

An empirical investigation of how strategic purchasing enhances effective buyer-supplier relationship and operational performance:

A STUDY OF OIL AND GAS FIRMS OPERATING IN NIGERIA

CHAPTER 5: DISCUSSION

5.1. Introduction

The aim of this study is investigate the impact on strategic purchasing on buyer-supplier relationships and the operational performance of the supply chain for oil and gas companies operating in Nigeria. This chapter discusses the findings of the study with regard to the research questions. The study hypotheses are also evaluated. Moreover, the findings reported in this study are positioned in the literature by comparing with what past researchers indicated regarding the variables explored in this study.

5.2. Impact of Strategic Purchasing on Buyer-supplier relationships

The survey focused on the association between the aspects of strategic purchasing on the dimensions of buyer-supplier relationships. The survey revealed important findings regarding the nature of the association between strategic purchasing practices and buyer-supplier relations. In particular, the findings of the survey show that supplier integration, formal socialization process and supply base flexibility are all positively correlated to overall buyer supplier relationship. From the survey, a positive correlation coefficient of

0.423 exists between supplier integration and overall buyer-supplier relationship, which is a moderate positive association between these variables. In addition, a weak positive coefficient (0.193) was reported between formal socialization process and overall buyer supplier relationships. Moreover, the findings indicate a moderate positive correlation (0.381) between supply base flexibility and overall buyer-supplier relationship. It is important to note that all these correlations are statistically significant. The underlying inference from these observation is that strategic purchasing practices are essential in building buyer-supplier relationships. The results also indicate that a significant, moderate positive correlation (0.538) exists between strategic purchasing (sum of the items in the subscale) and overall buyer-supplier relationships.

In order to understand the positive impact of strategic purchasing on the buyer-supplier relationship, a closer look at the correlations between the strategic purchasing practices and the dimensions of buyer-supplier relationship is necessary. In this respect, the findings of the survey suggest that supplier integration is positively correlated to the dimensions of buyer supplier relationships including cooperation, trust, communication, interpersonal relationships, and power dependence. Similar findings were documented by Baier, Hartmann and Moser, who documented the pivotal role that supplier integration plays in the enhancing the performance of the buyer-supplier relationship through fostering reliability, flexibility of the supply chain, and improving the delivery times and reliability of the supply chain. The findings of the study also show that formal socialization process is positively correlated to the various dimensions of buyer-supplier relationships such as communication, cooperation and trust. These findings are consistent with the findings reported by Frödell, who found that formal socialization processes in the supply chain increases communication and cooperation between the partnering firms, which can be attributed to increased intensity and frequency of interactions between suppliers and buyers. The survey also

shows that supply base flexibility is positively correlated to the various dimensions of buyer-supplier relationship including cooperation, communication, trust, interpersonal relationships, and reduced power dependence.

These findings confirm the assertions made by Castaldi, Ten Kate & Den Braber, who emphasized the need for alignment between the resources of the buyer and the supplier in order for both to achieve competitive and collaborative advantage. Chiang, Kocabasoglu-Hillmer & Suresh also reported similar findings by indicating that having fewer suppliers strengthens the relations between the buyer and its key suppliers. Caniëls and Gelderman also reported that having a limited number of suppliers leads to the establishment of close, collaborative relations with suppliers. In sum, the results of this study offer evidence to indicate that the use of strategic purchasing plays a crucial role in fostering effective buyer-supplier relationships through enhancing long-term cooperation and communication between buyers and suppliers. This finding is largely consistent with the findings reported in the literature.

5.3. Impact of Strategic Purchasing on the Operational Performance of Supply Chains

The results presented in this research offer insights that can be used deduce the nature of the association between strategic purchasing and operational performance of the supply chain. In this respect, the results showed a positive correlation between the sum of the items in the strategic purchasing subscale and the operational performance of the supply chain. A close scrutiny of the correlations between strategic purchasing practices and operational performance. For instance, the results show a significant positive correlation between supplier integration and operational performance of the supply chain. This finding is consistent with the findings documented by

Nyaga, Whipple and Lynch and Salmi, who reported a positive association between supplier integration and business performance. Supplier integration enhances the performance of the supply chain through enhanced increased reliability, improving the delivery times, and enhancing the flexibility of the supply chain. An insignificant correlation was reported between the operational performance of the supply chain and formal socialization processes. This result is inconsistent with the findings in literature that indicate a positive association between formal socialization processes and the performance of the supply chain. Su pointed out that formal socialization processes helps in facilitate the exchange of timely, accurate information, which increases the performance of the supply chain. In addition, socialization processes have been linked to the heightened interactions between suppliers and buyers. The inconsistency in the findings of this study can be attributed to the sample size since the correlation is not statistically significant. The results also show a significant positive correlation between supplier base flexibility and the operational performance of the supply chain. In other words, having fewer suppliers increases the performance of the supply chain, which is consistent with the results documented by Wasti and Wasti, who showed a positive association between few suppliers and reduced lead times, improvements in quality, and an increase in sales. In sum, this study suggests that strategic purchasing can be used to enhance the performance of the supply chain.

5.4. Hypotheses Evaluation

Based on the findings, the following table 5.4 represents an evaluation of the study hypotheses.

Table 5.4: Hypotheses evaluation

Hypotheses	Evaluation
H_{1a} – Strategic purchasing has a significant positive impact on buyer-supplier relationships	True
H₁₀ – Strategic purchasing does not have an impact on buyer-supplier relations.	False
H_{2a} – Strategic purchasing has a significant positive impact on the operational performance of firms.	True
H₂₀ – Strategic sourcing does not have an impact on the operational performance of firms.	False

5.5. Chapter Summary

The results show that strategic purchasing is positively correlated to buyer-supplier relationships and the operational performance of supply chain. Strategic purchasing enhances supplier relations through enhancing cooperation, communication, trust, interpersonal relationships, and reduced power dependence. The operational performance of supply chain is enhanced through reduced lead times, improvements in quality, and an increase in sales. The subsequent chapter summarizes the entire research and presents the implications for the research.