



Buyer - supplier relationships in the Zimbabwean Tobacco Industry

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Abstract

The importance of developing sustainable buyer-supplier relationships cannot be overemphasised in firm performance. However, there is a dearth of literature on how buyer-supplier relationships are organised in industries of the developing countries. In this study, we drew on the existing theoretical framework on buyer supplier relationships to establish the nature of buyer-supplier relationships in the Zimbabwean tobacco industry. A survey was conducted on 11 tobacco contracting merchants (buyers) and 42 tobacco growers (suppliers) in the focal industry. Data was collected on buyers and suppliers' perception of the existence of the three constructs of buyer-supplier relationships namely trust, transaction specific investments and collaboration. An analysis of the survey data was carried out using the SPSS statistical program. Although joint action and flexibility were prevalent in the relationship from the supplier perspective, the results disproved our main proposition that the relationships were collaborative. However, the relationships were not purely adversarial either but were leaning more toward this end of the relationship continuum with trend moving toward collaborative. Further analysis is necessary to examine whether the results will hold with a larger supplier sample and for other specific industries. Managers may use these findings as a foundation of further research on how these relationships can be improved and to gauge their current position to enable planning for strategic positioning in the global competitive markets.

Table of Contents

Abstract	
Declaration	ii
Acknowledgements	iii
List of Figures	iv
List of Tables	iv
List of Acronyms	v
Chapter I Orientation	1
1.1 Introduction	1
1.2 Purpose of the study	4
1.3 Problem statement	5
1.4 Definitions	5
1.5 Scope of the study	6
1.6 Importance of the study	6
1.7 Outline of the research report	6
Chapter II Background	8
2.1 An Overview of the Zimbabwe Agricultural Industry	8
2.2 Study Domain: The Zimbabwe tobacco Industry	10
2.3 Concluding notes	15
Chapter III Literature Review	16
3.1 Supply Chain Management	16
3.2 Nature of Buyer-Supplier Relationships	18
3.3 Buyer-Supplier Relationships	23
3.3.1 Transaction Specific Investments	25
3.3.2 Trust	27
3.3.3 Collaboration	29
3.4 Buyer-supplier relationship performance	32
3.5 Concluding notes	33
CHAPTER IV Research Methodology	34
4.1 Research questions and hypothesis	34
4.1.1 Trusts	35
4.1.2 Transaction specific investments	36

4.1.3	Collaboration	36
4.1.4	Nature of relationships	36
4.2	Research Methods.....	37
4.2.1	Qualitative Research Methodologies	38
4.2.2	Quantitative Research Methodologies	39
4.3	Sampling.....	40
4.4	Data collection.....	41
4.5	Data Analysis	43
4.6	Study Limitations.....	46
4.7	Ethical considerations.....	47
4.8	Concluding notes.....	47
CHAPTER V	Research results	48
5.1	Description of the study samples of buyers and suppliers.....	48
5.1.1	Profile of respondents.....	49
5.2	Hypotheses Testing	56
5.2.1	Trust	56
5.2.2	Transaction Specific Investments	58
5.2.3	Collaboration	61
5.2.5	Nature of relationships	67
CHAPTER VI	Discussion, Conclusions and Recommendations.....	69
6.1	The control variables	69
6.2	Analysis of prevalence of the constructs of buyer-supplier relationships.....	71
6.2.1	Trust	71
6.2.2	Transaction Specific Investments	73
6.2.3	Collaboration	76
6.2.4	Nature of buyer-supplier relationships.....	77
6.3	Conclusions	79
6.4	Managerial implications	81
6.5	Recommendations for further research.....	81
LIST OF REFERENCES	84
Appendices	89

DECLARATION

The researcher certifies and declares that, other than where elsewhere noted, the entire body of this research is the researcher's own work, and that all references used have been accurately reported. The research is being submitted in partial fulfilment of the requirements for the degree of Master of Business Leadership at the Graduate School of Business Leadership, UNISA and has not been submitted before, in whole or in part, for any degree or examination at any university.

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LIST OF FIGURES

Figure 1. 1	Outline of the research	7
Figure 5. 1	Figure 1 Firm size by averages tobacco sales/purchases	54
Figure 5. 2	Frequency Bar graphs: Physical Transaction investments	60

LIST OF TABLES

Table 2. 1	Distribution of merchants according to value of tobacco bought.	12
Table 3. 1	Stages in evolution of buyer-supplier relationships	23
Table 4. 1	Research methods vs. research characteristics	37
Table 5. 1	Response statistics	48
Table 5. 2	Gender	49
Table 5. 3	Gender * Current age Cross tabulation % within gender	49
Table 5. 4	Years of farming experience * current age Cross tabulation	50
Table 5. 5	distribution of the time period in purchasing Department	50
Table 5. 6	Capacity in the organization – buyers	51
Table 5. 7	Category	51
Table 5. 8	Category of farmer * years of farming experience	52
Table 5. 9	Category of farmer * status of tenure Cross tabulation	52
Table 5. 10	Spearman's rho Correlations	52
Table 5. 11	Yield per hectare	53
Table 5. 12	Length of business interactions	54
Table 5. 13	% of funded crop delivered	55
Table 5. 14	Analysis of trust items: Spearman's rank order correlation	56
Table 5. 15	One sample chi square test – Trust	57
Table 5. 16	Analysis of TSI: Spearman's rank order correlation	58
Table 5. 17	One sample chi square test - TSI	59
Table 5. 18	Analysis of Joint planning items	61
Table 5. 19	Analysis of Joint decision making items:	62
Table 5. 20	Analysis of Joint Action dimensions	62
Table 5. 21	One sample chi square test – Joint Action	63
Table 5. 22	Analysis of Flexibility items	65
Table 5. 23	One sample chi square test – Joint Action	66
Table 5. 24	Summary of Constructs' Hypotheses Results	67

LIST OF ACRONYMS

CSO	Central Statistical Office
FDT	Farmers Development Trust
IMF	International Monetary Fund
SCM	Supply Chain Management
TCE	Transaction Cost Economics
TIMB	Tobacco Industry Marketing Board
TSI	Transaction Specific Investments
UNISA	University of South Africa
ZTA	Zimbabwe Tobacco association

CHAPTER 1: ORIENTATION

This first chapter outlines the motivation for conducting the study of buyer-supplier relationships. In addition to presenting a general introduction, the chapter also positions the study in the context of the Zimbabwe tobacco industry. The first part of the chapter describes the context of the study and the need for the research. Subsequently, an outline of the broad objectives and purpose of the study is set jointly with the statement of the problem and sub-problems which guides the entire focus of the study. Finally, the field of study is delineated through an outline of the focus and delimitations of the study. The chapter ends with an outline of the rest of the research report.

1.1 Introduction

Supply chain management (SCM) is a concept that has increasingly gained importance in the creation of competitive industries. The term has been used interchangeably with logistics that is inclusive of customers and suppliers (Simchi-Levy,D.; Kaminski & Simchi-Levy, 2000), purchasing and operations(Monczka; Trent & Handfield, 1998), with others viewing it as the combination of purchasing, operations, logistics and integration (Wisner; Leong & Tan, 2004). However, literature reveals that SCM is increasingly being recognized as the management of relationships along the supply chain. Identification of when these relationships are appropriate, the dimensions of effective relationships and how relationships can be a source of competitive advantage have received considerable attention in the literature (Carr & Pearson, 1999; O'Toole & Donaldson, 2000; Corsten & Felde, 2004).

Industry-specific forces like globalization, technological change, competitive forces and demanding customers are putting firms under pressure to improve quality, delivery performance, and responsiveness while simultaneously reducing costs. This has resulted in changes in the nature of competition from company versus company to supply chain versus supply chain for market supremacy. Accordingly, dynamic firms, those adapting to the changing environment, are increasingly exploring ways to leverage their supply chains, and in particular, to carefully evaluate the

responsibility of suppliers in their activities. Managers continually seek opportunities and challenges by exploiting their relationships with supply chain partners to obtain information that can aid them in their decision making. Consequently, the evolution of technology information systems has facilitated maintenance of mutually beneficial relationships with major suppliers and customers in firms' supply chains resulting in improved performance of the entire channel as well as its competitiveness. The governance of supply chains appear to hinge on control of the means of coordination rather than the means of production. Through ownership and control of their intangible assets, especially information, brands and patents, supply chains can raise their barriers to competition. Supply chain members can also achieve remarkable profits through information sharing and synchronizing operations to minimize inventory requirements, improve quality, and increase customer satisfaction

In the old paradigm, vertical integration, whereby firms endeavoured to gain ownership and coordination of several supply chain activities, was a way to gain synergy. The competitive world of today however requires adoption of more robust approaches by firms in a supply chain. This entails firms' focus on activities that they perform best and enter into trust-based voluntary relationships with supplier and customer firms that possess complementary capabilities with an ultimate goal of satisfying the end customer.

Macbeth and Ferguson (1994) in Matanda and Schroder (2002) stated that collaborating within the supply chain has the potential to deliver the benefits of vertical integration without the costs of ownership, through information sharing, transfer of technical expertise, process and equipment as well as a belief in 'shared vision'. However, attempting to manage the whole supply chain beyond the dyad is a very challenging task as managers are often unsure of what and what not to manage (Choi *et al.*, 2001). SCM positions the firm as the focal point of a network of suppliers and customers with process links between members of different tiers some not directly linked to the focal firm. Every one of these links is a relationship and the organization of these relationships is a determinant of how a supply chain is managed (Claro, 2004). It is imperative for firms to appreciate that, since supply chain relationships are not simple to cultivate and maintain collaborative efforts, they

should be for a strategic subset of suppliers and customers of the supply chain, namely those firms that provide strategic products, or services, or who purchase large quantities of finished goods. The establishment of these strategic relationships is more relevant for the agricultural industry where profit margins are slim and the competitive environment is characterised by the rapid shifts in consumer preferences, technology and international trade. Investigating the buyer–supplier relationships in the agricultural sector assists in establishing the types of links that exist to enable determination of the important ones that should be nurtured.

Zimbabwe was once considered one of the most advanced economies in Southern Africa until recently. Its economy was heavily dependent on agriculture, manufacturing, mining and the textile industries. The major agricultural crops are tobacco, cotton, maize and sugarcane. Agriculture was the single largest sectorial employer. Zimbabwe's economy underwent a massive decline in the agricultural sector which resulted in a huge decline in production. The decline in the agricultural sector can be attributed to droughts in the 1990s' and a botched land redistribution process initiated in 2000. The consequences of this drought period can still be felt today in the agri-business industries, most notably the tobacco industry.

The Zimbabwean tobacco industry is one of the most important agri-business industries in the country generating about 30% of the total production value in agriculture (CSO, 2009). This study focuses on the tobacco industry. Its relationships between tobacco growers (suppliers) and tobacco merchants (buyers) in the Zimbabwean tobacco sector became dysfunctional following the land reform and the sweeping political changes of the early twenties. Interactions between the tobacco buyers and suppliers were through the auction floors which provided a platform for trade. The Zimbabwean tobacco auction system was world renowned for its transparency with the Harare Auction floors used to predict the world tobacco prices (Ferreira, 2009). Over the years, the industry shifted from the auction system to contract lines. In the auction system, buyers and suppliers have minimal contact as tobacco merchants are represented by buyers on the auction floors bidding for the purchase of the tobacco. Under the contract lines, the grower enters into an agreement which specifies the amount of tobacco to be delivered and the floor price for each quality grade. As such, close buyer-supplier relationships are imperative.

These market shifts required that the suppliers and buyers shift their mindsets from spot-markets and seek collaboration in terms of creative joint problem solving, integration of activities and resources, and close contact with counterparts. The new style of buyer supplier relationships is becoming dominant in the industry's total trade with 73% of tobacco being sold under contract lines (TIMB, 2009). Contract farming is meant to mutually benefit the buyers and suppliers as the buyers are assured of guaranteed supplies at competitive costs than if they produce crops themselves. On the other hand, the farmers are guaranteed of the scarce inputs for production, technical services, and transport for the crops. The shortage of inputs for the tobacco industry was due to a deficiency of foreign currency brought about by the land reform. Whilst contract farming relatively improved the productivity of this sector, the relationships are far from perfect.

1.2 Purpose of the study

The topic of buyer–supplier relationships is important, but a small number of studies have been reported on this subject in developing countries like Zimbabwe. More so with economies undergoing an economic crisis like Zimbabwe. Cunningham (2001) argued that there is a serious deficiency in any sort of research on supply chains in Africa as research on supply chains has mainly been concentrated on developed countries. The SCM concept is now a dictate in the undeveloped African markets. Globalisation demands that undeveloped markets adopt competitive strategies employed in developed countries to ensure survival. In order to bridge this research gap, this study analyses buyer-supplier relationships in an effort to establish the types of relationships that exist in the agricultural sector in Zimbabwe, more specifically on the tobacco industry. The study empirically captures buyers' and sellers' perceptions pertaining to the relationships. Zimbabwe was once referred to as 'the bread basket of Southern Africa' because of its growing agricultural industry (Cooke, 2009). Therefore, to regain its status, it is necessary for the farmers and agro-processors who are the major drivers in this industry to establish good and strong relationships.

The objectives of the study are summarized hereunder:

- To analyze the buyer-supplier relationships between tobacco merchants (buyers) and tobacco farmers/growers (suppliers) in the Zimbabwe Tobacco industry.
- To establish the nature of the buyer-supplier relationships.
- To deduce the managerial implications of the existing relationships and recommend ways to improve the relationships to achieve sustainability.

