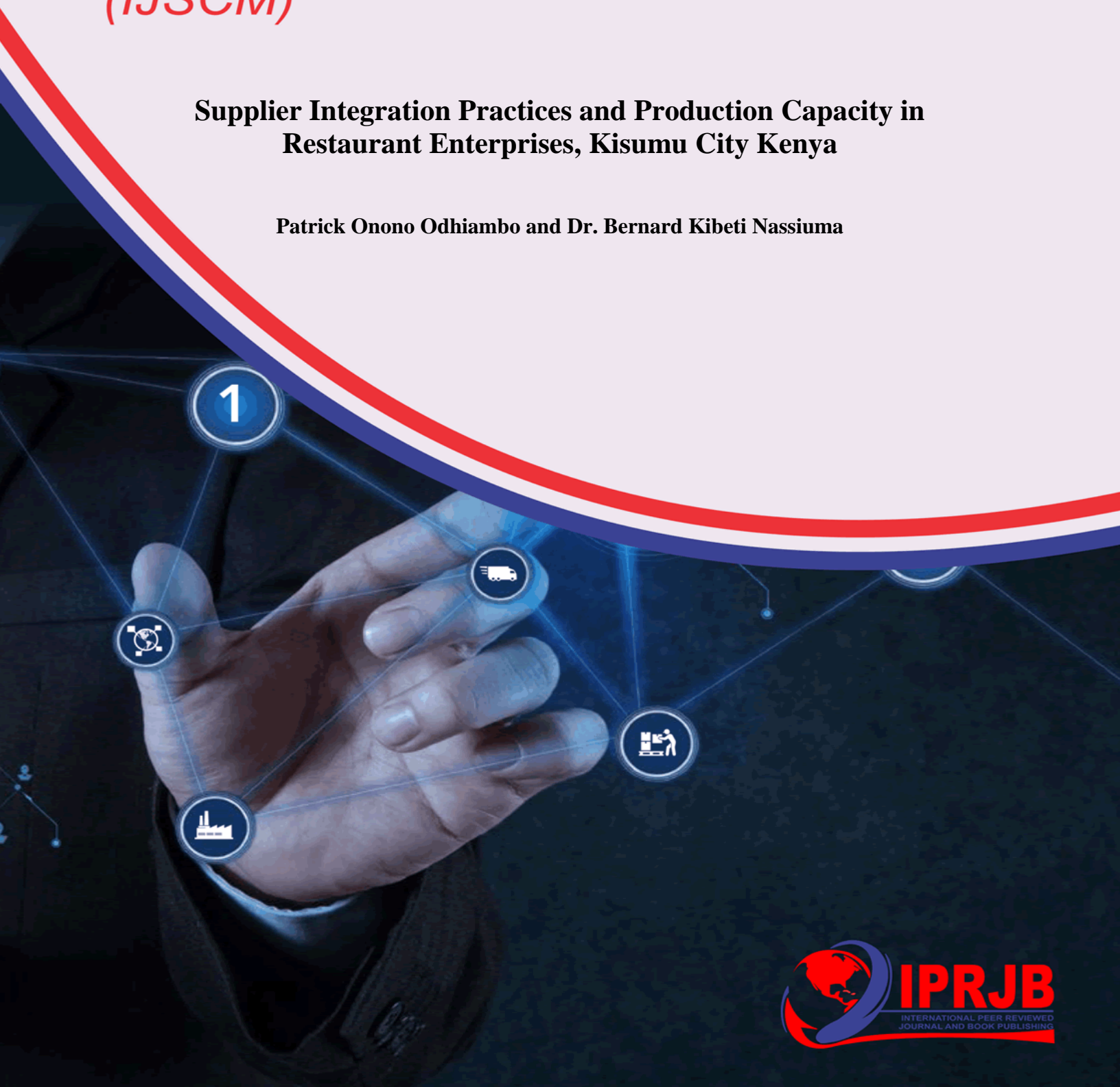


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Supplier Integration Practices and Production Capacity in Restaurant Enterprises, Kisumu City Kenya

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Abstract

Purpose: Enterprise growth in restaurants is contingent to production capacity. Customers are the pillar to any enterprises growth hence, establishing a sustainable value delivery system can result in competitiveness and entrepreneurial sustainability. Igniting customer demand in restaurant enterprises is critical in sustaining sales growth. This study was based on the resource – based and competence –based theories.

