), where the entire target population participated in the study. The instruments for data collection in the study were questionnaires which were semi structured with both open and closed-ended questions. Pilot testing was conducted before data collection commences to test the research instrument of the reliability and validity and therefore helped to identify possible problems, clarify on the instrument and appropriateness of the language during the main study. Pilot study was done at Redland Roses Ltd where 5 participants were given the questionnaire. The collected data was first checked for errors of omission and commission. Then it was classified and coded, measured, analyzed and interpreted accordingly. The data collected was analyzed, with respect to the study objectives. It was then analyzed using Microsoft Excel and presented in pie charts and graphs. The study concluded that Supplier development, Contract management, Supplier Relationship Management and Early Supplier Involvement affected profitability of Credible Blooms Ltd to a high extent. The study recommended these factors should be enhanced in the floriculture industry to enhance profitability.
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ABBREVIATIONS AND ACRONYMS

CRM----------------------Customer Relationship Management
ESI----------------------Early Supplier Involvement
Ltd----------------------Limited
RDT----------------------Resource Dependence Theory
SRM----------------------Supplier Relationship Management
WEF----------------------World Economic Forum
OPERATIONAL DEFINITION OF TERMS

Sourcing: Refers to the practice and skill of being able to track down sources of supply.
CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter focuses on the background of the study, statement of the problem, objectives of the study, research questions, significance, justification and the scope of the study.

1.1 Background of the study
The current global business arena has become highly competitive and competitiveness has become a major focus area of firms and companies across the globe (IMD, 2006; WEF, 2007; Pillania, 2007). Business organizations across the world are under increasing pressure than ever to stay dynamic and responsive in all their competitive frontiers. Many companies have realized the need for elevating traditional procurement function to modern strategic sourcing for value addition across the supply chain.

Sourcing costs signify 40 to 80 percent of the total cost of goods traded, and 30 to 50 percent of revenues a ratio that has remained constant in most industries for many years. Companies excelling in strategic sourcing save almost 10 to 20 times as much as it cost to operate their sourcing processes. The effort required to reduce 10 percent of the sourcing cost is much less than gaining similar amount of revenue (Chopra & Meindl, 2003).

Sourcing is researching the market for potential input sources, securing the continuity of these sources, searching for alternative sources and keeping the relevant knowledge up to date (Vollman, Berry, and Whybark, 2004). Basically, the objective of all companies is sustainable and competitive selling of goods and/or services. Input is needed in order to produce these goods and services. This input can be tangible, like raw materials or personnel, or intangible, like skills or information. They all originate from certain source and this is where sourcing activities come into place. If sourcing costs can be reduced, this can improve returns on investment by increasing both profit margins and asset turnover rate (Dobler & Burt, 1996; Leenders & Fearon, 1997). During the past two decades, the purchasing function has changed from playing a supporting role to becoming a strategic activity, and now makes a significant contribution to the competitive advantage of an organization (Quayle, 2002; Carr & Smeltzer, 1997)
Sourcing includes an extensive range of activities namely creating an overall strategy for sourcing, evaluating and selecting suppliers, procuring materials/services and managing supplier relationships (Anderson and Katz, 1998).

Sourcing is increasingly seen to be a business capability of firms. Sourcing also consists of processes of planning, evaluating, implementing and controlling all sourcing activities by a company to achieve its long-term goals. (Smeltzeret al., 2003) find that all sourcing strategies emphasize the integration of business practices such as supplier assessment, supplier certification and measurement, therefore sourcing if properly structured can efficiently combine the fundamental competencies of a given firm with the skills and abilities of its suppliers. Sourcing decisions are vital for any organizations that want to leverage on its core competencies and outsource other activities in order to gain and retain competitiveness.

1.1.1 Profile of Credible Blooms Ltd

After a long stay in the horticulture industry for a span of 23 years working through various positions and with an exposure both locally and internationally Mr. Njenga the Managing Director established a trading company Pigeon Blooms in 2009 with the help of his wife Nancy Njenga based on strong Christian values whose main objective was to bridge the gap in the industry between the buyers and the growers. This created a one stop shop where the buyer would make a single call and enjoy flowers from various growers in the country in essence there was a gap that was bridged in the conception of the company which dealt with about 30 growers as a source for the market which the clients would enjoy from Pigeon blooms. After pigeons success Credible blooms was born in 2011 to meet customer policies which could not be met by trading with middle men but would rather deal with the grower (source) of the product.

Credible Blooms Ltd is a Kenyan flower company incorporated in 2011. The first farm is a 12ha project located at the foot of Ngong hills 40km from Jomo Kenyatta International Airport in Nairobi. This farm is built at an altitude of 2050m above sea level and began production of fresh cut-flowers (Roses only) in the beginning of 2012. This altitude
provides unique opportunity to produce high quality products in terms of head size and stem length. The Ngong project is expected to produce 15 million stems annually.

The second farm is located in Rumuruti 230km North of Nairobi. The farm was constructed in 2015 and began production in Jan 2016. The first phase is 10.2ha but is expanding with additional 3.5ha to make a total of 13.7ha by the end of 2017. 16 million stems are expected in 2017 from Rumuruti. The total area under production will be 25.7ha by the end of 2017.

The farms are equipped with modern infrastructures which includes good road network, Computerized irrigation systems, 2 huge water reservoirs, permanent source of clean water, 560sqm of cold room space, over 1,000sqm of Grading floor space, refrigerated trucks among others.

Credible Blooms Ltd is managed by highly qualified and experienced professionals who have been in flower industry In Kenya for over two decades. The growing is manned by a technical team specialized on crop husbandry and pest control backed by young dedicated and industrious staff.

Varieties are carefully selected with close consultations with the overseas clients. Before any new variety is put on commercial production, samples from breeders are shipped to our main customers abroad and subjected to professional vase life testing. Once the varieties are widely accepted by our markets then planting is done as a commercial trial or full commercial production based on the facts gathered during the process. Other factors like productivity and crop protection costs are taken in to account too. Credible Blooms has over 40 varieties of roses on commercial production from both farms. Plans are underway to introduce other types of flowers to better our basket.