1.3 Problem statement

Buyers and sellers in the tobacco industry face risks of inability to secure tobacco for their business and that of not being able to grow the tobacco for continuity of their businesses respectively. Market risks regarding pricing as well as globalisation also pose risks that managers need to be aware of for effective management. Globalisation poses the principal risk to supply chain management which requires markets in the underdeveloped countries to adapt competitive strategies employed in the developed markets to ensure survival. The relationships currently existing in the Zimbabwean tobacco industry have potential to improve performance thereby yielding mutual benefits as well as curb these supply chain risks. It is therefore imperative that research be carried out to establish the nature of buyer-supplier relationships in the focal industry as a starting point so that the development and nurturing of these relationships can be sustainable. This study has significant implications for the management of these relationships and on the profitability of the businesses. The sub problems were articulated as questions. The questions to be addressed are:

- What type of buyer-supplier relationships exist in the Zimbabwe tobacco industry?
- What managerial implications do these relationships have?
- How can the relationships be nurtured to mutually benefit the parties concerned and the industry at large?

1.4 Definitions

In this study, the supplier refers to the tobacco grower who is producing the tobacco leaf for sale to the buyer who is the tobacco merchant. The tobacco merchant refers to any buyer who purchases the tobacco from the farmer, either for further

processing or for export. The terms supplier (grower), buyer (merchant) and grower (farmer) are going to be referred to interchangeably throughout this study.

1.5 Scope of the study

In pursuing this research study the focus of attention was on the growers and the merchants who are the unit of analysis. The research was limited to the Zimbabwe tobacco industry and did not cover other crops in the agricultural sector.

1.6 Importance of the study

SCM can conclusively be delineated to be about relationship management with the chain being managed link-by-link and relationship-by-relationship. Although strongly linked supply chain relationships do not spontaneously come into existence, ability to establish and manage these relationships exceptionally well is certain to create a winning strategy. Establishing the types of links that exist in the Zimbabwean Tobacco industry will go a long way in the quest to develop strategic links and relationships or reengineer the existing ones to increase competitiveness of the industry with management of the relationships in these links being the thrust of the matter. This strategy is anticipated to aid in the country's current economic recovery efforts which are expected to restore Zimbabwe's status as the 'Southern African bread basket' (ibid).

In addition, this research will add to the body of knowledge on buyer-supplier relationships in Africa, particularly the tobacco industry in the Zimbabwean context. The recommendations from the study could be generalized across other sectors of the economy to achieve sustainable supply chain networks that improve the competitive nature of African businesses.

1.7 Outline of the research report.

The first chapter of this research provides an introduction of the research delineating the field of the study.

Chapter 2 presents an overview of the Zimbabwean Agricultural industry which initially maps out a broader picture of the industry and subsequently narrows down to the tobacco industry outlining how the industry operates.

Chapter 3 reviews literature and some theories on buyer-supplier relationships.

Chapter 4 presents the research methodology and describes how data was collected, the measurement instruments used and the methods for data analysis.

Chapter 5 tables the research results.

Chapter 6 discusses the results and concludes the research with recommendations for further research.

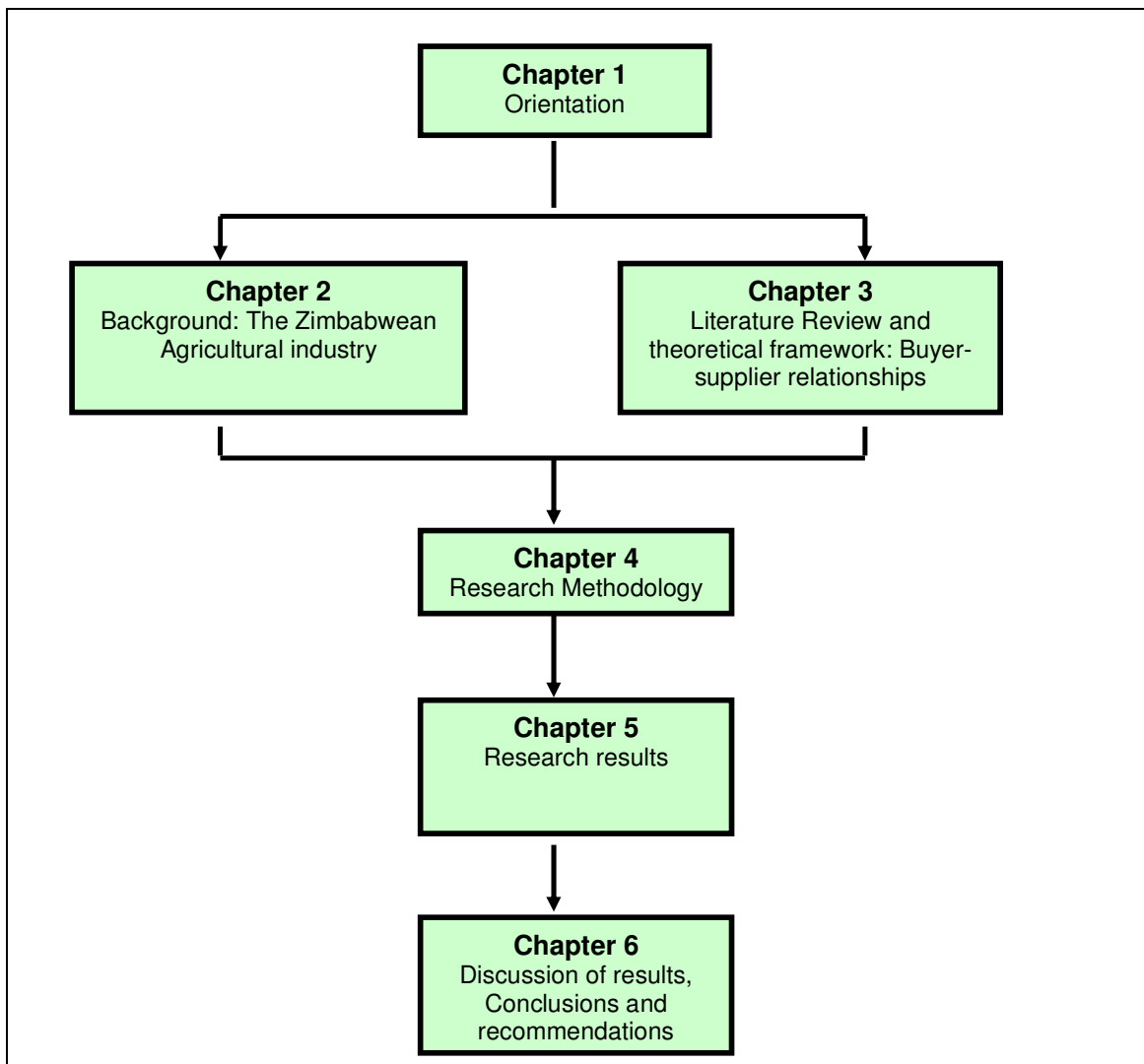


Figure: 1.1 Outline of the research

CHAPTER 2: BACKGROUND

This chapter presents an overview of the Zimbabwean Agricultural industry with the intention of briefly outlining the history and set the context for the research study. Some facts, figures and trends of the focal industry are also presented.

2.1 An Overview of the Zimbabwe Agricultural Industry

Zimbabwe was once considered one of the most advanced economies in Southern Africa, with an industrial base second only to South Africa, and the highest literacy rate on the continent. Its macroeconomic environment deteriorated sharply over the past twelve years with real GDP falling by an average of more than 43 per cent between 2000 and 2007 (Coltart, 2008). Inflationary pressures which were at a record high in 2009 and the lack of an anchor further reduced economic activity and the competitiveness of exports. The continued uncertainty brought about by the land reform program of 2000 fuelled the decline in the economy due to declining productivity on resettled farms and shortages of foreign exchange. A global recession, failed structural adjustment programs imposed by the World Bank and International Monetary Fund (IMF), a severe and continuous drought, a devastating HIV/AIDS pandemic, and the prevalent political issues are amongst other factors which contributed to the rapid changes across the country.

The country has an estimated land area of 386 670 square kilometres. 205 500 square kilometres (53.12%) of the total area is agricultural land and 8.24% of the total area is arable and 1 740 square kilometres is irrigable (The-world-fact book, 2000).

The stakeholders include but are not limited to: farmer's organizations; input suppliers (for example fertilizer companies); seed houses; farmers/growers; non-governmental organizations; agricultural experts; traders; financial institutions; millers and agro processors such as contract merchants; and stock feed processors. Table 2.1 shows the government institutions that are involved in the industry. Other non-governmental stakeholders in the tobacco industry include the Zimbabwe Tobacco association (ZTA), a lobbying organization whose mandate is mainly to lobby and act as a medium and vehicle of communication between the grower merchants and the government. It is the ear and mouth piece of all tobacco

stakeholders. The Farmers Development Trust (FDT) is mandated to train small tobacco growers. The farming community is mainly categorized into: the A1-communal resettlement model; the A2- commercial resettlement model; and the traditional large scale commercial farmers.

Table 2.1 Tobacco farming stakeholders.

Institution		Functions
Tobacco Industry Marketing Board		Responsible for tobacco sales and governing board for the tobacco industry
Grain Marketing Board		The sole grain procurement body in the country
Tobacco Research Board		Quasi-government organization responsible for all tobacco research. New varieties and production techniques, crop health, disease and pest control, et cetera.
Agricultural Research Council		Advise government on all aspects relating to agricultural research (new breeds, seed varieties, GMOs, et cetera)
Ministry of Agriculture and Rural Development	of and	Overall development and implementation of the government's policy on agriculture and irrigation
Agricultural and Rural Development Authority		Quasi-government agency responsible for the operation of government-owned irrigated estates and farms.
Department of Research and Extension Services	of	A functional arm under the Ministry of Agriculture and Rural development which provides extension services to irrigators, soil surveys and irrigation development.
Department of Irrigation	of	A specialist department under the Ministry of Agriculture and Rural Development responsible for irrigation planning, identification of schemes, designing, construction, operation and management of existing and new schemes.

With a total estimated population of 11,392,629, unemployment levels in Zimbabwe are at their highest (80%). Agriculture, once the corner stone and largest employer of the Zimbabwean economy, contributed to over 40% of GDP. The sector was hardest hit together with the manufacturing industry by the severe bottlenecks that emerged as imports of raw materials (such as fuel) and production inputs (fertilizers and spare

parts) were drastically cut and infrastructure (railways, electricity and urban water supplies) badly deteriorated. To date, the ongoing land resettlement program also continues to make agricultural prospects uncertain and discourages traditional and indigenous farmers from investing in key capital projects such as irrigation, dams and tobacco-processing barns. This, and an acute lack of tillage resources and a shortage of inputs (seed, fertilizer, chemicals, labour - illegal diamond and gold panning activities paying more than working on the farm) and the deteriorating infrastructure continue to reduce productivity even with abundant rainfall. In addition, the price of inputs that is beyond the reach of most farmers and the low farm take-up by resettled households also aid in reducing productivity.

2.2 Study Domain: The Zimbabwe tobacco Industry

The Zimbabwean tobacco industry plays an important role in the Zimbabwean economy especially as a gateway to the economy's recovery. Tobacco is the highest single crop foreign currency earner in the country and is also the highest GDP contributor. In the year 2000 the country produced 247 million kilograms of tobacco which contributed 60% of the total agricultural value. Although the trend over the years has declined with only 50 million kilograms being produced in the 2008/9 tobacco season and contributing 30% to the total agricultural value, tobacco is still the highest contributor as a single crop.

The Zimbabwean tobacco exports have also taken a down trend. In the late nineties and early 2000's, Zimbabwe was amongst the leading exporters of green tobacco vying for the first position with Brazil (Ferreira, 2009). During that era, 99% of the crop was exported and 1% was processed into cigarettes. In the 2008/9 tobacco season, 92% of the produced crop was exported and 8% was processed into cigarettes which were exported to regional countries which include Zambia, the Democratic Republic of Congo, Tanzania and South Africa. Internationally, Zimbabwean tobacco is exported to China, the European Union and the Middle East, with distribution stretching from the Gulf Estates to Indonesia and Malaysia. The largest tobacco players in the world include China and Brazil. Although China is the biggest producer producing 1200 million tonnes of tobacco, it only exports 2% as green tobacco with the rest being exported as cigarettes. Brazil produces 600-700

million kilogram of tobacco, exports only about 31% and the rest is locally consumed as cigarettes.

Suppliers output grew faster than acreage over the 20 year period from 1980 to 2000. This was contrary to the succeeding 10 years in which output decreased remarkably due to decreased acreage and output. The low uptake of farms by the new farmers as well as low yields due to lack of experience and high inputs costs contributed immensely to the decline. The tobacco industry grew production from 70 million to 247million kilograms per season from 1980 (independence) to 2000 under the new independent government. Under the same government however, the industry underwent a decline in production in the subsequent 10 years to 50 million kilograms per season with production levels below the industry's starting point. This is a clear revelation of lack of confidence in the government which might also be attributed to the tobacco output decline.

The tobacco buyers generally called merchants are firms that purchase tobacco either for export, as semi processed or green tobacco, or for processing into cigarettes for local and regional consumption. These can be tobacco contractors or auction floors. Even with the small number of merchants, concentration is the catchphrase with the largest 7.7% (those with sales of more than USD16 million) of buyers controlling 45.2%, and the smallest 15.4% (those with sales of less than USD500 000) controlling only 0.13% of total sales. These figures are illustrated in table 2.2. There were 16 buyers during the 2008/9 season of which 13 were contracting firms while 3 were auction floors. The two largest buying firms have sales of USD73 million.

Table: 2. 1 Distribution of merchants according to value of tobacco bought in 2008/9 season.

Value (\$ million)	# of buyers	%	Purchasing share %
0-0.5	2	15.4	0.31
0.5-1	2	15.4	0.95
1-2	2	15.4	2.30
4-7	1	7.6	5.68
7-10	2	15.4	12.34
10-16	3	23.1	33.27
>16	1	7.7	45.15
Total	13	100	100

Source: Tobacco Marketing Board.

In tobacco, the colour and weight of the leaf determines the ideal quality. The crop is grown on sandy-loam soils as the crop cannot tolerate wet feet, that is, it cannot do well on poorly drained soils. Tobacco is consumed either as cigarettes or snuff and also has a pharmaceutical purpose as an additive in medicine.