Methodology: The study was based on a sample size of 120 participants. Who comprised of owners and employees, who completed a self-administered questionnaire. Data analysis was based on Pearson correlation test.

Findings: The findings show that supplier Intergration had a positive relationship with the production capacity. The key findings reveal that production capacity had a positive and significant relationship with integration of supplier base.

Conclusion and policy recommendations: The study concludes that integration of supplier base influences enhancement of production capacity hence, igniting enterprise growth. The study recommends SEs to focus on developing efficient and effective entrepreneurial competencies on the supplier base integration.

Key words: *Value delivery, enterprise growth, Food Retail Outlets.*

1.0 INTRODUCTION

Small enterprises (SEs) worldwide have been recognized as engines of economic development through economic growth, innovation and job creation (Zrnic & Palace, 2011; Karadeniz & Ozcam, 2010). According to Kongolo, (2010) SEs create almost half of all new jobs in the world's economy. SE growth is an outward indication that an enterprise is successfully responding and adapting to market needs. Growth in SEs is manifested in sales growth among other factors. However; despite the significant contribution of SEs to socio-economic transformation, creation rate of successful SEs in developing economies is one of the lowest in the world. The majority of SEs in developing world hardly celebrate their third birthday, implying that they exit the enterprise continuum (Fatokis & Garwe, 2010). Efficient and effective value delivery approach can therefore enhance enterprise growth. Studies conducted on enterprise growth shows that human capital (Fatoki, 2011), motivation of entrepreneur (Block & Wagner, 2007), growth strategy or ambition of the entrepreneur (Vastel, 2006) market orientation (Tuminen, 2012), innovation (Goedhuyd & Veugelers, 2012), enterprise characteristics (lawless, 2012), are found to have temporarily influenced enterprise growth. The study was guided by one hypothesis; the integration of supplier base has no significant relationship with production capacity in restaurants.

1.1 Theory

This study was based on the resource – based theory Barney, (2007) and the competence –based theory (Edgar & Lockwood, 2010). According to the resource – based theory Barney (2007) the resources distributed among the enterprises are heterogeneous and immobile. The nature and quality of the enterprise resources can lead to progress in the enterprise continuum. Resource-based theory asserts that there are unlimited sources of opportunities in the market place, hence the enterprise need to recognize its resources to identify and exploit the next growth opportunity. Empirical implication derived from the theory is that the enterprise resource reconfigured significantly impacts on value delivery and thus results into enterprise growth.

The competence –based theory (Edgar and Lockwood, 2010) asserts that SMEs need to know what their core competencies are to create market satisfaction to customers. Competences-based theory postulates that the small enterprises need to develop creative strategies to deliver value to customers to create demand for sustainable competitive advantage empirical implication of the theory is that developing efficient and effective competencies positively impacts on value delivery, hence leading to enterprise growth.

1.2 Concept of Enterprise Growth

Enterprise growth is the ability to achieve competitive strength and sustainability in a business domain. SE growth depends on operating behaviours of the enterprise, geographical locations, status of political economy of the country and finally business environment. Vision, motivation and growth strategy/aspiration of entrepreneur influences enterprise growth (Majumdar, 2008). Majumdar (2008) further alludes that the environment such as social setting, formal or informal structure of the enterprise, country of origin and its culture and family has different implications on the enterprise growth. Industry factors, geographical condition, employee quality and

technological innovation capability also have a significant impact on enterprise growth according to Lifeng (2012). While Lawless (2014) observes that SEs growth depends upon enterprise-specific characteristics such as enterprise size and age. Haltiwanger, (2013) asserts that SEs growth is positively influenced by enterprise growth and depends upon entrepreneurial skill of the founder, the innovativeness of the start-up, the available human capital of SEs, qualifications of owner-manager, motivation and growth ambition of the entrepreneur of the enterprise (Fritsch & Schroeter, 2009 & 2011).

Komppula and Tuominen (2012), alludes that market orientation through creation of superior customer value impacts on enterprise growth. Market-oriented SEs grew compared to non-market oriented enterprises (Gudlaugsson & Schalk, 2009). Laufente and Rabetino (2011) acknowledge human capital influences the performance, competitiveness, success and growth of the enterprise. The level of education and industry experience of the entrepreneur is an important aspect of enterprise growth. The effective utilization of resources plays a vital role in enterprise growth (Penrose, 2009).