Customer requirements are taken in to account from Harvesting, treatment, pre-cooling, grading and packing. Pack house team of well trained and experienced staff ensure that only flowers of required specifications reach the designated customers. We are flexible to special value adding activities like sleeving, special bunching, Bouquet making and specialized packing. Shipments are done daily to ensure only fresh flowers from farm
reach the market. In the pack house flowers are sized, sorted according to head size and cut stage, Bunched, sleeved and packed according to the customers specification. Before bunches are recorded as export quality they are subjected to a quality control process as certified as fit for export. A traceability code is put on each bunch to enable us track the source of the flower in case of any quality complaints abroad. Cut-stage requirement for various markets is put in to consideration during the grading process. All cold chain protocols are observed right from the farm to the final destination. This guarantees freshness and good vase life for the flowers. Most of our roses last for over 10 days on the vase.

Credible Blooms has been able to consistently produce high quality roses that have been widely accepted with great appreciation in all our markets. Our countries of export include Netherlands, Germany, Sweden, France, Norway, Japan, Australia, Russia, Hungary, Ukraine, China, Middle East, and Nigeria among other African states. All logistical requirements are handled by Pigeon blooms staff (sister company) who are specialised in sourcing, consolidation and export of flowers to many destinations across the globe. There are staffs stationed at the airport who perform quality control and processing of the required export documents. With the support of reliable freight forwarders we are able to organize shipments to new destinations on short notice. The staff in Nairobi office coordinate drop of points and cut off time for each consignment. The departments include Managerial Director, General Manager, Farm managers, Human Resource, Financial Controller, Sales and Marketing, Procurement/Accounts, Operating coordinator, Store coordinator, supervisors and general workers.

1.2 Statement of the Problem

The challenge of demand for quality service and upcoming competitions for most of the firms has realized the need for quality service delivery and efficiency. Sourcing plays a key role in ensuring that this is achieved, therefore there is a need for firms to ensure that they don’t only source but source strategically.

According to (Presutti, 2003; Lo & Yueng, 2004; Tayles and Drury, 2001) 70 per cent of an organization’s sales revenues or total manufacturing costs is spent on purchasing raw
materials, components, finished goods or services hence if sourcing costs can be reduced, this can improve returns on investment by increasing both profit margins and asset turnover rate. CredibleBlooms Limited faces a major challenge in controlling the overall operating cost because of the constant increase of sourcing cost;

Studiesthating to sourcing have been done but a few deals with impact on organizational performance. A study done by Odhiambo (2013) on sourcing practices and factors influencing sourcing practices of manufacturing multinational corporations in Kenya, he found that the most outstanding sourcing practice were purchasing, internal integration, and information sharing. Nyagari et al.,(2014) have looked at the relationship between sourcing and the triple bottom line in commercial banks in Kenya. (Chiang, Hillmer & Suresh 2012), has conducted a study on the impact of sourcing and flexibility on firm's supply chain agility, which the study found out that strategic supplier partnership, supplier evaluation, sourcing flexibility and trust in supply chain members are the key dimensions of strategic sourcing. With all this studies it implies that little research have been conducted on its effects to profitability itself. With these knowledge gaps this study therefore tended to investigate the effects of sourcing as a supply chain function on profitability in the floriculture industry specifically looking at Credible Blooms Ltd.

1.3 Objectives of the study

1.3.1 General objective
The general objective of this case study was to investigate the effects of sourcing as a supply chain function on profitability in the floriculture industry. A case study of Credible Blooms Ltd

1.3.2 Specific Objectives
a) To determine the effects of Supplier Development on profitability of Credible Blooms Ltd.

b) To establish the effects of contract management on profitability of Credible Blooms Ltd.

c) To determine the effects of Supplier relationship management on profitability of Credible Blooms Ltd.
d) To establish the effects of early supplier Involvement on profitability of Credible Blooms Ltd.

1.4 Research Questions
a) To what extent does supplier development affect profitability of Credible Blooms Ltd?
b) How does Contract management affect profitability of Credible Blooms Ltd?
c) To what extent does supplier relationship management affect profitability of Credible Blooms Ltd?
d) How does early supplier involvement affect profitability of Credible Blooms Ltd?

1.5 Significance of the study
Strategic sourcing is an important aspects in today’s firms, for organizations to achieve competitive advantage, most of organizational costs is spend on purchasing of raw material, finished goods and even services, with this important aspect the researcher is positive that the findings of this research will be of a great help to procurement professionals in all sectors especially for floriculture industry. It will enlighten various procurement managers in understanding how sourcing if properly done can immensely cut down on organizational cost, hence improving the overall profitability.

The researcher is also positive that the findings of this study will form a basis of which future research can be developed, mostly with practices of floriculture entities with respect to sourcing and also it will help Credible Blooms Ltd recognize that sourcing can be of advantageous to organizations in terms of total cost reduction, hence affecting profitability in general. Lastly it will highly add to the pool of knowledge in the field of sourcing in floriculture entities in general.

1.6 Limitations of the study
The study was conducted in Credible Blooms Ltd which is a floriculture firm and thus the findings of this study may not be generalized to reflect the practices of other non-floriculture firms.
As data for this study was collected via questionnaire, the sincerity of the respondents in expressing their opinions in the questionnaire may be questionable. The researcher assumed that all the answers to the items in the questionnaire would reflect their true feelings and views.

The statements in the questionnaire could not be fully comprehended by the respondents. This might have led to inaccurate responses and thus findings. However the researcher explained to the respondents so as to understand the questions clearly.

1.7 Scope of the study
This study was to investigate the effects of sourcing as a supply chain function on profitability of Credible Blooms Ltd. The target population of the study comprised of all 35 staff working in procurement department at Credible Blooms Ltd who responded to the questionnaire. The study was conducted in the month of September 2017.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter gives an outlook on various theories in relation to strategic sourcing, conceptual framework which captures both dependent and independent variables, review of variables, critique of existing literature relevant to the study, research gaps and summary.

2.2 Review of theoretical literature
2.2.1 Resource Based Theory
Resource Dependence Theory (RDT) promoted by Pfeffer and salancikin (1978), is the study of how the exterior resources of organizations affects the profitability of the organization. The procurement of exterior resources is a significant tenet of both the strategic and tactical management of any company. An implication in the procurement efficiency of the buying firms especially in tapping into the connection with suppliers as their important and dependable associates. Thus this theory props up the concept of supplier development. RBT proposes that actors lacking in crucial resources will seek to create relationships with (i.e., be dependent upon) others in order to acquire required resources. Just like sellers on buyers for precious markets and buyer will depend on suppliers for external resources. Also, organizations endeavor to alter their reliance relationships by lessening their own reliance or by increasing the dependence of other organizations on them.
Within this viewpoint, organizations are viewed as coalitions alerting their structure and patterns of behavior to acquire and maintain required external resources. Acquiring the external resources required by an organization comes by diminishing the organization’s reliance on others and/or by increasing other’s reliance on it, that is, modifying an organization’s influence with other organizations.