The Zimbabwe tobacco industry has two channels through which tobacco growers can sell to the merchants, namely the auction system or contract lines. This study focuses on the contract line channel as these have emerged as dominant in the industry with 73% of tobacco trade in value terms is being conducted through this channel (TIMB, 2009).

Zimbabwe was renowned for its tobacco auction system which was a determinant of world tobacco prices in the late nineties. The channel between growers (suppliers) and merchants was primarily the auction system through which 98% of the trade between buyers and sellers transpired. The system is still functional in the tobacco industry though not as efficient. Within the confines of the system no form of assistance is known to the grower except for a provision of a market place, the auction floors, which provide a medium of interaction for the growers and buyers. The auction system also aids in the moderation of the grading system and provides storage facilities in the event of a time lapse between delivery and auctioning of the tobacco. Growers access financial assistance from financial institutions and other tobacco institutions. Short term trade akin to the spot-market transactions typifies the tobacco auction system. The auction system works via the price bidding system, like

any other auction, in which prices are adjusted upward or downward for the highest bidder. The buyer has, however, the right to turn down a bid on quality basis. The minimum prices and floor prices for the different grades are set by demand and supply forces.

In the wake of the launch of Zimbabwe's land-reform programmes and the subsequent deterioration of the formal farming industry, the auction system consequently broke down and contract lines emerged as a dominant channel through which tobacco is now being sold. Fig 2.1 depicts the share of sales currently accounted for by each channel.

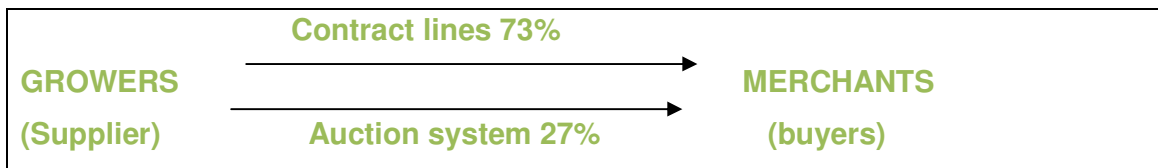


Figure: 2.1 Channels in the tobacco industry and the share of sales (%) between suppliers and buyers in the focal industry.

Source: Tobacco Industry Marketing Board (2009)

Contract lines also known as contract farming have dominated not only the tobacco industry but also the grains industry. The cost structure of the tobacco industry is such that 40% of the tobacco production costs are in hard currency and these were funded by private funds and the financial sector from the early 80s' to the early 2000s'. These costs include direct imports of fuel, fertilizers and chemicals ingredients sourced by the local members of the supply chain (fuel, fertilizer and chemical companies). The shortage of currency brought about by the agrarian reform and the subsequent collapse of the financial sector consequently affected the direct imports and the funding assistance thereby exposing the farmers to a number of market distortions. This created opportunities for the merchants who had access to the scarce currency to import the much needed inputs and offer these and a lot more services to the grower in exchange for the growers' crop. Once a grower accessed inputs and or any other form of assistance from these merchants, their entire tobacco crop had to be traded via the contract line channel. Thus the contract lines are characterized by deals made directly between suppliers and buyers. The

growers and merchants make their own decisions on delivery time, quantity and prices. Price agreed upon are the minimum prices as pricing is depended on quality. Consequently, unlike in auction floors, merchant participants in contract lines cannot reject a sale on quality grounds but can adjust prices to match the quality. Within the confines of the contract lines, the auction system still plays a vital role of price moderation. They set the pace in the pricing system as well as grading concerns such that the outcome at the auction system determines the behaviour of the contractors with regard to price and quality grades.

Contract lines are meant to offer growers the opportunity to sell their produce to merchants at predetermined terms and prices. The merchants under the contract lines also offer a variety of services to their contracted growers, such as management training, technical and farming advice, provision of inputs and capital equipment, and transportation of crops. The contract lines concept has gradually taken off to provide a degree of stability in crop production that might otherwise have collapsed. The initial objective for contract lines was to rescue smallholder growers from further disintegration, but it has tremendously been helpful to the industry to secure stable supplies of tobacco for exporting or processing and also in the security of inputs for the growers.

The power imbalances between the parties involved, often leading to exploitative practices, are however apparent. The industry structure is dispersed on the growers, side and concentrated on the buyers, side. The total number of tobacco growers registered by the Tobacco Industry Marketing Board is 60 000 (representing all those who intend to grow) although less than 15 000 sell annually (those who actually access inputs and produce). In contrast there are 13 merchants. In addition to the structure of the industry in which buyers have more negotiating powers than the growers, the growers are merely price takers for both the inputs they access as well as prices they get for their products. Thus the balance of power strongly favours merchants as growers lack the expertise and resources to produce. Because the cash-strapped government cannot assist farmers adequately, they look to merchants for support. The situation fosters a dependency pattern instead of a partnership arrangement, and weakens growers' negotiating power (Duma and Wolfgang, 2007).

Growers also run the risk of debts emanating from production problems, bad advice or changing market conditions.

2.3 Concluding notes

This chapter discussed the Zimbabwean Agricultural industry as a whole subsequently narrowing the discussion to the focal industry, the Tobacco Industry. The importance of these industries in the development of the Zimbabwean economy was articulated and the channels through which tobacco is traded delineated. The following chapter explores in depth, literature on buyer-supplier relationships.

CHAPTER 3: LITERATURE REVIEW

The previous chapter gave an overview of the tobacco market. This chapter will review the literature on buyer supplier relationships. It presents the theories that form the basis of this study and discusses the conceptual elements of buyer supplier relationships. It sets up with a discussion on supply chain management as a school of thought that forms the base of buyer-supplier relationships. Literature on the nature of buyer supplier relationships is reviewed and conceptual elements underlying these relationships are expounded. Finally, issues relevant to performance of buyer supplier relationships are discussed.

3.1 Supply Chain Management (SCM)

A plethora of definitions exist for supply chain management with the most credible being the institute of Supply Management which defines SCM as 'the design and management of seamless, value-added processes across organizational boundaries to meet the real needs of the end customer' (Fawcett, Ellram & Ogden, 2007:8). SCM asserts that focus on supply chains is on meeting the real needs of the final customer as the customer is the only member who puts money into the chain. Since the major objective of any business is to increase shareholder's value, that is profit maximization, SCM emphasizes that one way for firms to pursue this objective is by seeking co-operation in their supply chains. Corporation in chains enables firms to organize and manage the consecutive steps from raw materials and intangible inputs to consumer products and services (Claro *et al.*, 2004).

Although different in many respects, depending on specific situation or context, the various definitions for supply chain accentuate the flow of value between organizations and illustrate supply chain corporation. Drake and Schlachter (2008) define a supply chain as 'a systems view of the entire channel of raw material suppliers, manufacturers, third-party specialist providers, and customers working close to streamline and co-ordinate the fulfilment process for goods and services'. Wishner *et al.* (2004), extend this view stating that 'the activities are connected by transport and storage activities, and are integrated through information, planning, and integration activities'. Lambert (2008) appends this opinion by viewing supply

chain not as a chain of businesses, but a network of businesses and relationships. This is grounded in the network theory perspective which views organisations as imbedded in a web of linkages that both facilitate and constrain the organisations by guiding their interest and ability to take interests. Carlo *et al.* (2004) presented an overview of the network theory in which he looked at the two levels of network analysis: individual and organisational. He analysed several definitions of networks and concluded that each definition described networks as a set of dense interdependent business relations that can evolve out of a manager's personal ties or out of market-based relationships with the final benefits being information and access to resources. Interdependence is emphasised as an important force which binds organisations within a network. The network school of thought has important implications on buyer-supplier relationships as networks support and governs firm relations.

Lambert and Cooper (2000) depicted four characteristics of supply chains: engagement of numerous independent firms rendering relationship management important; inclusion of internal organisation's inter and intra processes that cover from suppliers' suppliers to customers' customers; products, information and the relevant management and operational activities flow in both directions; members in the chain seek to attain the mutual goal of high customer value with optimum use of resources and achievement of competitive chain advantage.

Figure 3.1 shows a typical supply chain structure which is viewed from the perspective of the focal firm, a company that is describing the relationship among the network of suppliers and consumers. The focal firm is linked to the different supply chain participants through process links with purchased goods and services flowing from the upstream suppliers through the focal firm to downstream consumers. Information flows in both direction to enable planning and coordination (Fawcett *et al.*, 2007). The chain is comprised of primary supply chain members and supporting members. The former are directly involved in the production activities while the latter provide resources, knowledge and assets to the primary members (Lambert, 2008). Each tier comprises primary members who are involved in the same process and the tiers are numbered in sequence from the focal firm. The ranking of the tiers depends on the focal firm. Claro *et al.* (2004) mentions a 'vertical position' of the supply chain

which they define as the distance between the focal firm's initial suppliers and final consumers. The degree of management required for each link declines with the distance away from the focal firm. The process links with first tier suppliers and customers are critical and therefore are managed process links. Links with the other tiers are monitored with their focal firms expected to provide full management. Links in which the focal firm is not actively involved and does not warrant resource use for monitoring are not managed (Lambert, 2008). It is clear therefore that each process link depicts a relationship and combining all the links forms a network of the supply chain. Consequently, the management of the supply chain hinges on the way these relationships are organized (Claro *et al.*, 2004).

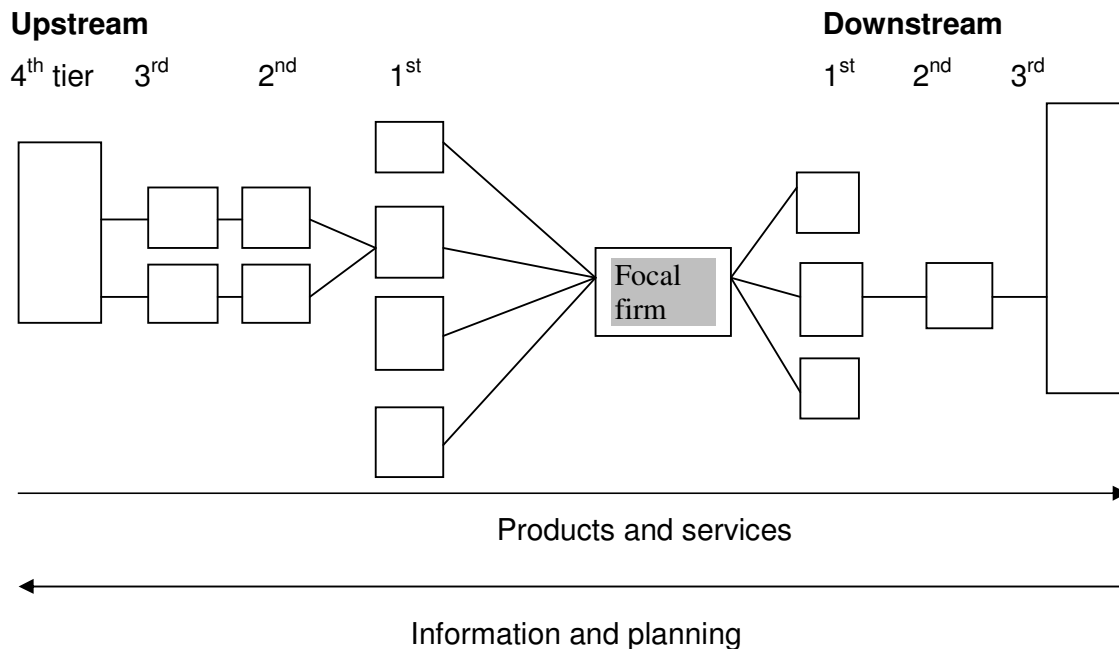


Figure: 3. 1 Supply chain structure

Source: Fawcett *et.al.*, 2007

3.2 Nature of Buyer-Supplier Relationships

Relationships within a supply chain may be organized in any one of several forms namely long term contracts or market transactions. Research shows that although the terminology and categories under which the relationships are classified, supplier relationship structures are not so different in terms of the fundamentals underlying each of them. There are two major relationship types: adversarial and collaborative

partnership (Petison and Johri, 2007) or competitive and corporative (Choi and Wu, 2009).

Petison and Johri (2007) categorized the relationships according to the characteristics of the relationship and the goals of developing the relationship. According to the authors, the adversarial partnership encompass relationships that other cited authors called adversarial competitive (Lamming, 1993), transactional (Olsen and Ellram, 1997; Szwejczewski *et al.*, 2005), contractual (Kim and Michell, 1999), or arms-length (Humphreys *et al.*, 2001). They state that this type of relationship assumes no real difference in ability among suppliers and is characterized in terms of short-term based contracts, in which each buyer purchases among many suppliers in order to create price competition among the suppliers. The goal of using this relationship is to minimize the purchase cost of supplies (Humphreys *et al.*, 2001). Collaborative partnership were cited to have been named the same (Lamming, 1993), closed (Olsen and Ellram, 1997; Szwejczewski *et al.*, 2005), relational (Kim and Michell, 1999), or collaborative (Humphreys *et al.*, 2001). This category is characterized by relationships in which suppliers typically are subsidiaries or affiliates of the buyer. These relationships are based on having long-term relationships with a few selected suppliers. Besides saving costs, collaborative relationships also aim to, among others, improve the ability to produce technologically sophisticated products and to achieve more effective communication flow, more reliable delivery and better quality. The antecedents of collaborative relationships have been denoted by researchers to be commitment (Petison and Johri, 2007), trust, joint action and flexibility (Petison and Johri, 2007; Claro *et al.*, 2004) and specific transaction investments (Claro *et al.*, 2004).