Mateev and Anastasov (2010) found that the enterprise growth is related to size as well as other specific characteristics like financial structure and productivity. Lorunka (2011), contended that the gender of the founder, amount of capital and growth strategy predicted growth in SEs. He also highlighted human resources and commitment of the owner-manager of the enterprise influenced the enterprise growth Muthaih and Venkatesh (2012), asserted that institutional and financial soundness influences enterprise growth.

1.3 Concept of Value Delivery

Value delivery is a procession or infusion of an entrepreneurial quality in product / services. According to Solomon (2009) value delivery in service offerings is what customers look for. It is the identification and satisfaction of unmet needs for the target customers. While Walter and Rainbird (2007) suggests that it is a statement of customer value attributes. In order for an enterprise to gain any real competitive advantage in the market place value delivery should meet the customer expectations. An understanding of the ways of customer satisfaction can support an initiation of effective marketing strategy and organizational development, and hence result in increased sales returns and revenue (Fonseca, 2009).

Value delivery ought to meet the customer specialized needs at the lowest costs of acquisition, ownership and use (Johnson, and Weinstein, 2007). Value delivery needs to be reliable, efficient, effective, more flexible and confident to increase variety of products, or services, shorten lead times and reduce costs of logistics. Value expectation ought to be realized so that the possibility of customer value delivery occur (Walter & Rainbird, 2007). Value delivery hinges on the overall value process to create progressive competitive advantage for SEs. Delivery of value on enterprise growth is not a result of one factor, but a combination of factors that fit together and contribute to superior customer value to ever changing demands of customers and pressure from competition (Ibid).

1.4 Integration of supplier base

Integration of supplier base is conceptualized as efficient, effective, flexible, adaptable and confident execution of diverse and individualized customer needs and expectations. Supplier base is a component of value creation of small and medium enterprises as it plays a vital role by providing raw materials to the enterprise and delivery of finished products to end users. The supplier base has the production planning and inventory control, distribution and logistics process. Small enterprise development and business growth the supplier base should serve the role of supplier, distributor and transportation of goods to consumers (Hong & Jeong, 2006).

Mistry (2006) suggests that the supplier base that constricts inventory level frees up warehouse space and loosens cash flow results in organization performance. This is particularly useful for the small enterprise due to its constant need for cash to its business. Small enterprises that builds long-term relationship with suppliers improve operational flexibility and reduces cash flow burden in the enterprise (Easingwood, 2006). A small enterprise relationship with the supplier drives the cost of materials down and therefore attains the cost leadership advantage and hence translates into higher productivity in enterprises. Small enterprises (SEs) which built long-term relationship with suppliers, improve their operational flexibility and reduces cash flow burdens (Easingwod, 2006). Flexible responsiveness to changes in demand of customers in terms of product/service offering influences future purchase behaviours. Hult (2008), points out that agile, lean and flexible size of supplier base efficiently, effectively and flexibly respond to changes in demand influences future purchase behaviours.

Faster delivery responds changes in demand of customers in short lead time. Faster delivery responds to changes in demand of customers in short lead time and elicits repeat purchases in the enterprise. Product diversification offers a wide range of product/service offerings. Kamau (2009), asserts that product diversification offers a wide range of product/service offerings that meets unmet and identified needs and expectations of customers. Delivery on promise influences future purchase behaviours. Delivery on promise respond to changes in demand of customers within the promised delivery date increases order quantity and order value and thus influences future purchase behaviours of the customer. Long-term relationship with the supplier drives the cost of material down and offer consistent, precise and timely product/service offerings at competitive prices. Easingwood (2006), acknowledges that long-term relationship with supplier drives the cost of materials down and offers reliable and timely product/services at competitive prices to customers.

Empirical research on the enterprise growth reveal a wide range of factors such as human capital (Fatoki, 2010), motivation of entrepreneur Block and Wagner (2007), growth strategy or combination of entrepreneur (Vanstel, 2006), market orientation (Tuominen, 2012), enterprise characteristics (Lawless, 2014), temporarily impacts on the enterprise growth hence the enterprise hardly progress in the enterprise continuum, hence exit. Value delivery to customers creates demand and results in sustainable competitive advantage in the market place, thus leading to enterprise growth (Gakure, 2010). Value delivery is an essential competitive necessity on enterprise growth (AP Annual Report, 2008). Factors that contribute to value delivery on enterprise growth are little understood and practiced hence the need for this study.