2.2.2 Network Theory
Network theory is the core on the relationships a firm has with other firms, and on how these relationships influence a firm’s behavior and outcomes (Thorelli, 1986). Network theory inform on choice of which firms an organization chooses to buy from or engage with as alliance partners.
Centrality is a key concept within network theory. Centrality refers to how critical a firm is within a network. High supremacy refers to a firm that is always sought out as a partner. Such firms enjoy high regard and status among the network (Gulati et al., 2000). Being central within a network would seem to offer the potential to improve the four key competitive priorities within supply chains: quality, speed, cost, and flexibility (Hult et al., 2006).

A highly central firm can tap its tight links in order to rush orders when required, make seamless transitions over time and seek out the provider offering the best materials and lowest prices. Therefore, with regard to sourcing, a firm should endeavor to be central to its network and should seek sources that are central to their networks.

2.2.3 Systems Theory

Systems theory views the organization as a system of interconnected parts which interact together to produce products and services (Bertalanffy, 1951). From a systems perspective of sourcing, the assumption is that one or more parts of the system is being externalized, and has an effect on the interconnected parts of the system. The nature and strength of this effect is primarily determined by the nature of interdependence between firm work processes.

There are three types of interdependence; pooled interdependence occurs when each part of the system makes a distinct contribution to and is supported by the whole; sequential interdependence exists when one part of a system has to complete its contribution before the next can take action from start to finish in the production process; and reciprocal interdependence occurs when outputs of one system serve as inputs to the other, and vice versa (Thompson, 1967).

The type of interdependence offers insights into the associated costs of coordination and communication in sourcing relationships. Increases in interdependence, complexity, task variety, or specialization in production processes increase the coordination and communication costs between firm and sourcing partners (Combs & Crook, 2007). Further, coordination and communication costs are lower for outsourced process
beginnings (inputs) and endings (outputs) than for dually interconnected outsourced system parts.

Beyond the implications on the coordination and control costs associated with the type of interdependence, systems theory also provides insights on the desirability of multiple and plural sourcing relationships in turbulent environments. Ashby (1956) work on requisite variety implies that as firms face and operate in increasing turbulent and complex external environments, that firms must maintain increasingly complex structural connections and mechanisms to survive and prosper in the environment. Thus, one interpretation of requisite variety is that firms maintaining multiple and plural sourcing relationships with external partners have stronger dyadic and network relationships than firms eschewing outsourcing. In such cases, firms in sourcing partnerships and networks have greater requisite variety and an increased ability to navigate complex environments successful.

2.3 Empirical Literature Review

2.3.1 Supplier Development and Profitability in the floriculture industry

According to Krause (1997), supplier development broadly refers to “any effort by a buying firm to improve a supplier's profitability and/or capabilities to meet the buying firm's short- and/or long-term supply needs” Purchasers can make use of a wide range of supplier development practices to improve a supplier's profitability and/or capabilities. Krause et al. (2007) opined that supplier development may be composed of such activities from a buying firm as goal setting, supplier evaluation, supplier technical support, profitability measurement, supplier training, and other related activities. This set of practices encompassing direct involvement indicates a multidimensional nature of supplier development (Pagell & Curkovic, 2001).

Supplier development should lead to improvement in the total added value from the supplier in question in terms of quality of product or service offered, business processes and profitability, improvements in lead times and delivery to overall profitability of the buying firm (Modi & Mabert, 2007). Supplier development is normally undertaken with existing suppliers that can be, and agree to being, improved. Suppliers can be categorized
in respect of supplier development in three ways; they are, being developed, on hold as a potential for development or, identified as not being worth the investment of development.

There is no single approach to supplier development but it is generally acceptable that it can be undertaken at three levels (Trent & Monczka, 1999) i.e. basic, moderate and advance level, according to the level of firm involvement and implementation complexity (i.e. skill, time, and resources required to execute successfully a particular activity). There is consensus between Petersen et al. (2005) and Swink, Narasimhan and Wang (2007) that a fundamental pre-requisite to supplier development and indeed the development of any purchasing and supply management strategy, is that purchasing and supply management professionals should analyze, evaluate and appreciate their own organization’s corporate objectives and business needs before embarking on supplier development. The supplier development organizations which are undertaken must be in support of the purchasing and supply management strategy which, in turn, supports the organizational strategy (Muhkerji & Francis, 2008).

However, there are also such direct investments in supplier development that are more specific, advanced and time and resources consuming as well as complex to implement by the buyer. Although academia elaborates on a number of constructs in the context of supplier development, an immense majority of literature focuses only at a few of them. Wuyts and Geyskens (2005) investigated the role of detailed contract drafting and close partner selection on the formation of strong supplier-buyer relationships which eventually translated into greater firm profitability.

2.3.2 Contract management and Profitability in the floriculture industry
Cleland and Bidanda (2009) have stated that in a highly connected and competitive world, most organizations must function in an environment that interacts with joint ventures, alliances, multinational sourcing, sub-contractors, and intricate vendor relations. Relationships with external organizations are managed through contracts. In general, companies provide services or products based on the results of direct contract
negotiations with the client. One of the most important factors in preparing a proposal and estimating the cost and profit of a project is the type of contract expected.

The confidence by which a bid is prepared is usually dependent on how much risk the contractor will incur through the contract. Certain types of contracts provide relief for the contractor since onerous risks exist (Kerzner, 2009). He further states that the size and experience of staff, urgency of completion, availability of qualified contractors, and other factors must be evaluated carefully during contract negotiations. The advantages and disadvantages of all basic contractual arrangements must be recognized to select the optimum arrangement for a particular project.

According to Project Management Institute (2013), all legal contractual relationships generally fall into one of two broad families: either fixed-price or cost reimbursable. There is a third hybrid type commonly in use called time and materials contract. The fixed-price contract type is recommended, although some organizations also prepare team contracts to define ground rules for the project. However, in practice it is not unusual to combine one or more types into a single contract document. Once the contract has been signed, both parties must meet their obligations under the contract. The contract administrator is responsible for compliance by the contractor to the buyer’s contractual terms and conditions and to make sure that the final product of the project meets requirements.