Petison and Johri (2007)'s description of the adversarial relationships matches with Choi and Wu (2009)'s description of a competitive relationship in which the two companies compete for the same resources and gains in a win-lose context. The buyer prefers short-term relationships and the supplier is cautious of exploitations. There is room for the buyer to take advantage of its purchasing leverage, demanding price reduction without adequately compensating the supplier. This and other unfair treatments of the supplier in turn prompt supplier animosity toward the buyer. Consequently, a supplier might reduce resources invested in the buyer's business to

balance its effort and gains. In a cooperative relationship (Choi and Wu, 2009), consistent with the collaborative relationship (Petison and Johri, 2007), the companies have a long-term relationship commitment and share common goals. Conflicts are resolved through dialogues, and both the buyer and supplier perceive their business exchanges as being equitable. As emphasized in the section of buyer-supplier relationships, companies interact frequently and share meaningful information that improves the buyer supplier relationships.

This collaborative relationship type is also consistent with the integration type depicted by Giunipero, Hooker, Joseph-Matthews, Yoon & Brudvig (2008) in their decade of SCM literature. The authors categorized three different types of relationships after they had reviewed the numerous research works that had given between seven and eight varying relationship dimensions that could be explored: arms length or transactional exchanges, co-operative relationships and integration. Arm's-length transactions neither provide time for personal relationships within the business framework, nor do they require any shared trust or extensive personal communication beyond the transactions themselves (Drake and Schlachter, 2008). Co-operative relationships promote the sharing of knowledge, which is considered a source of competitive advantage. Integration describes the fundamental nature of SCM as it includes the entire value chain and performs each of the channel functions (Mentzer *et al*, 2001). As such, there is clear recognition of delicate balance between power and risk sharing and the need for greater trust and commitment within the supply chain. Arms length/transactional and corporative would fall under adversarial since their goal is to reduce transactional costs (Humphreys *et al.*, 2001).

Slack, Chambers & Johnson, 2001 employed a different approached and termed their five types of relationships 'forms of organizing relationships'. Short term trade relationships were described as single transactions after which the relationship is terminated. The relationship is usually a result of price negotiations and information flow and decision are based on cost reduction and price, a major characteristic of Petison and Johri (2007)'s adversarial relationship type. Semi- and long-term trade agreements resemble trade agreements made without legally binding formal contracts with a pre-agreed price. Such agreements reduce risk of opportunism and or shortages. On the other hand, coordinated profit sharing relationships require

some legal formalization. Alliances which entail mutual exchange of property rights, technology, employees, goods and services with the firms retaining their dependence resemble the collaborative relationship type (Claro *et al.*, 2004).

Bensaou (1999) in his study of the automobile industry reported four types of manufacturer–supplier relationship based on buyers’ and suppliers’ specific investments. The market exchange relationships which he said to exist in highly standardized products with well structured designs and manufacturing processes and in situations where both the supplier and buyer did not invest in the relationship and were at liberty to choose who to work with depending on prices being offered, resembled the adversarial type. The strategic partnership reflected the collaborative style, with characteristics of greater technology transfer, trust, and commitment. Bensaou (1999)’s other types of relationship suggested intermediate positions between the market exchange and the strategic partnership. Cases where buyers made high investment and suppliers low investment were categorized as captive buyer relationships. The relationship was characterized by few suppliers with proprietary technology and strong bargaining power over buyers. On the other hand, relationships where high investment was done by the supplier and lower investment by the buyer were classified as captive supplier relationships. This finding of ‘intermediate’ types of relationship was justified by Szwejczewski, Lemke & Goffin (2005) who argued about the real world setting in which the theoretical distinctions between ‘adversarial’ and ‘collaborative’ relationships became not so clear with practices differing from case to case (*ibid*).

Petison and Johri (2007) in their study of the Dynamics of manufacturer –supplier relationships in emerging markets found three types of automobile manufacturer–supplier relationships: market exchange, collaborative and ownership types. This differed from what was found in other literature. Market exchange and collaborative relationships were consistent with adversarial and collaborative relationships respectively. The third type, ownership, arose from the lower production volumes in Thailand as compared to the developed markets like the USA. Because of the lower production volumes, the automobile manufacturers and local suppliers did not want to risk making the high financial investment required for particular parts, such as

body parts. Automobile manufacturers in Thailand, hence, needed to set up their own subsidiaries to produce parts and save the import duty (ibid).

Scholars took a step further to categorized collaborative relationship into dictatorial collaboration and sustainable collaboration (Drake and Schlachter, 2008). The former was said to occur when a dominant supply chain entity assumes control of the channel due to power derived from its size, market position, strategic importance, systems capabilities etc and forces the other firms to follow its decree to provide value-added services or perform operational tasks that benefit the dominant party without sharing the gain with the other firms. In the latter, the parties share resources and engage in joint problem solving to improve the performance of the system as a whole.

Literature indicates that the preferred type of buyer–supplier relationship has changed over time with several authors having illustrated the recent shift in the nature of buyer supplier relationships in the industrial market from confrontation toward a more corporative assemblage. New arrangements in the relationships are based on corporative, interdependent and long –term relations and take the form of corporative relationships, extended enterprises alliances or partnerships (ibid).

Petison and Johri (2007) cited some researchers (McIvor *et al.*, 1998; Martin *et al.*, 1995) who have highlighted the move from adversarial to more collaborative manufacturer–supplier relationships in their studies of the automobile industry. Giunipero, Hooker, Joseph-Matthews, Yoon & Brudvig (2008) also identified this trend. The adversarial relationships are deemed by some to be traditional with the trend now moving toward the collaborative relationships due to market pressures requiring enhancement of core competences with more advanced technology and greater adaptability (Humphreys *et al.*, (2001). Petison and Johri (2007) also cited some scholars (Speakman *et al.*, 1998; Boon-itt and Himangshu, 2006) who view relationship evolution as a ‘development of supply chain integration’ whereby the supplier and buyer becomes integrated into the each other’s processes. Higher levels of information-sharing and trust occur in the advance stages of development to create trusting and cooperative relationships which yield a win-win situation. Relationships however, do not necessarily evolve in a one-way move from an

adversarial (less close) to a collaborative (more close) style of relationship (Petison and Johri, 2007). The table bellow shows the five stages in which the evolutions of buyer-supplier relationships were classified by Ford (1980) in Petison and Johri (2007).

Table: 3. 1 Stages in evolution of buyer-supplier relationships

Stage	Characteristics
Pre-relationship	buyers are looking for suppliers; the relationship is initiated by a general evaluation of existing supplier performance
Early stage	The buyer negotiates with potential suppliers; the distance between both parties is generally high.
Development	Manufacturer-supplier relationships are continuous purchasing is increased; the distance of the relationship is reduced while commitment is increased.
Long term	large-scale deliveries provide mutual benefits; commitment between both partners is high and costs are reduced by institutionalization
Final	Business is based on industry codes of practice.

Source: Ford 1980

3.3 Buyer-Supplier Relationships

It follows from preceding literature that supplier relationships can take any form along a continuum with one extreme being adversarial and the other collaborative. The fact that these relationships can be short term or long term and can or cannot be underwritten by formal contracts brings about the notion that the buyer supplier relationships are influenced by the degree of such elements as collaboration, trust and specific investments which form the basis of joint competitive advantage. This to a certain extent supports Claro, Haggler and Omta (2003) in Claro *et al.* (2004)'s who postulate that a buyer-supplier relationship is an exchange between two parties that involve not only a transaction but social elements with the transactions entailing economic logic in a context of social structures in the form of networks of

interconnected buyer-supplier relationships. Thus studies in buyer-supplier relationships have mainly been based on economic and organizational theories.

Amongst the most mentioned economic theories of relationships is the Transaction Cost Economics (TCE) theory which primarily focuses on the cost of making a transaction rather than the cost of production. According to this theory, collaboration in a buyer supplier relationship is based on the lowest transaction costs (Claro *et al.*, 2004). According to Williamson (1996) in Claro (2004), transaction costs comprise of planning, adapting and coordination costs. In the same text, Williamson (1985) states that at high levels of collaborations, buyer supplier relationships will be closer to the vertical integration extreme of the buyer supplier relationship forms (collaboration partnership) and lower levels of collaborations to the other extreme which is the spot-market transaction (adversarial). Transaction costs are usually difficult to measure hence transaction specific investments is used to measure the transaction costs. Transaction specific investments involve human and physical assets that are dedicated to particular relationships and cannot be redeployed.

The TCE theory does not go without criticism. Claro (2004) revealed some of the criticisms brought forward by different authors: the theory considers transactions as an occurrence isolated from its environment ignoring other relationships surrounding the focal transaction that could be dependent on them; it does not consider the dynamic nature of the relationship, its view on individuals being motivated by self interest and shrewdness can be challenged as most forms of organisational interactions are based on trust.

Buyer-supplier relationships have also been studied using the relational exchange theory. The theory meets some of the shortcomings of the TCE theory. It accounts for the historic and social context in which recurrent transactions take place and responsibilities are imposed as a result of mutual interest from the two parties. There is joint goal accomplishment and concern is for long term benefits which restrains individual tendencies to pursue their own interests. Thus, relationship exchanges exhibit collaboration characteristics in which individuals' effectiveness are considered by the overall effectiveness of the system and individual decision makers adopt a joint action orientation (Claro *et al.*, 2004).

The extant buyer-supplier literature reveals numerous ways in which relationships have been characterized: relationship strength (Martin and Gerbac, 2003; Benton and Maloni, 2005), closeness (Larson and Kulchitsky, 2000), or physical proximity (Narasimhan & Nair, 2005), from the buyer's perspective (Larson and Kulchitsky, 2000), supplier's perspective (Maloni and Benton, 2000), and dyadic perspectives (Johnston, McCutcheon, Stuart, & Kerwood, 2004). Such research has revealed several common underlying fundamentals of these relationships: co-ordination, collaboration, commitment, communication, trust, flexibility, and dependence. These are the most important, central to meaningful long-term buyer-supplier relationship. Following a review of relationship theories, Claro (2004) concluded that the critical fundamentals of buyer supplier relationships are trust, transaction-specific investments and the dimensions of collaboration namely joint action and flexibility. The underlying principle behind these fundamentals is that in their absence, interaction between buyers and suppliers to create mutually beneficial outcomes will be limited (Kannan and Tan, 2006). The following section elaborates on the prevalent conceptual elements of buyer supplier relationships namely transaction specific investments, trust and collaboration. The significance of communication in all this cannot be ignored.

3.3.1 Transaction Specific Investments (TSI)

The TCE theory took the creation of assets that are specific to a particular relationship (transaction specific investments) as its centre of attention on the premise that the accumulated tangible or intangible assets cannot be redeployed due to their complexity and expense. The uniqueness and tailored nature of the assets renders their use in any other setting outside the prescribed relationship of less value. Such assets can be in human knowledge and skills and in physical assets (transaction-specific capital investments for example customized machinery, and tools). Although strategic management postulates that investment in assets is a source of competitive advantage, *Claro et al.* (2004) cited an initial proposition by Williamson (1985) and Anderson and Gerbing (1988) that high levels of transaction-specific investments (TSI) would affect the buyer-supplier relationship negatively by fostering dependence and other governance hazards, such as opportunism.

However, to support the strategic management view, he then cited a later empirically proven proposition by Bensaou and Venkatraman (1995) and Dyer (1996) that stated that TSI might enhance co-ordination and co-operation between partners.

The evolutionary and dynamic nature of the competitive environment has seen competition shifting from firm on firm to supply chain against supply chain. This has dictated that firms reengineer their processes and streamline to only those activities they have core competence in and engage other organizations in their products and markets. This gives firms the leverage to invest in specific assets in relation to their specialty hence the need to increase the frequency and collaboration with their counterparts. Collaboration enables firms to benefit from counterpart's complementary assets which may be difficult to appropriate and remain competitive.

The advantages of TSI include assurance that counterparts will honour obligations thus avoiding opportunistic behaviour as TSIs are a form of an exit barrier. TSI is therefore an important mechanism of achieving closeness in a buyer-supplier relationship as the self imposed exit barrier brought about by the deliberate creation of specific assets confers a sufficient reason for collaborators to continue with the collaboration and ensures that counterparts live up to their promises. Further, the integrity and intentions of the investor are reassured by TSI thus also revealing the level of commitment. Failed relationships usually have a common reason highlighted that neither party comprehended the demand of an effectively managed partnership in terms of resource investments. Firms would have expected to reap the benefits of establishing the partnership, without fully committing to acting in each other's best interests in order to bring about the desired results (Drake and Schlachter, 2008). Without commitment, business relationship and subsequent transactions become fragile and vulnerable. Consequently, long-term commitment is a basic requirement for successful supply chain implementation (Kwon and Suh, 2005).

Claro (2004) makes reference to the extant buyer-supplier relationship literature that uses the concept of TSI. He concludes that TSI primarily centres on human and physical dimensions and defines the two as: Physical TSI - the capital investments that mould processes to a particular exchange partner; Human specificity – the degree to which the skills knowledge and experience of a firm's personnel are

specific to the requirements of dealing with a particular firm. TSI vary in their degree of specificity with buyers and suppliers in a relationship having a variety of TSI. The degree of specificity of a TSI diminish when the investment is transferable to a certain extent.

3.3.2 Trust

The extant literature on trust asserts its significance in facilitating relationships which bind counterparts and has vital prospects. Thus the necessity for trust between counterparts has been recognized as a fundamental theory of a long-term buyer-supplier relationship. Economists recognize that some degree of trust must be assumed to operate as formal control mechanisms alone cannot stem fraud or force (Claro *et al.*, 2004). It therefore follows that there is an element of trust in every transaction though it varies across the transacting partners.

Trust allows one to have a reasonable level of dependence on the counterpart's word. Claro *et al.* (2004) in his literature searches illustrates the numerous importance of trust highlighted by various authors. Amongst these are that long term relationships and trust promote effective communication, information sharing and joint pay offs (Dwyer, Schur & Or, 1987) and might create a strong social bond (Barney and Hansen, 1994). Also, trust is an important lubricant of relationships as it binds parties and has a future orientation (Ganesan, 1994) and considerably influences the attitude of suppliers towards buyers (Smith & Barclay, 1997).