2.0 METHODOLOGY

The study adopted a survey research design. This approach allowed the collection of data from the sampled respondents. The SEs, restaurants licensed to operate in Kisumu County were targeted in the study. A sample of 120 respondents participated in the study. Reliability was determined by administering cronbach alpha test to evaluate alpha value for all the variables under study. Statistical values of alpha above 0.7 were regarded significant in terms of internal consistency. The alpha value was 0.731 indicating the instruments had good reliability.

Questionnaires was the main data collection instrument. Out of 120 sampled respondents, 119 were returned completed satisfactory. This gave a 99.2% successful return rate. Data analysis was based on descriptive and inferential statistics. The descriptive statistics included such as frequencies, mean, mode, medium and percentages. Pearson correlation test was performed to investigate the existence of association between the variables in the study.

3.0 FINDINGS

The findings of this paper are presented on the basis of the respondent and, enterprise profiles, followed by the relationship correlation between the supplier base Intergration and enterprise production capacity.

3.1 Demographic Variables

The female entrepreneurs were the majority (60.8%) compared to the male (39.2%). The highest percentage of the respondents was aged above 31 years (53.4%) and 21-30 years 40%. This suggests that the majority of the operators were senior youth and adults.

3.2 Position in the Enterprise

The study results revealed that the majority (64.2%, 77) enterprises were employee –managed against 42(35.8%) owner employer –managed. This suggests that employees were granted opportunity for promotion, thus creates entrepreneurial value to them to enhance their average units of value- added products, service and resulted in increased overall productivity in the enterprises.

3.3 Educational level of respondents

The findings indicated that the majority (99.2%, 99) respondents had obtained College and University education while 1(0.8%) respondents had attained secondary education. The majority 117(97.5%) of the respondents had acquired technical and entrepreneurial skills, suggesting that they had the requisite competencies to operate the enterprise.

3.4 Age of the Enterprise

The results on the age of the enterprise in the restaurants revealed that the majority (78.3%, 88) enterprises had been in the industry for a period of 3 years and above while (26.7%, 33) enterprises have been in food retail outlets for 1 year. This suggests that the majority of the enterprises in food retail outlets had entrepreneurial transitional rate and progressed in the enterprise continuum.

3.5 Start – up Stage of Growth

The results showed that the majority (45.8%, 55) respondents in food retail outlets had expanding customer base characteristics, (27.5%, 33) respondents exhibited functional specialization (13.3%, 16) respondents had product/service commercialization characteristics while (10.8%, 13) respondents and centralized organizational structure character. This suggests that delivering value to customers creates and increases market share of the enterprise.

3.6 Type of Enterprise Service

Restaurants are part of economy which deals in provision of food services. The results revealed that the grocery and Hotels dominated business services in food retail outlets with a cumulative frequency of 78.2% while soft drinks and butcheries had a cumulative frequency of 21.8%. This suggests grocery and hotel enterprises are easy to start and had high growth prospect the restaurant industry.

3.7 The relationship between supplier Intergration and enterprise production capacity Analysis:

Pearson correlation test was carried out to investigate the association between the independent variable (integration of supplier base) and the dependent variable (Production capacity). The result showed that production capacity has a positive and significant relationship to integration of supplier base ($r=0.428$, $p\text{-value} < 0.05$). This implies that the supplier base integration significantly influences enterprise production capacity.

Table 1: Correlation Test Between supplier base and production capacity

Model	Sig(2-tailed)	Pearson correlation (r)
Delivery on promise	0.021	0.211
Enterprise offers competitive pricing	0.000	0.428
Production diversification	0.000	0.359
Faster delivery	0.015	0.211
Enterprise meets sudden change in demand	0.000	0.330
Flexible responsiveness	0.022	0.453
Long term relationship	0.014	0.224
Integration of supplier base	0.000	0.428

Source: Field data, 2015

4.0 CONCLUSIONS

This study concludes that integration of supplier base positively impacts on value delivery of enterprise growth. The study recommends that SEs should focus on developing efficient and effective competencies on integration of supplier base as given that it significantly impact on value delivery, hence leading to enterprise growth.

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