Project Management Institute (2013) further states that under fixed-price arrangement, buyers need to precisely specify the product or service being procured since changes in scope may only be accepted with an increase in contract price. Kerzner (2009) argues that although a contract administrator is a member of the project team for reporting purposes, the contractor administrator could report to a line function such as legal department and may even be an attorney. In later stages of the project, a contract administrator is responsible for verification that all the work performed and deliverables produced are acceptable to the buyer. Contractual closure is then followed up with administrative project closure of the project or phase.
Important work by Pryke (2006) treated organizations as a network of relationships that need managing to achieve project success. In the construction sector, a number of studies have identified the importance of managing the interrelationships between parties within a project. Studies focusing on organizing organizations as temporary multiparty organizations in the 1980s came from Bresnen (1988) in the United Kingdom, and from Packendorff (1995) in Europe. Brensen and Marshall (2002) further looked at partnering within the construction industry. A key issue remained of how to embed partnering relationship into the contract. The use of the contract form to govern the relationship and resolve conflicts among the contracting parties has been explored by various parties such as Lazar (2000), and Cicmil and Marshall (2005) but with no specific contractual devices developed.

Profitability is what results from a team reaching the objectives of the sourced project. In sourcing as with any other project context, project profitability can be measured as the extent to which a project is completed in time, within budget, and demonstrates a quality that satisfies customer requirements (Kerzner, 2009). The subject of project success is at the heart of project management. Project Management Institute (2013) has stated that the project manager is responsible and accountable for setting realistic and achievable boundaries for the project and to accomplish the project within the approved baselines. Many factors impact the degree of success in sourced organizations. In this study, profitability of sourced organizations was deemed to be influenced by contract management. A wide range of profitability indicators such as operational, financial, behavioural, and attitudinal outcomes have been applied to investigate the added value of teams in organisations (Delarue et al., 2004).

2.3.3 Supplier relationship management and Profitability in the floriculture industry

Browne, M. (2004), contended that supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers.
just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers.

Supplier relationship management entails determining how company buyers interact with suppliers. It is a mirror image of customer relationship management. Just as a company needs to develop relationships with its customers, it needs to foster relationships with its suppliers to ensure quality goods and services, timely and assured deliveries and information flow to assist both organizations in planning. At the strategic level, the output of the process is an understanding of the levels of relationships the firm will maintain, and the process for segmenting the suppliers and working with them to develop appropriate relationships.

Once the process team determines the criteria for categorization of suppliers and the levels of customization, the operational supplier relationship management process develops and manages the relationship. Relationships can take the form of supplier captive or buyer captive. Supplier applies when the supplier has less chances of changing the buyer either because of the supplier having invested a lot of resources to produce a particular product to a given firm and hence moving will be a loss, a case where a supplier has only one or a few clients to deliver to. Buyer captive arises when the buyer has one source to buy from such as when there is only one supplier or manufacturer of product. In both cases, relationships should be a win-win to both for both firms to reduce costs and share profits.

2.3.4 Early supplier Involvement and Profitability in the floriculture industry
Supplier involvement in product development allows firm to make better use of their supplier’s capabilities and technology to deliver competitive products. Coordinating operational activities through joint planning also results inventory reduction smoothing production, improve product quality, and lead time reductions argues that integration is an effective strategy in reducing with suppliers throughout the product lifecycle is an effective strategy in reducing supply uncertainty, Hanfield, A. (2001).

Various definitions of supplier involvement in procurement have been used in past studies. Handfield et al (1999) view it as the information suppliers provide and their
participation in decision making. Afterwards, Wynstra et al (2000) define it as involvement of decisions and activities related to prioritising, mobilising, coordinating, timing, and informing with regards to these resources, tasks, and responsibilities. Recently, van Echtelt et al (2008) refer it as the resources (i.e., capabilities, investments, information, knowledge, ideas) that suppliers provide, the tasks they carry out and the responsibilities they assume regarding the sourcing procedures.

Suppliers usually have greater expertise and knowledge regarding the specifications, parts and components which may be essential to a firm’s new product development. As a result, supplier collaboration can help firms incorporate the expertise and different perspective of a supplier to improve its solutions or create new methods for product development (Bonaccorsi and Lipparine, 1994; Eisenhardt and Tabrizi, 1995). Supplier involvement also allows firms to identify potential technical problems and speed up new product development (Kessler and Chakrabatri, 1996).

Efficient supplier involvement, raising profitability expectations, evaluation, exchange of personnel, information exchange among others are vital for effectiveness in procurement functions of National Cereal and Produce Board. The World Food Program report (2010) relates current poor procurement profitability at the NCPB to inadequate support to farmers, arm’s length relationship between the buying farms and international supplier, unpredictable weather conditions, escalating costs, failure to apply modern technology in operations and uncertain pricing.

2.4 Critical Review
Essentially sourcing addresses the issue as to whether a firm should make or buy intermediate inputs; an issue that has a long tradition in economics, dating back to the seminal work by Coase (1937) on the boundaries of a firm. Since then, a large body of literature has been concerned with analysing the determinants of this “make-or-buy decision”, focusing on the role of incomplete contracts, specific assets and transactions costs (e.g., Williamson, 1975, Grossman and Hart, 1986, Bolton and Whinston, 1993). In a nutshell, firms would prefer to “buy” as opposed to “make” as long as the cost of sourcing is lower than in-house production. Hence, sourcing can be used to economize on
production cost, in particular labour cost (Abraham and Taylor, 1996) by substituting in-house production with the buying-in of components. The cost of sourcing is not only determined by the price of the bought-in components, but also by transaction costs due to transport and incomplete contracting costs, and the possible implications of asset specificity for supplier and/or customer.

In a recent paper, Grossman and Helpman (2002) provided a comprehensive theoretical analysis of firms’ sourcing decisions. In their model, firms decide whether to be vertically integrated or to outsource production of components to specialised producers. This involves a search process, whereby final good producers search for subcontractors and vice versa. There is incomplete information – subcontractors cannot easily signal their quality – and therefore a potential for a hold-up problem arises. Grossman and Helpman (2002) show that the viability of sourcing is determined by the distribution of bargaining power between the two parties involved, the degree of competition in the market, and the number of potential partners in the market.