Claro (2004) further defines broadly, trust to reflect the extent to which negotiations are fair, commitments are sustained and the extent to which one party believes that its requirements will be fulfilled through future actions undertaken by the counterpart. However, he suggest that the widely accepted definition of trust is the belief, attitude or expectation that the actions or outcomes of another individual, group or organization will be acceptable or will serve the other parties' interest. Thus, there is a shared belief through which partners can create goal congruency thereby reducing the risk of free-riding opportunistic behaviour (Bradach and Eccles, 1989).

Two features of trust were derived from the widely accepted definition of trust. Firstly trust is directly influenced by network as it is socially embedded unlike TSI which is based on the Transaction economics theory that is under socialized and omits the role of concrete personal relations and structures. Trust exist within a context and is shaped by dynamics specific to a particular social setting. Secondly, trust is dynamic and continuous as opposed to being static and discrete. The development of trust depends on the formation of one partners' expectations about the motives and behaviour of another. The spectrum of trust is wide and varies within and across relationships over time.

Two dimensions of trust can be derived in the buyer-supplier relationships namely interpersonal and interorganisational. Inter-organizational trust refers to the extent to which member of an organization have collectively held trust orientations toward the partner firm while interpersonal is the extent to which a boundary-spanning agent trusts his/her specific counterpart within the partner organization (Zaheer, McEvily & Peron, 1998). Most studies on interpersonal trust portray trust to relate to attitudes and behaviour. The conceptualization of the two dimensions of trust confers the advantage that the intrinsically individual level of the phenomenon is extended to the organizational level of analysis. There are significant differences in the way the two dimensions impact on joint action and other relational elements of an exchange relationship. Further, interpersonal trust is argued to be deficient to sustain and manage a relationship but a combination with inter-organizational trust is deemed essential (Zaheer *et al.*, 1998). In a buyer-supplier relationship, interpersonal trust is that placed by the supplier's sales person in an individual purchasing agent and inter-organizational trust is that placed by the sales person in the firm as a whole. Both of these also apply to the direction of trust from buyer to supplier (Claro *et al.*, 2004).

While many studies (for example, Hoyt and Huq, 2000; Kidd *et al.*, 2003; Johnston *et al.*, 2004; Claro *et al.*, 2004) have established the importance of trust in improving overall supply chain performance and coordinating inter firm actions, an empirical study conducted by Fawcett *et al.* (2004) suggests that many supply chain relationships still lack significant trust between the parties involved. They report that many of the managers interviewed felt that the word 'trust' was misused and abused when describing inter firm relationships. Interestingly enough, they also found that

many managers said that trust was lacking even within their own organizations. Clearly, organizations must first ensure that trust permeates their own corporate culture before shifting their focus outward to their relationships with other firms in the supply chain (Drake and Schlachter, 2008). Trust significantly affects the attitudes and behaviour of independent suppliers toward buyers. Literature postulates that high levels of trust in a buyer-supplier relationship are conducive for coordinating behaviour whereas low levels lead to competition (Claro *et al.*, 2004). This study draws on interpersonal and inter-organizational trust, capturing the features of trust on the individual and organizational level with an objective of determining the levels of trust which in turn are a determinant of the nature of buyer-supplier relationships in the study domain.

3.3.3 Collaboration

The dynamic nature of the business environment has seen organizational boundaries being penetrated in buyer-supplier relationships by the integration of activities as the supplier becomes involved in activities that traditionally are considered the buyer's responsibility and vice-versa (Yilmaz and Hunt, 2001). The current relationship trend seems to be moving away from the spot market toward collaborative relationships as the mutual benefits available provide a strong incentive for proactive supply chain companies to seek closer and more collaborative affiliations (Fawcett *et al.*, 2007). Collaborative relationships help the involved parties to leverage their strength, offer unique products, increase flexibility and create learning experiences. Relationships are established to assure that the company in the chain performs in a way that improves the success of the entire supply chain. The shifting roles among the buyers and suppliers is such that supply chain members have to be alive to the fact that if they are deemed not to be adding value they might be dis-intermediated from the chain (Fawcett *et al.*, 2007).

The dynamic nature of collaborative relationships is such that the relational exchanges continue over time and each transaction is viewed in terms of its history and its anticipated future (Claro *et al.*, 2004)). The complexity of roles and performance, and their occurrence over a time requires that parties concentrate more on planning wherein they define and measure the outcomes of the relationship.

Noordeweir, John and Nevin (1990) in Claro (2004) speak of the obvious expectations that changes in agreements and problems are inevitable and as such parties are expected to be flexible and set up mutual mechanisms to solve any problems that arise. In the same text, they conclude that collaboration entails flexibility to adjustments and activities undertaken jointly.

The two dimensions of collaboration are taken in this study as: joint action which entails joint problem solving for conflict resolution and joint planning as a vehicle for achieving mutual understanding; and flexibility which enables adjustments to the initial agreement in creation of mutual problem solving mechanisms in turbulent environments (Claro *et al.*, 2004). In long-term buyer-supplier relationships, flexibility is integrated in the processes and describes the mutual expectations of willingness to make adjustments as circumstances change (Claro *et al.*, 2004). The drive for the collaboration is still the value that each organization realizes from the relationship. Firms are required to invest a great deal of time and resources into counteracting the practices of the other firms along the supply chain and to recognize what is required to keep the other firms invested into the relationship. The effort to provide for the well-being of the others thereby creating efficient partnerships does not only results in short term financial profitability but also long term benefits through solidifying the continued involvement of partner companies in the supply chain (Drake and Schlachter, 2008). The sustainability for profitable business collaboration lies in high levels of commitment, communication and information sharing, rudiments which also place companies in positions where the building of trust is feasible.

Drake and Schlachter (2008) likened high levels of communication with friendships from righteous people as the knowledge of the significance of each participant in the relationship is essential. Each company representative must know what benefits they offer, what benefits other companies offer, and each must know that the others know such things in kind (Fawcett *et al.*, 2007). Time to engender trust which prolongs and solidifies the relationship is also essential. Economists recognize that some degree of trust must be assumed to operate as formal control mechanisms alone cannot stem deceit or force (Claro *et al.*, 2004). It therefore follows that there is an element of trust in every transaction though it varies across the transacting partners. High levels of trust, incentive alignment, and communication in such relationships renders

their failure difficult unlike in a mere arm's-length relationship. However, other pundits argue that business relationships quite often continue well beyond the utility of the arrangement when the relationship is treated as a friendship one. Be that it may, research crashes this view by showing that treating collaborative efforts as 'just business' undermines the very goal of a collaborative supply chain resulting in otherwise productive business relationships and personal ones far in advance of achieving the potential usefulness of the association being disrupted (Drake and Schlachter, 2008).

Buyer supplier relationships are those that the two parties work close together and exploit the advantages of the close collaborations. One challenge they face is to safeguard the elements of the relationship: trust, transaction specific investments and collaboration in such way that both parties have an incentive to perform well and not try to act in self interest. Information obtained from the network can act as co-ordination and monitoring mechanism from these elements in the buyer-supplier relationships (Claro *et al.*, 2004). The information obtained from these series of interconnected buyer-supplier relationships (networks) includes, price information, quality and quantity data, tacit and proprietary information (for example, ways to improve production processes and logistics).

The benefits of information in any type of business are vast. Information forms range from informing about current or historical facts about product prices, quantity and quality, process coordination to foreseeing counterpart actions. The critical issue becomes the sharing of this information which reduces information asymmetry, a phenomenon which states that transactions are characterised by incomplete, imperfect or unbalanced information between the parties. The bullwhip effect is a result of this asymmetry (Fawcett *et al.*, 2007). The bullwhip effect is common in the traditional distribution channels without information sharing which display increasing order variability for partners further removed from the end-user. Sharing demand information among all of the parties in the supply chain can alleviate some of the supply chain inefficiency since every firm can utilize the end-user demand information in its production (Drake and Schlachter, 2008). Performance of buyer-supplier relationships can only be achieved if adequate information is equally available to all members of the chain.

3.4 Buyer-supplier relationship performance

Financial and non-financial business performance improvements resulting from close buyer-supplier relationships have been accredited to be significant and unquestionable (Giannakis, 2007; Lu, Shuyi, Trienekens & Omta, 2008). Giannakis (2007) however argued that outstanding financial and non-financial organizational performance is not necessarily an outcome of a successful relationship due to some reports that highlighted instances where close strategic partnerships failed to yield the desired outcomes for organizations. This supports the notion that performance of supplier relationships is often difficult to assess due to the dynamic behaviour of the relationships, their ambiguity and the inbuilt complexity in their nature and outcomes. Performance evaluation in buyer-supplier relationships may prove to be difficult as partners may adopt particular performance measure which may be conflicting.

Claro *et.al* (2004) in their study applied a multidimensional measure of performance in which they used two measures of financial performance: profitability, sales growth rate; alongside one operational measure: perceived satisfaction. They revealed three main streams of performance evaluation in literature: financial, organizational and strategic. The financial performance evaluation methods are mainly accounting-based and the indicators include return on investment, return on sales, growth rate and return on assets (Terpend, Tyler, Krause & Handfield, 2008). The organizational performance measures are based on the organizational theory which uses the goal-based, systems and the multiple constituency approaches to denote the indicators. The goal-based approach suggests firm evaluation based on the degree of goal achievement. The system approach endeavours to augment the goal-based approach (firms goals are often multiple and contradictory) as it evaluates the synchronized achievement of a number of common performance targets. The multiple constituency approach brings in the differences in stakeholder perspectives which is lacking in the other two and evaluates the firm's degree of satisfaction of the various stakeholders' agendas. In addition to these measures, operational (non-financial) performance measures are also key as they are the determinants of financial performance. These include product quality, customer satisfaction, new

product introductions and market shares (Terpend *et al.*, 2008). Non-financial measures can be both subjective and objective indicators. The financial and non-financial performance measures highlighted above complement each other to make up for their shortfalls. For instance, accounting based indicators are of limited value when applied to strategic issues and cannot evaluate all the goals of a firm. Further, they are prone to manipulation in asset and liability presentation.

Terpend *et al.* (2008) denoted four types of value derived from buyer supplier relationships: operational performance improvements, integration based improvements, supplier capability-based improvements and financial performance outcomes. The constructs building each of the mechanisms and values sought were illustrated. These constructs were consistent with the ones that characterize the different types of relationships that other researchers have discovered and measures that can be employed to determine the buyer-supplier relationship performance (Claro *et al.*, 2004). It is therefore clear that a multi-dimensional approach has to be adopted when measuring relationship performance of an organization.

3.5 Concluding notes

This chapter gave an in depth discussion on the fundamental concepts underlying the theoretical framework of this study's. The organizational and economic concepts frequently mentioned in buyer-supplier relationship literature and relevant to this study were articulated and these are: supply chain management, transaction costs economics and the relational contracting theory. The conceptual elements of the relationships, trust, transaction-specific investments and collaboration (encompassing joint action and flexibility) was discussed and literature on performance of buyer-supplier relationships reviewed. Chapter 4 will outline the research methodology employed in this study.

CHAPTER 4: RESEARCH METHODOLOGY

The previous chapter discussed the literature and presented an overview thereof. This chapter presents the research methods and the data collection techniques adopted for this research study. In this chapter, the hypotheses derived from the extant literature reviewed in view of the research questions are delineated. The types of research methods and the rationale for choosing the survey approach are articulated. The chapter will then describe in detail the data collection techniques employed to test the hypothesis and subsequently the data analysis techniques adopted.

4.1 Research questions and hypothesis

This study investigated the buyer-supplier relationships between tobacco growers (suppliers) and tobacco merchants (buyers) in a bid to derive the nature of these relationships in the Zimbabwean Tobacco Industry. The objectives of this study are defined as follows:

- To analyze the buyer-supplier relationships between tobacco merchants (buyers) and tobacco farmers/growers (suppliers) in the Zimbabwe Tobacco industry.
- To establish the nature of the buyer-supplier relationships.
- To outline the managerial implications of the existing relationships and recommend ways of improving the relationships to achieve sustainability.

The central research question of this study referred to the nature of buyer-supplier relationships in the Zimbabwean tobacco industry.

Central research question:

‘What type of buyer-supplier relationships exists in the Zimbabwean Tobacco Industry’?

As previously stated, there is a dearth of literature on buyer-supplier relationships in the African context. However, studies in other contexts have come up with two major

types or buyer-supplier relationships namely adversarial and collaborative relationships. Some theoretical fundamentals of these buyer-supplier relationships whose prevalence point toward collaborative relationships have been emphasized and these are: trust, commitment, information sharing, transaction specific investments and the dimensions of collaborations namely joint action and flexibility (Martin and Gerbac, 2003; Benton and Maloni, 2005; Larson and Kulchitsky, 2000; Narasimhan and Nair, 2005; Larson and Kulchitsky, 2000; Maloni and Benton, 2000). Claro *et al.*, 2004 postulate that a firm may coordinate relationships with a counterpart by means of collaboration and, in some instances, by trust and transaction-specific investments. The underlying principle behind these fundamentals is that in their absence, interaction between buyers and suppliers to create mutually beneficial outcomes will be limited (Kannan and Tan, 2006). This study attempted to establish the existence, or lack of, of these theoretical fundamentals of buyer-supplier relationships in the business realm of the focal industry to determine the type of relationship that exists. Literature comprise of empirically proven hypothesis that state that the existence of these elements increases collaboration activities (Claro *et al.*, 2004). The following hypotheses were formulated to answer the research question thereby addressing the study objectives.

4.1.1 Trusts

Trust is an important enabler of relationships which unites parties and has a vital future direction. Literature postulates that high levels of trust in a buyer-supplier relationship are conducive for coordinating behaviour whereas low levels lead to competition (Claro *et al.*, 2004). Trust is build in an environment were there are high levels of commitment, communication and information sharing, an environment which is also an enabler of sustainability in profitable business collaborations. Enduring commitment is a basic requirement for successful supply chain implementation (Kwon and Suh, 2005). Based on this theoretical review we formulate the following hypothesis is formulated:

H1 The buyer supplier relationships are characterised by trust amongst the partners

4.1.2 Transaction specific investments

Buyer-supplier relationships are interactions which enable firms to work closely together and exploit the advantages of collaboration. The literature postulates that there is a possibility that TSI might enhance co-ordination and cooperation between partners. The following hypothesis was based on this premise.