Taking this as a theoretical background, one may expect that the benefits from sourcing are not always the same, but in particular depend on the characteristics of the firm and industry in question. Large firms may be in a better position to achieve high bargaining power vis-à-vis suppliers and may hence be better able to benefit from sourcing. Also, large firms may face lower search costs as they may be better established in the market and have better knowledge of competitors and suppliers than small establishments.

In terms of industry characteristics, if there are more potential subcontractors in the industry, if the bargaining power is tilted towards the final good producers, or if the level of competition is high among subcontractors, final good producers are more likely to find sourcing a viable strategy.

In another studies by Görzig and Stephan (2002) who use German data for a sample of large companies to examine the benefits of sourcing. They find that firms that engage in materials sourcing experience benefits, in terms of increased returns per employee, while services sourcing induces a negative effect on measured returns. This, they infer, is due to
the non-transparent way in which outsourced services are priced vis-à-vis more tangible inputs. They conclude that while the markets for intermediate products appear to function, outsourced services may be subject to certain inefficiencies. In related work, Kimura (2002) discovers that poorly performing firms (low surplus to sales and low value added to sales) are more likely to use subcontractors, in an analysis of the Japanese machinery manufacturing industry. He concludes that profits are highest for those firms that do not get involved in any type of subcontracting, whether as a supplier or as an outsourcer. These results, accordingly, are in line with the findings for Germany by Görzig and Stephan (2002).

2.5 Summary and Gaps to be filled by the study
Studies relating to strategic sourcing have been done but a few deals with impact on organizational performance. A study done by Odhiambo (2013) on strategic sourcing practices and factors influencing sourcing practices of manufacturing multinational corporations in Kenya, he found that the most outstanding sourcing practice were strategic purchasing, internal integration, and information sharing. Nyagari et al., (2014) have looked at the relationship between sourcing and the triple bottom line in commercial banks in Kenya. Chiang, Hillmer, & Suresh (2012), has conducted a study on the impact of strategic sourcing and flexibility on firm's supply chain agility, which the study found out that supplier partnership, supplier evaluation, sourcing flexibility and trust in supply chain members are the key dimensions of sourcing. with all this studies it implies that little research have been conducted on its effects on profitability of an organization. With these knowledge gaps this study therefore tended to investigate the effects of sourcing as a supply chain function on profitability in the floriculture industry.

2.6 Conceptual Framework
Conceptual framework is a set of wide ideas and theories that enables the researcher to identify problems in the study, frame questions and discuss the relevant literature for the study (Stratman & Roth, 2004). The independent variables of the study are supplier development, contract management, supplier relationship management and early supplier involvement (ESI) while the dependent variable is organizational Profitability. Some of the effects of sourcing on Profitability of Floriculture Industry include: Supplier
Development, Contract management, Supplier relationship management and Early supplier Involvement

**Independent variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Measurement</th>
</tr>
</thead>
</table>
| Supplier Development      | • Extent to which Supplier Development affect Profitability on Floriculture Industry  
                            | • Ways in which Supplier Development affect Profitability on Floriculture Industry | Respondents’ responses on the questioner. |
| Contract management       | • Extent to which Contract management affect Profitability on Floriculture Industry | Respondents’ responses on the questioner. |

**Dependent variable**

Profitability of Floriculture Industry

Figure 2.1: Conceptual framework

Figure 2.1 shows the conceptual framework illustrating the relationship between the Profitability of Floriculture Industry (dependent variable) and the effects of sourcing which are conceptualized as independent variables. Thus, independent variables are those factors that are manipulated directly by the researcher whereas a dependent variable is what is tested by the researcher.

### 2.7 Operational Framework
| Supplier relationship management | • Ways in which Contract management affect Profitability on Floriculture Industry  
• Extent to which Supplier relationship management affect Profitability on Floriculture Industry  
• Ways in which Supplier relationship management affect Profitability on Floriculture Industry | Respondents’ responses on the questioner. |
|---------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------|
| Early supplier Involvement      | • Extent to which Early Supplier Involvement affect Profitability on Floriculture Industry  
• Ways in which Early Supplier Involvement affect Profitability on Floriculture Industry | Respondents’ responses on the questioner. |

**Table 2.1: Operational framework**
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter focuses on the design and methodology used in the study. The research methodology followed in this study will be discussed under the following four headings: research design, target population, sampling design and procedure, data collection instruments and procedure and data analysis.

3.2 Study Design
This study used a descriptive research design. The purpose of descriptive surveys, according to Ezeani (1998), is to collect detailed and factual information that describes an existing phenomenon. A thorough review of literature was conducted before selecting the topic of the study. The research design that was used in this study was a descriptive design. The researcher chose this research design because the study aimed at collecting information from respondents on their attitudes and opinions in relation to effects of sourcing as a supply chain function on profitability in the floriculture industry.

3.3 Target population
The focus of the study was the employees of Credible Blooms Limited who worked in the Procurement Department. The accessible population was made up of 35 employees who included Chief Procurement officer, Assistant Chief Procurement officer, Accountant, Procurement officers and storekeepers.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Employees</th>
<th>Target population</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Procurement officer</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Assistant Chief Procurement officer</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Accountant</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Procurement officers</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Storekeepers</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author, 2017
3.4 Sample Design
Sampling is selecting a given number of subjects from a defined population as representative of that population while a sample is a small portion of a population selected for observation and analysis. By observing the characteristics of a sample, one can make certain inferences about the characteristics of the population from which it is drawn (KIM, 2009). In view of the size of the target population, it was more appropriate to treat the population as a study sample. Therefore, all the 35 employees formed the study sample. The researcher censured all the employees who worked in Procurement department to participate in the study.

Table 3.2: Sample size

<table>
<thead>
<tr>
<th>Employees</th>
<th>Target population</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Procurement officer</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Assistant Chief Procurement officer</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Accountant</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Procurement officers</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Storekeepers</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author, 2017

3.5 Data Collection Methods and Instruments
The instruments for data collection in the study were both structured and semi-structured questionnaires. The questionnaires were specifically designed to accomplish the objectives of the study. The structured questionnaires were given to respondents by the researcher personally and collected after having been completely responded to.