H2 There is significant transaction-specific investments in the relationships

4.1.3 Collaboration

Collaborative relationships rely on two dimensions: joint action which entails joint problem solving for conflict resolution, and joint planning as a vehicle for achieving mutual understanding; and flexibility which enables adjustments to the initial agreement in the creation of mutual problem solving mechanisms in turbulent environments (Claro *et al.*, 2004). We expected the relationships under study to be collaborative. Thus, the following hypotheses are formulated:

H3 The buyer-supplier relationships are characterized by joint planning and joint decision making (joint action)

H4 The buyers and suppliers are inclined to adapt to changing circumstances (flexibility)

The hypotheses formulated in this and other preceding sub-sections dealt with the concepts in question to the level that they meet the first study objective, namely to analyze the buyer supplier relationships in the focal industry. The second study objective was dealt with next.

4.1.4 Nature of relationships

Literature postulates that there are two major types of buyer-supplier relationships which are determined by the prevalence of the previously defined concepts of trust, transaction specific investments and collaboration (encompassing joint action and flexibility). Thus, the second study objective to be addressed took the form of a proposition since it could not be empirically proven, but derived from the results of the preceding empirical tests. The proposition was therefore formulated as:

H5 Buyer-supplier relationships in the tobacco industry are collaborative and not adversarial in nature.

4.2 Research Methods

A major issue that confronts researchers is the decision as to what method of research to employ? Should it be qualitative or quantitative, or should both elements be present? The use of a quantitative research design in this research is justified by theory as illustrated by table 4.1. Quantitative research answers the question ‘What?’ which is this researcher’s central research question. In this kind of research, relationships may have been established, and the approach deals more with the investigation of which variables are significant. On the other hand, qualitative research is exploratory in nature, and tends to attempt to elicit answers to the ‘How?’ and ‘Why?’ questions. The major issue is the determination of which variables are involved in the situation.

Table: 4. 1 Research methods versus. research characteristics

METHOD	RESEARCH QUESTION	CONTROL OVER EVENTS	FOCUS ON CURRENT EVENTS
Experiment	How? Why?	Yes	Yes
Survey	Who? How many? What? How much? Where?	No	Yes
Case study	How? Why?	No	Yes
History	How? Why?	No	No
Archival analysis	Who? How many? What? How much? Where?	No	Yes/No

Source: Adopted from Aguinaldo dos Santos (1999:142)

4.2.1 Qualitative Research Methodologies

There are several approaches to qualitative research and these have two common aspects - they focus on phenomenon that happen in natural settings and they study this phenomenon in their complexity. The objective of qualitative research is to reveal the nature of multiple perspectives held by different individuals each with equal validity and truth. It formulates general research problems and only general research questions about the phenomenon being studied. These only become specific as the understanding of the phenomenon increases. The purpose of qualitative research studies is mainly descriptive, interpretation, verification and evaluation (Leedy and Ormrod, 2005).

There are five common qualitative research designs namely: case study, ethnography, phenomenological, grounded theory and content analysis. Observations are recorded in great detail sometimes with field notes or videotapes that capture the wide variety of ways in which people act and interact. The case study approach will be explored in depth as this was an option on which this study could have been based.

4.2.1.1 Case Study

The case study method employs in-depth study of certain individuals, programs or events over a specific period of time. The method is particularly suitable for generating or providing preliminary support for hypotheses. For example, the following will best be done by the case study method: exploring a situation which is poorly understood, or where modest knowledge exists, and investigating changes in individuals or programmes over time. Its major weakness is that it is not certain whether findings can be generalized to other situations especially when a single case is involved (Leedy and Ormrod, 2005) and that it is subjective (Claro *et al.*, 2004). These shortcomings can however be curtailed by structuring a rational series of facts, utilizing a number of sources of facts, using a theoretical basis for the functional purposes of the constructs, asking respondents to review the case reports and developing a good description of the research process (Claro *et al.*, 2004).

A case study would have been ideal to set out this study. Literature has it that all investigation starts off in a qualitative form as researchers endeavour to gain more

understanding and perspective of the fundamentals. This notion is however applicable when little information exist on a topic, variables are unknown and a relevant theory base is inadequate or missing (Leedy and Ormrod, 2005). The concepts of trust, transaction specific investments, and collaboration which form the fundamentals of this study were discussed in chapter 3 and conferred the conceptual basis for our general framework on the major elements of a buyer-supplier relationship. The reviewed theory is adequate to formulate hypotheses to be tested in a quantitative study.

4.2.2 Quantitative Research Methodologies

The broad term for quantitative research is descriptive quantitative research. The common feature of the approaches employed under descriptive research is that it examines a situation 'as is' without altering / changing it or intending to determine cause-and-effect relationships. Thus descriptive research involves identifying the characteristics of an observed phenomenon or exploring possible correlation among two or more phenomenon (Leedy and Ormrod, 2005).

Four approaches are common in descriptive research and these are: observation studies, correlational research, developmental research and survey research. The information collected in these approaches can be summarised through statistical analyses. A brief description of each of these approaches will aid in giving a justification for the choice of approach (survey research) for this study. The survey research method will then be discussed in detail.

4.2.2.1 Overview of descriptive research approaches.

Observation studies typically focus on a particular aspect of behaviour which is quantifiable in some way. A correlational study examines the extent to which differences in one variable or characteristic is related to differences in other characteristics or variables. Thus data is gathered for two or more characteristics of a particular unit of analysis. Developmental designs are employed to study particular characteristic changes as people grow older (Leedy and Ormrod, 2005).

The nature of this research topic, as well as the research objectives required that a descriptive quantitative research design using a descriptive survey be carried out as

the research problem sought to analyze buyer-supplier relationships in a bid to determine the type of these relationships in the Zimbabwean tobacco sector. This study is building on current theory which states that there are many types of buyer-seller relationships which are mainly classified into two broad categories namely, adversarial and collaborative.

4.2.2.2 Survey Research

The survey research method was employed in this study. Survey research entails obtaining information about one or more groups of people by asking them questions and tabulating their answers (Leedy and Ormrod, 2005; 183). Information obtained can possibly be about their characteristics, opinions, attitudes or previous experience with an objective of learning about a large population by surveying a sample of that population. Surveys, normally used in quantitative research, allow researchers to gain an overall picture of the phenomenon. They involve large numbers of research units, labour, extensive data collection and quantitative data and analysis. The prevalent problem of reliability is easily manageable in quantitative research than in a case study. Reliability is the extent to which a measure is free from random error whereas validity is the extent to which a measure is free from both systematic and random error (Diamantopoulos & Schlegelmilch, 2000). Reliability can be ensured by questionnaire pretesting, training of interviewers and briefing respondents about the research (Claro *et al.*, 2004). In surveys, events/facts can be labelled, defined and coded to enable measurement using numbers and scales. The drawback of surveys is the reliability on self-report data, possibility of intentional misrepresentation of facts and lack of contextual information (Leedy and Ormrod, 2005). Face-to-face interviews, telephone interviews or written questionnaires are normally used in surveys.

4.3 Sampling

The purposive non-probability sampling design was selected and employed in selecting a representative sample of the population to be studied. Foremost, a research population was selected with considerations given to constraints of time, cost and funding of the research. The target populations in this instance were the tobacco farmers and tobacco merchants in Zimbabwe who were also the unit of

analysis. The initial sampling frame was obtained from the Tobacco Industry and Marketing Board (TIMB) and it consisted of the total eligible research population (tobacco farmers and processors). There were 60 000 growers (suppliers) and 16 buyers - 13 tobacco contacting companies and 3 auction floors, registered with the TIMB. However, only 15 000 growers were recorded to have been delivering tobacco either to the auction floors or to the contractors annually. Of these 15 000, 4500 were Zimbabwe Tobacco Association (ZTA) members who accounted for 70% of the total tobacco crop with the balance of 10 000 growers accounting for only 30% of the countries' crop. Of the ZTA members, 180 growers were identified to be growing 10 hectares or more of tobacco. These represented the small scale commercial and commercial farmers whose accessibility would be easier and less costly; hence this was chosen to be the sample for this study. It must be noted that the research question did not necessitate concern for sample characteristics but rather data was to be collected for the sole purpose of obtaining insights that could be generalized throughout the industry. However, as alluded to before, the constraints of time and costs led to this study concentrating on a certain characteristic of the population that is size (acreage) of tobacco operations. The chosen sample group is however perceived to have different interests and will therefore provide different points of view based on their experience and circumstances in relation to the buyer-seller relationships.

With regard to the tobacco buyers, the whole population of the contacting companies was sampled due to their small numbers. The study does not focus on the auction system, hence the 3 auction floor companies were excluded.

4.4 Data collection

Cross sectional, attitude and opinions data indicating the views and inclination or feelings of the parties toward their buyer-supplier relationships was collected. A combination of the three strategies common in descriptive survey research: face-to-face interviews, telephone interviews and written questionnaires, were employed as the data collecting tools. On the onset of data collection, a self administered questionnaire was mailed to the respondents via e-mail. The questionnaire package encompassed the questionnaire, an introductory letter explaining what the researcher intended to study on and requesting that a qualified informant responds

to the questionnaire, and a confidentiality letter from UNISA. For those respondents who were not on e-mail, the local post was used. This method was chosen due to the large number of respondents (tobacco growers) who were geographically scattered throughout the country. The unreliability of postal services in Zimbabwe entailed that questionnaires had to be mailed as early as possible to allow for adequate time to gather responses.

The rationale for primarily selecting the questionnaire method was to enable examination of the nature of relationships prevailing which require large quantities of data (responses) to enable statistical inferences. Limitations of availability of current data on the tobacco industry prohibited secondary data dependence. The specific data requirements for this study were also considered in choosing this technique. The research captures respondents' opinions on buyer-supplier relationships with a specific corresponding firm. Churchill (1999) in Claro *et al.* (2004) points out that decision makers exploit both objective data and their subjective judgment to support their decisions. The respondents in this study were decision makers whose subjective and objective views are applicable as some of the constructs in question for example trust and collaboration (flexibility) are behavioural in nature. Opinions on specific investments made and the existence of trust in the relationship are also important. Research has revealed the questionnaire as a practicable research instrument for gathering perceptual and subjective data (Claro *et al.*, 2004).

The questionnaire was designed from the literature reviewed for the buyer and the supplier respondents. The questionnaire targeted for the growers was designed first, then a few adjustments were made to develop the buyer's questionnaire. The content and scale measurements were drawn from existing research on buyer-supplier relationships and published validated scales. In order to assess content validity, the opinions and comments of two agri-business bank managers who were well versed with relationship issues in the tobacco industry, a tobacco farmer, head of a tobacco organization and a former researcher on contract growing who is also a head of a contract growing company, were solicited. The questionnaire was tested on five growers and one buyer to ensure clarity and articulation of the questions. Suggestions which improved the content and layout of the questionnaire were considered. In order to gather empirical evidence, this study focused on the two

sides of the buyer supplier relationships. This allowed for the fine tuning of research in the field of relationship since most previous studies collected data from only one side of the relationship. Data collection from both parties enables accurate exploration of their different perspectives. The constructs to be measured are drawn from the theoretical framework discussed in Chapter 3.

Respondents were chosen based on their knowledge and expertise in the buyer-supplier relations. This aided in minimizing response bias. Most supplier firms are owner managed hence the owner was chosen and in the buyer firms, the head of the purchasing department or the personnel who deal with growers on a day to day basis were chosen as informants. The main objective was to select informants who were adequately informed and knowledgeable to disclose all information and fine details needed for the research. A minimum of two respondents on the buyer side were solicited to improve the validity of our research although the extant literatures on survey based research propose a high level of consensus between key executives and managers (Claro *et al.*, 2004). However, the response rate was not forthcoming as it was the onset of the tobacco season and the informants were busy with preparations. Respondents answered questions based on their relationship with their buyers on the grower's side and with the growers on the buyer's side. Respondents were asked to respond to questions focusing on a particular relationship with a particular counterpart.

To increase the response rate, the respondents who did not return their questionnaires were followed up by telephone and interviews were conducted over the phone. For some of the buyers, the questionnaire was administered through face-to-face interviews as all of them were located within the same town as the researcher.

4.5 Data Analysis

This study employed constructs that were validated in other researches: trust, TSI and collaboration. These were used to create the measurement scales and variables. The constructs represents measures of management perceptions. A number of items were used to obtain measures for the constructs. Questions for the constructs were closed-response questions which were measured at ordinal level

using the four-point Likert scale. The problem of unequal interval between the data lines was alleviated by treating the ordinal as interval scales assuming equality of the intervals between the data points. This is in line with recommendations by Claro *et al.* (2004) and other extant literature reviewed.

Unweighted averages were used to calculate scores from the multiple-item scales. This equal weighting of the constructs was based on Claro *et al.* (2004)'s reasoning, namely:

- Lack of theoretical evidence to weigh one construct heavier than the others.
- An unweighted average is the least subjective in giving an item more importance than the other.
- Scales based on equal weights are easily replicable on subsequent samples.

Each construct had its own measurement scales as follows:

- *Trusts* – two dimensions were employed: interpersonal and interorganisational. A three item scale was used to assess interpersonal trusts and a four item scale organizational trust.
- *Transaction specific investments*- two dimensions in the literature namely human and physical TSI were measured.
- *Collaboration*- the dimensions are flexibility. Flexibility is measured by items describing parties' expectations of one another.
- Joint action - joint action was measured by the level of joint planning and joint problem solving. Joint action was measured by items that referred to proactive joint setting of goals and making the future projected.