3.5.1 Reliability and Validity
To assess the validity of the questionnaire, a pilot study was conducted in Redland Roses Ltd prior to data collection in order to test the reliability of the instrument. During the pilot study, the developed questionnaires, along with explanations regarding terms and concepts were presented to 5 Procurement staff in Redland Roses Ltd. As such, they were asked to fill the questionnaires. The inputs given by respondents were included while finalizing the questionnaire. The researcher also noted any revision along with some additions and deletions. Validity of the instruments was then improved through expert
judgment. As such, the researcher sought assistance from the supervisor who assisted in improving the questionnaires. The necessary amendments were then made and it’s Content and constructs validity assured and finally confirmed.

3.6 Data analysis methods and procedures
The data was analyzed both qualitatively and quantitatively. The information was received, edited and coded for accuracy. Errors and omissions detected were corrected. Frequency tables, charts and percentages were the key tools used to present the data.

3.7 Research Ethics
The researcher ensured no bias practices when collecting data. Data collection was as per the sampling technique so that every respondent has an equal opportunity in the study, the respondent tried as much as possible to be honest and accurate in their responses. The respondents’ information was handled with ultimate confidentiality and any required disclosure, consent was obtained.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction
This chapter represents the analysis of data collected, presentation and interpretation of the research findings. The analysis is made up of quantitative and qualitative data analysis. Data was collected using questionnaires which were administered personally by the researcher to the respondents. The findings were presented using tables, graphs and pie-charts. The data was then analyzed and interpreted under different research headings.

4.1 Presentation of Research Findings
4.1.1 General findings
Table 4.1: Response rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded to</td>
<td>35</td>
<td>100</td>
</tr>
<tr>
<td>Not responded to</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Figure 4.1: Response rate

According to table 4.1 and figure 4.1, 100% of the respondents responded to the questionnaires and returned. Therefore there was 100% response rate.
Table 4.2: Gender of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 4.2: Gender of the respondents

According to table 4.2 and figure 4.2, 57% of the respondents were male while 43% were female. This shows that Credible Blooms Ltd has achieved gender parity of 1/3 of either gender as stipulated in the constitution of Kenya.

Table 4.3: Age of the respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20 years</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>20 – 29 years</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>30 – 39 years</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>40 – 49 years</td>
<td>11</td>
<td>31</td>
</tr>
<tr>
<td>50 – 59 years</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Above 60 years</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.3 and figure 4.3 shows that 31% of the respondents were between the age of 40-49 years, 26% were of age 30-39 years, 20% were of ages 20-29 years, 11% were of ages 50-59 years, 9% were below 20 years while 3% were above 60 years. This shows that Credible Blooms Ltd has employees of all ages with majority being 20-49 years.

**Table 4.4: Respondents’ highest level of education**

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Secondary</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Diploma</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td>Degree</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Figure 4.4: Respondents’ highest level of education**
According to table 4.4 and figure 4.4, 40% of the respondents had acquired other levels of education, 32% had acquired diploma level of education, and 17% had acquired degree level while 11% had acquired secondary level of education. None of the respondents had primary level of education. This indicates that most of the employees at Credible Blooms Ltd had acquired post-secondary levels of education.

**Table 4.5: Respondents number of years working in the Company**

<table>
<thead>
<tr>
<th>No. of years</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 5 years</td>
<td>20</td>
<td>57</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>11 – 20 years</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Above 20 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Figure 4.5: Respondents number of years working in the Company**

Table 4.5 and figure 4.5 shows that 57% of the respondents had worked in the company for less than 5 years, 40% had worked for between 6-10 years, and 3% had worked for between 11-20 years. None of the workers had worked for more than 20 years. This shows that slightly more than half of the employees at Credible Blooms Ltd had only worked for less than 5 years.
Table 4.6: Respondents’ view on sourcing as a supply chain function at Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Good</td>
<td>18</td>
<td>51</td>
</tr>
<tr>
<td>Fair</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Poor</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 4.6: Respondents’ view on sourcing as a supply chain function at Credible Blooms Ltd

Table 4.6 and figure 4.6 indicates that 51% of the respondents felt sourcing as a supply chain function at Credible Blooms Ltd was good, 23% felt that it very good as well as fair and 3% felt it was poor. This shows that majority of the employees at Credible Blooms Ltd hold the view that sourcing as a supply chain function at Credible Blooms Ltd was good.

4.1.2 Supplier Development

Table 4.7: Whether Supplier Development affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>61</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Not sure</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>
According to table 4.7 and figure 4.7, 61% of the respondents held the opinion that suppliers’ development affected profitability of Credible Blooms Ltd. Among them 28% held a contrary opinion while 11% were not issue. This shows that supplier development affected profitability of Credible Blooms Ltd.

Table 4.8: Extent that Supplier Development affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>High</td>
<td>19</td>
<td>54</td>
</tr>
<tr>
<td>Medium</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Figure 4.8: Extent that Supplier Development affect profitability of Credible Blooms Ltd
According to table 4.8 and figure 4.8, 54% of the respondents were of the opinion that Supplier Development affected profitability of Credible Blooms Ltd to a high extent, 30% were of the opinion that it affected to a very high extent while 13% and 3% to a medium and low extent respectively. This indicates that Supplier Development affected profitability of Credible Blooms Ltd to a high extent.

### 4.1.3 Contract Management

Table 4.9: Whether Contract management affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23</td>
<td>66</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.9 and figure 4.9 shows that 66% the respondents said that indicates that contract management affected profitability of Credible Blooms Ltd while 29% said that it did not affect. Only 5% were not sure. This shows that according to the majority, contract management affected profitability of Credible Blooms Ltd.

**Table 4.10: Extent that Contract management affect profitability of Credible Blooms Ltd**

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>High</td>
<td>18</td>
<td>51</td>
</tr>
<tr>
<td>Medium</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>
According to table 4.10 and figure 4.10, 51% of the respondents said that Contract management affected profitability of Credible Blooms Ltd to a high extent, 23% of the respondents said that it affected to a very high extent, 20% to a medium extent while 6% of the respondents said it affected to a low extent. This indicates that Contract management affected profitability of Credible Blooms Ltd to a high extent.

4.1.4 Supplier Relationship Management

Table 4.11: Whether Supplier Relationship Management affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>70</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Not sure</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
According to table 4.11 and figure 4.11, 70% of the respondents were of the opinion that Supplier Relationship Management affected profitability of Credible Blooms Ltd, 21% were of the opinion that it did not affect while 9% of the respondents were not sure. This shows that Supplier Relationship Management affected profitability of Credible Blooms Ltd.

Table 4.12: Extent that Supplier Relationship Management affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>High</td>
<td>18</td>
<td>51</td>
</tr>
<tr>
<td>Medium</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Figure 4.12: Extent that Supplier Relationship Management affect profitability of Credible Blooms Ltd

Table 4.12 and figure 4.12 indicates that 51% of the respondents were of the opinion that Supplier Relationship Management affected profitability of Credible Blooms Ltd to a high extent, 28% of the respondents said that if affected to a very high extent, 17% said that it affected to a medium extent while 4% said to low extent. This shows that Supplier Relationship Management affected profitability of Credible Blooms Ltd to a high extent.

4.1.5 Early Supplier Involvement

Table 4.13: Whether Early Supplier Involvement affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>77</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Not sure</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
According to table 4.13 and figure 4.13, majority 77% of the respondents were of the view that Early Supplier Involvement affected profitability of Credible Blooms Ltd while 9% of the respondents said that it did not affect. Only 14% of the respondents were not sure. This shows that Early Supplier Involvement affected profitability of Credible Blooms Ltd.

Table 4.14: Extent that Early Supplier Involvement affect profitability of Credible Blooms Ltd

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>14</td>
<td>41</td>
</tr>
<tr>
<td>High</td>
<td>18</td>
<td>51</td>
</tr>
<tr>
<td>Medium</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.2 Qualitative Analysis

Qualitative data was analyzed through description of the responses as given by the respondent.

a) According to the findings of the study, Supplier Development affected profitability of Credible Blooms Ltd in the following ways; it Improves supplier performance, Reduces costs, Resolves serious quality issues, Developing new routes to supply, Improving business alignment between supplier and the buying organization, Developing a product or service not currently available in the marketplace, and Generating competition for high price product dominating the marketplace.

b) The findings of the study show that Contract management affected profitability of Credible Blooms Ltd by; Leading to completion of projects within set budget and
period, enabling organization to achieve their competitive advantage, and Leading to reduction on supply chain cost.

c) The study findings show that Supplier Relationship Management affected profitability of Credible Blooms Ltd in the following ways; Leads to reduction on lead time, Enables take advantage of the best available prices; Leads to improve customer service and Long term relationship has led to supplier complacency. According to the study, Early Supplier Involvement affected profitability of Credible Blooms Ltd in various ways which include; improving the customer service delivery, Improving chances of selecting competent suppliers and Leading to reduction on supply chain cost.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter covers summary of the main findings from the analyzed data. Conclusion and recommendations are also made. Suggestion for further research is outlined.

5.2 Summary of the findings
5.2.1 General findings
The study findings show that Credible Blooms Ltd has achieved gender parity of 1/3 of either gender as stipulated in the constitution of Kenya. This was shown by 57% of the respondents who were male while 43% were female.

The company has employees of all ages with majority being of age 20-49 years. This was indicated by 31% of the respondents who were between the ages of 40-49 years, 26% was of age 30-39 years and 20% were of ages 20-29 years.

According to the study, most of the employees had acquired post-secondary levels of education. This was indicated by 32% who had acquired diploma level of education while 17% had acquired degree level. Only 11% had acquired secondary level of education.

More than half of the employees at Credible Blooms Ltd had only worked for less than 5 years. This was shown by 57% of the respondents who had worked in the company for less than 5 years, 40% had worked for between 6-10 years, and 3% had worked for between 11-20 years.

Majority of the employees hold the view that sourcing as a supply chain function at Credible Blooms Ltd was good. This as indicated by 51% of the respondents who felt sourcing as a supply chain function was good, and 23% felt that it very good as well as fair.

5.2.2 How Supplier Development affect profitability of Credible Blooms Ltd
According to the study findings, supplier development affected profitability of Credible Blooms Ltd. This was shown by 61% of the respondents who held the opinion that
suppliers’ development affected profitability of Credible Blooms Ltd with only 28% holding a contrary opinion. most (54%) of the respondents were of the opinion that Supplier Development affected profitability of Credible Blooms Ltd to a high extent and 30% were of the opinion that it affected to a very high extent.

According to the findings of the study, Supplier Development affected profitability of Credible Blooms Ltd in the following ways; it Improves supplier performance, Reduces costs, Resolves serious quality issues, Developing new routes to supply, Improving business alignment between supplier and the buying organization, Developing a product or service not currently available in the marketplace, and Generating competition for high price product dominating the marketplace.

5.2.3 How Contract management affect profitability of Credible Blooms Ltd

According to the study, contract management affected profitability of Credible Blooms Ltd. This was shown by majority (66%) of the respondents who said that contract management affected profitability of Credible Blooms Ltd while 29% were of contrary opinion.

The findings show that Contract management affected profitability of Credible Blooms Ltd to a high extent as shown by slightly half (51%) of the respondents who said that Contract management affected profitability of Credible Blooms Ltd to a high extent, while 23% said that it affected to a very high extent.

The findings show that Contract management affected profitability of Credible Blooms Ltd by; Leading to completion of projects within set budget and period, enabling organization to achieve their competitive advantage, and Leading to reduction on supply chain cost.

5.2.4 How Supplier Relationship Management affect profitability of Credible Blooms Ltd

According to the study, Supplier Relationship Management affected profitability of Credible Blooms Ltd. This was indicated by majority (70%) of the respondents who were
of the opinion that Supplier Relationship Management affected profitability of Credible Blooms Ltd with only 21% having the contrary opinion.

Supplier Relationship Management affected profitability of Credible Blooms Ltd to a high extent. According to the findings more than half (51%) of the respondents were of the opinion that Supplier Relationship Management affected profitability of Credible Blooms Ltd to a high extent, and 28% of the respondents said that if affected to a very high extent.

The study findings show that Supplier Relationship Management affected profitability of Credible Blooms Ltd in the following ways; Leads to reduction on lead time, Enables take advantage of the best available prices; Leads to improve customer service and Long term relationship has led to supplier complacency.

5.2.5 How Early Supplier Involvement affects profitability of Credible Blooms Ltd

The study findings show that Early Supplier Involvement affected profitability of Credible Blooms Ltd. This was indicated by majority (77%) of the respondents who were of the view that Early Supplier Involvement affected profitability of Credible Blooms Ltd while only 9% who were of the contrary opinion.