The four items measuring joint problem solving involved the parties' attitude toward joint solutions in the relationship.

Claro *et al.* (2004) accentuates the point that buyer-supplier relationships are affected by other factors like size of firm, length of business interaction and environmental volatility and diversity. Each of these items was also measured and their responses analyzed.

The data collected was analyzed using the SPSS 11.0 statistical package. Two major premises were made to test the study hypotheses. First, to test the hypothesis on the three constructs (trust, specific investments and collaboration) data was computed to derive two extreme classes of the responses, “totally true” and “totally not true. This was an idea borrowed from the concept of cluster analysis – a range of techniques employed to reduce complexity in a metric data set (Diamantopoulos & Schlegelmilch 2000). From the interviews conducted and the reasons conferred for the response scale, those respondent who were not convinced of the existence of a certain construct in their relationship were classified as indifferent in their perception. These were the ones who responded to the constructs as “somewhat not true” or “somewhat true”. The study then made an assumption that those who were indifferent in their perception on the presence or absence of the study constructs were doubtful, more like on the fence hence they could not be taken to be on the positive side of the scale. For example, it’s either there is trust in a relationship or there is mistrust. Anything in between entails lack of confidence and can therefore not be classified as a positive perception. Thus this study groups the indifferent responses with those who perceived total lack of the construct in the relationship, “totally not true”. Two responses for the variables were then derived: **Totally True and Not True at all.**

Thus a summary of all the hypotheses to be tested on all the constructs can therefore be illustrated as below in terms of the two response categories computed.

Ho	T	=	NT (NT	+	SNT	+	ST)
H1	T	>	NT (NT	+	SNT	+	ST)
Were	T	=	totally true		ST	=	somewhat true
	SNT	=	somewhat not true		NT	=	not true at all

The null hypotheses postulate that there is no difference in the observed frequencies recorded as “totally true” and those recorded as “totally not true”.

Secondly as highlighted in the literature section, the three constructs in buyer-supplier relationships (trust, TSI and collaboration) have dimensions that were used

to measure them and under these dimensions were items employed to measure each dimension. Each dimension had an item referred hereafter as “major”, that probed a direct response as to the presence or absence of a construct. The other items were used more as moderators to ensure validity and reliability of the major item. Validity in this instance is the extent to which the item is free from systematic error which is error resulting from inflation or underestimation of a true response. A measure that is valid is also reliable (Diamantopoulos & Schlegelmilch 2000). To enable inference of all the items used to measure our three constructs, the major item was correlated against the others in the same category/dimension and results recorded. The major item was then used to test the study hypothesis.

4.6 Study Limitations

With regard to the methodology employed, although justified, of the use of equal weighting of the constructs could have undermined the importance of some constructs that might have weighed heavier than the others.

The possibilities of sampling and non sampling errors are acknowledged. Thus the measurements used in the research might not have reflected the true value of the underlying characteristic (measurement error) as perceptions are subjective and highly dependable on an individual’s state of mind (mood) on a particular day. The probability that an unanswered question was not coded properly (non-response error) may also not be ruled out. The probability that the chosen sample was not representative of the population (sampling error) is real as the non-probabilistic purposive sampling method was employed in this study. Thus sampling error is recognized especially in the supplier sample. The non-probabilistic sampling technique used exposed the study to high sampling errors. The sampling frame used was only a part of the whole farming community in Zimbabwe, but due to time and cost constraints, the researcher was limited to concentrating on a particular characteristic of the population that is Zimbabwe Tobacco Association members. These respondents were easily accessible.

Another limitation was that in the case of the buyer sample, high profile respondents were not easily accessible and this might have compromised the quality of the data if the junior staff nominated as substitutes were not acquainted with the subject area.

High levels of suspicion may have hindered information gathering owing to the current political climate.

4.7 Ethical considerations

The following ethical considerations have been taken into account in conducting this research: Ensuring informed respondent consent, interviewee confidentiality, use of information for intended purposes only and integrity in reporting of findings.

4.8 Concluding notes

This chapter described the methodology employed in carrying out this study. Foremost, the justification of the study to assume a quantitative study approach was discussed. The data collection methods employed was explained and the criteria used to select the research population delineated. The required sample was described and characterized. The choices of measuring instruments and data analysis techniques applied were justified. Finally the limitations of the study were discussed. The following chapter presents the results of the empirical analysis.

CHAPTER 5: RESEARCH RESULTS

The previous chapter discussed the research method adopted for this study. This chapter presents the results of the survey carried out to answer the objectives of this study. Statistical procedures were employed in the analyses using the SPSS 11.0 software analysis tool. Initially, the basic description statistics are presented followed by the statistical analysis for the hypotheses testing. The descriptive statistics encompass frequency distributions, pie charts, cross tabulations and bar charts for graphical descriptions of data.

The results of the statistical analysis are for the two study samples, farmers (suppliers) and contract merchants (buyers) in the focal industry. The supplier sample is composed of 42 relationships that suppliers have with buyers and 11 relationships that buyers have with suppliers.

5.1 Description of the study samples of buyers and suppliers

A description of some general characteristics of the samples is set in this section. Of the 180 supplier questionnaires dispatched to the selected sample respondents, 42 were returned and of the 13 questionnaires sent to the buyers, 11 were returned. The respective response rates were therefore 23.3% and 84.6%. All questionnaires were completed fully and subsequently analyzed. Table 5.1 illustrates the response statistics.

Table: 5. 1 Response statistics

	Distributed	Received	%
Supplier	180	42	23.3
Buyer	13	11	84.62
Overall	183	48	26.23

The valid percentages of the descriptive statistics were used as there was no missing data. A valid percentage is defined as the percentage of the questions actually responded to.

5.1.1 Profile of respondents

Each variable describing the profile or demographics of the respondents is illustrated by a frequency table or a bar chart and a brief summary.

Table 5. 2 Gender

	Buyer %	Supplier %
Male	54.5	90, 5
Female	45.5	9.5

Males comprised 90.5 % of the 42 supplier respondents and females 9.5%. In the buyer sample, each gender was almost equally represented with 54.5% males and 45.5% females.

Table: 5. 3 Gender * Current age Cross tabulation % within gender

	Current age	18-29	30-39	40-49	>50
Buyer	Male	16.7	16.7	33.3	33.3
	Female	40.0	40.0		20.0
Supplier	Male	7.9	28.9	31.6	31.6
	Female			50.0	50.0

The females in the buyer sample were represented at a ratio of 2:2 to1 in the age categories of 18-29 and 30-39 and >50 respectively. In the supplier sample, the females were equally represented in the last two age categories. In both samples, the males were represented in all age categories relatively evenly save for the supplier sample in which the lowest age group was lowly represented. It was interesting to note that most of the respondents (63.2% males and 100% females) in the suppliers sample were 40 years and older as opposed to relatively even proportions (33.3% males and 80% females) in the buyer sample who were 40 years and younger. Most supplier respondents were farm owners with vast experience hence were generally older unlike the buyer respondents who were mostly supervisors and with fewer years of experience. Table 5.4 illustrates this point further.

Table: 5. 4 Years of farming experience * current age Cross tabulation

	Current age	18-29	30-39	40-49	>50
Buyer	5<	50	50		
	5-10	100			
	10-15		17.7	33.3	50
Supplier	5<			100	
	5-10	20	26.7	40	13.3
	10-15		62.5		37.5
	>15		11.1	38.9	50

In the buyer sample respondents with 5 years of experience and less were all 39 years or younger while all the respondents with between 5 and 10 years of experience were in the age range of 18-19 years old. Concentration in the supplier sample was in those who were older and had more experience (above 30 years of age).

Table 5. 5 distribution of the time period in purchasing Department

Period of time (years)	Buyer %	Supplier %
<5	36.4	2.4
5<10	9.1	35.7
10<15	54.5	19.0
>15	0	42.9

The qualifications of our respondents were of concern in both our samples. Thus their capacity in their organizations and years of experience in the purchasing functions were probed to ascertain appropriateness of the respondents to respond to the study instrument and moreover, their familiarization with their jobs to minimize response bias.

Table 5. 6 Capacity in the organization – buyers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Head of department	4	36.4	36.4	36.4
	Manager	2	18.2	18.2	54.5
	Supervisor	5	45.5	45.5	100.0
	Total	11	100.0	100.0	

100% of the supplier respondents were directors/owners as most tobacco farming enterprises in the country are one man businesses. Although the supervisors category in the buyer sample constitute more than any other (45.5%), cumulatively, 54.5% of the respondents were in managerial position assumed to be positions of authority and decision making. The supervisors were in positions of frequent interaction with the suppliers hence their opinion was valid. The suppliers' years of experience were concentrated in the range of more than 15 years experience (42.9%) and between 5 and 10 years (35.7%). On the buyer's side, the majority of the respondents (54.5%) had between 10 and 15 years of experience while 36.4% had less than 5 years of experience.

Table 5. 7 Category

	Buyer		Supplier	
	Merchant	Contractor	A2 Farmer	Commercial farmer
Frequency	0	11	17	25
Valid %	0	100	40.5	59.5
Cumulative %			40.5	100

The respondents for the study were tobacco growers and tobacco merchants more specifically, tobacco contractors. The sampling specification of the respondents on the buyer's side yielded 100% of the sample being contractors. No other buyers participated in the study. 59.5% of the supplier respondents were commercial farmers and 40.5% A2-commercial resettled farmers. There were slightly more A2 farmers than they were commercial farmers.

Table: 5. 8 Category of farmer * years of farming experience-Cross tabulation

	years of farming experience				Total
	>5	5 - 10 yrs	10 - 15 yrs	< 15 yrs	
A2 Farmer	5.9%	58.8%	23.5%	11.8%	100.0%
Commercial Farmer		20.0%	16.0%	64.0%	100.0%

Spearman's correlation 0.539 sig. 0.000 (1-tailed)

Cross tabulating the farmer category and years of experience (table 5.8) indicated that most A2 farmers had farming experienced that ranged between 5 and 10 years whereas 64% of the commercial farmers had more than 15 years farming experience. This significant positive correlation of farming experience and category can be attributed to the ongoing land resettlement program which commenced in 2000 that saw the emergent of the A2 farmer category. A2 farmers are resettled commercial farmers.

It was out of interest that we computed a test to find the relationship between farmer category and status of tenure as the environment volatility had a bearing on collaboration, the levels of trust and transaction specific investments made by each party.

Table: 5. 9 Category of farmer * status of tenure Cross tabulation

Category	Status of tenure	offer letter	mgt contract	lease	pending confirmation from government	Total
	Title deed					
A2 Farmer		88.2%	5.9%	5.9%		100.0%
Commercial Farmer	24.0%	12.0%	20.0%	16.0%	28.0%	100.0%
Total	14.3%	42.9%	14.3%	11.9%	16.7%	100.0%

Table: 5. 10 Spearman's rho Correlations

category of farmer	Correlation Coefficient	category of farmer	status of tenure
		1.000	.304

	Sig. (1-tailed)	.	.025
	N	42	42

- Correlation is significant at the .05 level (1-tailed).

The results tabulated above indicated a positive correlation though weak as the Spearman's correlation coefficient (0.304) was significant at 95% confidence level ($p < .05$). It can therefore be concluded with 95% confidence that the commercial farmers had a less stable status of tenure as opposed to the A2 farmers who had a more stable status of tenure. All Zimbabwean land was declared state land at the onset of the land reform. Offer letters are considered more stable than all the other as these are issued by the government signalling offer from the government for land utilization. Thus the probability of having one's farm reallocated is slim. The status of tenure for all commercial farmers with title deeds is therefore not guaranteed.

Table: 5. 11 Yield per hectare

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	500<1000kg	1	2.4	2.4	2.4
	1000<2000kg	5	11.9	11.9	14.3
	2000<3000kg	27	64.3	64.3	78.6
	>3000kg	9	21.4	21.4	100.0
	Total	42	100.0	100.0	

In certain instances, the A2 farmers were as good as commercial farmers both in terms of size and performance despite the experience gap. This was indicated by the frequency table 5.11 in which 84% of the respondents achieved an average yield of more than 2 tonnes per hectare which is considered an optimum tobacco yield. 52.4% delivered between 15 and 120 tonnes per season and 40.5% more than 120 tonnes per season. The A2 farmers are resettled commercial farmers who are typically perceived as unskilled and non-productive. This study assumes an insignificant difference between the two groups of supplier respondents.

The bar graphs below indicate the size of buyers by tobacco sales and purchases.

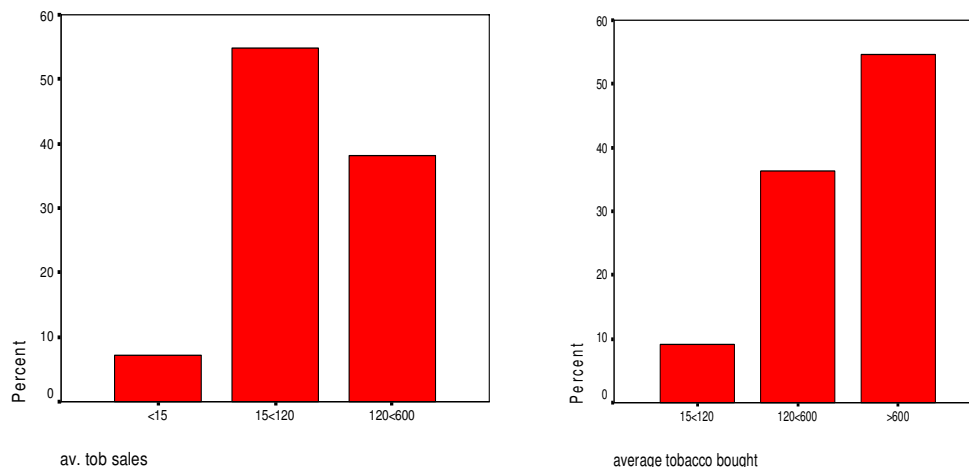


Figure: 5.1 Figure 1 Firm size by averages tobacco sales/purchases

In the buyer sample, more than half of the respondents (54.5%) bought an average of more than 600 tonnes of tobacco, whilst. 36.4% bought between 120 and 600 tonnes and the balance of 9.1% bought between 15 and 120 tonnes per season. Correlating the size of the buyers and suppliers with the dimensions of the three constructs indicated that there was a positive correlation between TSI physical, interpersonal trust and joint action (joint planning and decision making). In buyer's sample, size was correlated to joint planning and flexibility (See appendix 1).