According to the findings, Early Supplier Involvement affected profitability of Credible Blooms Ltd to a high extent. More than half (51%) of the respondents were of the opinion that Early Supplier Involvement affected profitability of Credible Blooms Ltd to a high extent while 41% of the respondents said that it affected to a very high extent.

According to the study, Early Supplier Involvement affected profitability of Credible Blooms Ltd in various ways which include; improving the customer service delivery , Improving chances of selecting competent suppliers and Leading to reduction on supply chain cost.
5.3 Conclusions

The study findings show that Credible Blooms Ltd has achieved gender parity of 1/3 of either gender as stipulated in the constitution of Kenya. The company has employees of all ages with majority being of age 20-49 years. Most of the employees had acquired post-secondary levels of education and had only worked for less than 5 years. Majority of the employees hold the view that sourcing as a supply chain function at Credible Blooms Ltd was good.

Supplier development affected profitability of Credible Blooms Ltd to a high extent in the following ways; it Improves supplier performance, Reduces costs, Resolves serious quality issues, Developing new routes to supply, Improving business alignment between supplier and the buying organization, Developing a product or service not currently available in the marketplace, and Generating competition for high price product dominating the marketplace.

Contract management affected profitability of Credible Blooms Ltd to a high extent by; leading to completion of projects within set budget and period, enabling organization to achieve their competitive advantage, and Leading to reduction on supply chain cost.

Supplier Relationship Management affected profitability of Credible Blooms Ltd to a high extent in the following ways; Leads to reduction on lead time, Enables take advantage of the best available prices; Leads to improve customer service and Long term relationship has led to supplier complacency.

Early Supplier Involvement affected profitability of Credible Blooms Ltd to a high extent in various ways which include; improving the customer service delivery, Improving chances of selecting competent suppliers and Leading to reduction on supply chain cost.
5.4 Recommendations
Supplier development is an important factor in enhancing profitability of floricultural industries, the integration of the organization should enhanced for maximization of the output. Contract management should be enhanced in all floricultural industries to enable them achieve their competitive advantage.
Floriculture industries should ensure Supplier Relationship Management is enhanced to improve on customer service satisfaction to achieve a leading edge in the growing floriculture industry.
Floriculture industries should ensure early Supplier Involvement in coming up with new products or new technologies. The lead time in the procurement of material in the production line will be definitive as well as minimum errors in the production.

5.5 Recommendation for further research
This study recommends for further research to be conducted on challenges affecting sourcing as a supply chain function in floricultural industries.
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APPENDIX I:
QUESTIONNAIRE

Research project Title: Effects of sourcing as a supply function on profitability in the floriculture industry: (A case study of Credible Blooms Ltd)

I am a student of The Management University of Africa, carrying out a research on the above mentioned topic in partial fulfillment for the award of Degree in Bachelor of Management and Leadership Purchasing and Supply Management option. You are kindly required to answer the following questions honestly and sincerely. All the responses will be treated with confidentiality and used for academic purposes only.

(Tick where appropriate and for explanation, please be brief)

SECTION A: GENERAL INFORMATION

1. What is your gender?
   a) Male [   ]
   b) Female [   ]

2. In which of the following age brackets do you fall?
   a) Below 20 years [   ]
   b) 20 – 29 years [   ]
   c) 30 – 39 years [   ]
   d) 40 – 49 years [   ]
   e) 50 – 59 years [   ]
   f) Above 60 years [   ]

3. What is your highest level of education?
   a) Primary [   ]
   b) Secondary [   ]
   c) Diploma [   ]
   d) Degree [   ]
   e) Others (Please specify……………………………………………………………)

4. How long have you been working for Credible Blooms Ltd?
   a) 0 – 5 years [   ]
b) 6 – 10 years [  ]  

c) 16 – 20 years [  ]  

d) Above 20 years [  ]  

5. How is sourcing as a supply chain function at Credible Blooms Ltd?  
a) Very good [  ]  
b) Good [  ]  
c) Fair [  ]  
d) Poor [  ]

SECTION B: SUPPLIER DEVELOPMENT  

6. Does Supplier Development affect profitability of Credible Blooms Ltd?  
a) Yes [  ]  
b) No [  ]  
c) Not sure [  ]  

7. To what extent does Supplier Development affect profitability of Credible Blooms Ltd?  
a) Very high [  ]  
b) High [  ]  
c) Medium [  ]  
d) Low [  ]  

e)  

8. How does Supplier Development affect profitability of Credible Blooms Ltd?  
a)  
b)  
c)  
d)  
e)  

SECTION C: CONTRACT MANAGEMENT  

9. Does Contract management affect profitability of Credible Blooms Ltd?
10. To what extent does Contract management affect profitability of Credible Blooms Ltd?
   e) Very high
      [   ]
   f) High
      [   ]
   g) Medium
      [   ]
   h) Low
      [   ]

11. How does Contract management affect profitability of Credible Blooms Ltd?
   a) ---------------------------------------------------------------
   b) ---------------------------------------------------------------
   c) ---------------------------------------------------------------
   d) ---------------------------------------------------------------
   e) ---------------------------------------------------------------

SECTION D: SUPPLIER RELATIONSHIP MANAGEMENT

12. Does Supplier Relationship Management affect profitability of Credible Blooms Ltd?
   a) Yes
      [   ]
   b) No
      [   ]
   c) Not sure
      [   ]

13. To what extent does Supplier Relationship Management affect profitability of Credible Blooms Ltd?
   a) Very high
      [   ]
   b) High
      [   ]
   c) Medium
      [   ]
   d) Low
      [   ]
14. How Does Supplier Relationship Management affect profitability of Credible Blooms Ltd?
   a) 
   b) 
   c) 
   d) 
   e) 

SECTION D: EARLY SUPPLIER INVOLVEMENT
15. Does Early Supplier Involvement affect profitability of Credible Blooms Ltd?
   d) Yes [ ]
   e) No [ ]
   f) Not sure [ ]
16. To what extent does Early Supplier Involvement affect profitability of Credible Blooms Ltd?
   e) Very high [ ]
   f) High [ ]
   g) Medium [ ]
   h) Low [ ]
17. How Does Early Supplier Involvement affect profitability of Credible Blooms Ltd?
   a) 
   b) 
   c) 
   d) 
   e) 

Thank you for your participation