Further, size was also correlated with achievement of expected yields and there was found to be a positive correlation in the supplier population but no correlation in the buyer population (see appendix 2).

Table 5. 12 Length of business interactions

Length of interactions (years)	Buyer %	Supplier %
<1	-	4.8
1<3	18.2	47.6
>3	81.8	47.6

The frequent length of business interactions in the supplier sample was in the categories of 1<3 years and more than 3 years, each category with 47.6%. A very small number of respondents had relationships less than one year (4.8%). There is was a mismatch however; comparing with the buyer sample in that most respondents (81.8%) reported to have had longer interactions (>3) with their

suppliers. When responding to this question a large number of buyers might have picked one of the longest serving farmers on their books hence the mismatch with the farmers' responses who might have referred to the current contractor they were with at the time of responding to the questionnaire.

The length of business interactions was also correlated with trust, TSI, flexibility and joint action (see appendix 1). All the correlation coefficients in the buyer sample were found to be highly insignificant. Thus there was no relationship in the population between length of business interactions of the buyer and the conceptual elements of the buyer-supplier relationships. Although the same results were found in the supplier sample, the exception was in human transaction investment which was positively correlated to the length of supplier's business interactions. The spearman's correlation coefficient (0.276) was significant at a 95% confidence level. (The test statistic is bolded in appendix 1)

From the same table (appendix 1) size of operations was significantly correlated to length of business interactions in the supplier sample.

Table: 5. 13 % of funded crop delivered

	Frequency	Percent	Valid Percent	Cumulative Percent
<50	1	9.1	9.1	9.1
50<60	2	18.2	18.2	27.3
60<70	1	9.1	9.1	36.4
70<80	2	18.2	18.2	54.5
80<90	4	36.4	36.4	90.9
90<100	1	9.1	9.1	100.0
Total	11	100.0	100.0	

Skewness statistic -0.534

In the buyer sample, there were 9.1% buyers who received less than 50% of their contacted crop as there were those who received more than 90% as well as between 60% and 70%. A larger percentage (36.4%) received between 80% and 90%. The Skewness statistic shows that the percentage funded crop delivered is negatively skewed with the larger frequencies toward the high end of the variable and the smaller frequencies toward the low end. The ideal is to achieve a 100% delivery, were it not for the prevalent tobacco side marketing.

5.2 Hypotheses Testing

The subsequent sections discuss the results of the hypotheses tests based on the two premises highlighted in Chapter 4.

5.2.1 Trust

Trust is categorized into interpersonal and interorganisational trust. Interpersonal trust was measured by three variables one of which was a direct question (referred hereunder as “major”) on whether the agent in question was trustworthy. Although for organizational trust there were four items, a direct question was also asked on whether the organization (buyer or supplier) was trustworthy. A correlation was run on the items to determine their relationships with the direct questions on both categories for inference to enable hypothesis testing. The results were tabulated in table 5.14 below.

Table: 5. 14 Analysis of trust items: Spearman’s rank order correlation

	Agent / Counterparty organization trustworthy			
	Buyer		Supplier	
	Coeff	Sig.(1 tailed)	Coeff	Sig.(1 tailed)
Interpersonal dimension				
Agent fair in negotiations	.468	.073	.744**	.000
prioritize counterpart interests	.902**	.000	.700**	.000
Inter-organizational dimension				
Expect long time relations	-.104	.38	.540**	.000
Company fair in negotiations	.823**	.001	.585**	.000
Reliance to keep promises	.835**	.001	.785**	.000

** Correlation is significant at the .01 level (1-tailed).

Spearman’s rank order correlation coefficient was used to correlate the major item in both dimensions - agent trustworthiness and organization trustworthiness with the other items as illustrated in table 5.14. The results indicated a strong and positive relationships as indicated by the high correlation coefficients which were significant at 99% confidence level ($p < .001$). The exception was in the buyer samples where the results indicated that there was no relationship between the perception of supplier organization’s trustworthiness and the expectation of the buyers to work with the supplier organization for a long time.

For testing of the main hypotheses, the variables derived from the direct questions were therefore used under the assumption that if an agent was trustworthy, they would be fair in their negotiations, although there might not necessarily be faith that the counterpart's interests are looked after.

<i>Ho</i>	<i>Trust</i>	<i>=</i>	<i>No trust</i>
<i>H1</i>	<i>Trust</i>	<i>></i>	<i>No Trust</i>

The null hypothesis stated that there is no difference in the frequencies of those who perceived there was trust in the buyer supplier relationship and those who perceived the relationships to have no trust. A one sample chi-square test was run to determine if there were significant differences between these two groups of respondents. The expected frequencies (N) were 21 in each response category as the one sample chi-tests null hypothesis postulates that in the total population there is no difference in the response frequencies.

Table 5. 15 One sample chi-square test – Trust

		Buyer			Supplier		
Variable: Trust		Observed	Chi-value	p-value	Observed	Chi-value	p-value
Interpersonal Trust	1.0	5	.091	.763	15	3.429	.064
	2.0	6			27		
Organizational Trust	1.0	4	.818	.366	15	3.429	0.64
	2.0	7			27		

The chi square test results of the tests tabled above for both dimensions indicated that, although a higher frequency of supplier respondents (27) perceived the relationship not totally trustworthy, there was no significant difference between the responses in the population. According to the results, the alternative hypothesis that there was trust in the relationship was therefore rejected in favour of the null hypothesis. It was therefore concluded with 95% confidence that the relationships were not characterized by trust or lack of it as the test statistic (chi-square 3.429) was insignificant ($p > .05$). The buyer sample indicated the same result of insignificant differences in frequencies of the two responses. However, the chi-values and the p values for both samples were much larger than in the buyer sample. This might

indicate that the buyers perceive their relationships with their suppliers less trustworthy than do the suppliers perceive theirs with the buyers. The frequency differences when considering the samples alone was significant for the supplier sample but when inferred to the whole population, there was no significant difference which might indicate that our sample was too small. The buyer sample however, was large enough (84.6% response rate on total population) to make inferences based on the total population.

5.2.2 Transaction Specific Investments

The two dimensions of TSI are human and physical transaction specific investments (TSI). A single item was used to measure physical TSI on which the computation of the chi square test was based. For human TSI, 3 items were used to measure the dimension and the results of their correlations were computed and tabulated.

Table : 5. 16 Analysis of TSI: Spearman's rank order correlation

	Loss of knowledge if switch to another farmer			
	Buyer		Supplier	
Human TSI	Coeff	Sig.(1 tailed)	Coeff	Sig.(1 tailed)
Time and effort invested in learning counterpart's business	-	-	.038	.405
loss of invest if switch to another supplier/buyer	.484	.066	.400	.004

In the buyer sample, the results showed that the null hypothesis formulated in this test was accepted as the correlation coefficient (0.484) was insignificant ($p > .05$). It was therefore concluded with 95% degrees of confidence that in the population, there was no association between these variables. 100 % of the buyers responded positively to losing time and effort invested in learning supplier's business, thus it became a constant and its relationship with the other variables could not be established. In the supplier sample, two variables were correlated (loss of investment and loss of knowledge if they switch to another supplier). There was a 99% confidence level that the two were correlated as the correlation coefficient (0.4) was significant ($p < 0.01$). Owing to these correlation results which were variant, the three variables for human TSI were employed in computing tests to prove or disprove the

TSI hypothesis. Two hypotheses were then tested, one for physical TSI and the other for human TSI.

The first null hypothesis stated that there was no difference in those who responded positively to investing in physical assets in their buyer supplier relationship and those who respond negatively.

<i>H₀</i>	<i>Physical TSI</i>	<i>=</i>	<i>No Physical TSI</i>
<i>H₁</i>	<i>Physical TSI</i>	<i>></i>	<i>No Physical TSI</i>

Table: 5. 17 One sample chi-square test – TSI

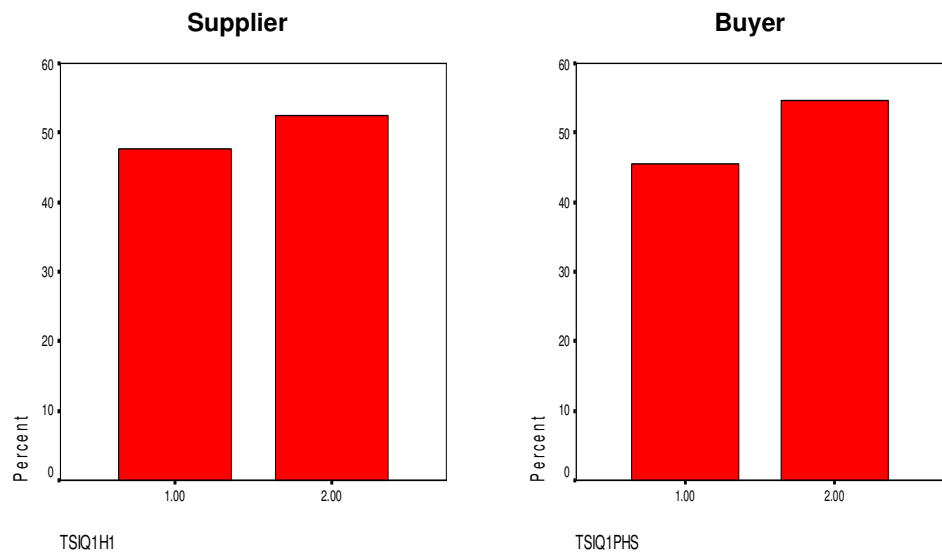
		Buyer			Supplier		
Variable: TSI		Observed	Chi-value	p-value	Observed	Chi-value	p-value
Physical TSI	1.0	5	.091	.763	20	0.095	.758
	2.0	6			22		
Human TSI							
Switching loss	1.0	11	-	-	5	24.381**	.000
	2.0				37		
Time & effort investment	1.0	4	.818	.366	13	6.095*	.014
	2.0	7			29		
Knowledge loss	1.0	5	.091	.763	7	18.667**	.000
	2.0	6			35		

* Correlation is significant at the .05 level (1-tailed).

** Correlation is significant at the .01 level (1-tailed).

From the results of the chi-square tests in both samples, the p-values were greater than 0.05 and therefore we accepted the null hypotheses. Thus it was concluded with 95% confidence that there was no evidence to support the notion that the physical specific investments made at farmer and contracting merchant level were necessarily to improve the relationships. As far as physical investment by the buyers and suppliers was concerned there was no relationship. This was so even if the supplier sample frequency results (fig. 5.2) indicated a slight difference of 4.8 % in the respondents' perception in favour of physical asset investments. Though slightly higher (11%), the buyer sample frequency differences, in respondent's perception,

showed the same result with the both chi-square statistics negligibly dissimilar. Thus the results were statistically insignificant when inferred to the population at large.



Key: 1 - totally true 2 - not true at all

Figure: 5.2 Frequency Bar graphs: Physical Transaction investments

With regard to human TSI, the following hypotheses were formulated.

<i>H₀</i>	<i>Human TSI</i>	<i>=</i>	<i>No Human TSI</i>
<i>H₁</i>	<i>Human TSI</i>	<i>></i>	<i>No Human TSI</i>

The one sample chi-square tests on each of the human TSI items yielded results which were tabulated together with those of physical TSI (table 5.17). In the supplier sample, in all cases, the p-values resulting from the tests were less than 0.05, thus there was a significant difference in frequencies of the respondents who made human TSI and those who did not. At 95% confidence level the test statistics were highly significant. With two of the variables, loss in investments and knowledge if switching to another buyer, the tests were significant at high confidence levels of 99%. The population was thus not homogenous in terms of opinion regarding human TSI. This entailed that human TSI did influence buyer supplier relationships in the study domain. Conclusively, the null hypothesis was rejected and the alternative accepted which stated that there was significant human TSI in the buyer-supplier relationships.

To the contrary, the buyer sample results indicated no significant evidence that the frequencies of the two responses in the population were different. The test statistics in all the cases were highly insignificant ($p > 0.05$). The alternative hypothesis of non-equality was therefore rejected in favour of the null hypothesis and it was concluded with 95% confidence that there was no significant difference in opinions with regard to human transaction investment in the buyer population.

5.3.3 Collaboration

The two dimensions of collaboration namely, joint action (which entails joint problem solving for conflict resolution) and joint planning and flexibility were analyzed to prove or disprove the formulated hypothesis under the construct.

5.3.4.1 Joint action

The hypothesis formulated for this dimension was as follows:

- H4 The buyer-supplier relationships are characterized by joint planning and joint decision making (joint action)

Joint action was measured by its two dimensions namely, joint planning and joint decision making. Each of these dimensions was measured by 4 items which were correlated with the 'major' item to establish their relationship so as to ensure reliability and validity of the 'major' item. The two dimensions were then correlated with each other before the chi-square test for the main hypothesis was performed.

Table: 5. 18 Analysis of Joint planning items: Spearman's rank order correlation

	Planning of production/sales volumes together			
	Buyer		Supplier	
Joint action dimension	Coeff	Sig.(1 tailed)	Coeff	Sig.(1 tailed)
joint products planning	-	-	.436	.002
Forecasts for traded products	.800	.002	.416	.003
Sharing of long time plans	-0.17	.480	.592	.000

** Correlation is significant at the .01 level (1-tailed).

Table 5.18 shows that all the items in both samples were significantly correlated at 99% confidence interval. Thus, since the Spearman's coefficients were significant

(<.01), the null hypothesis that there was no relationship between the items in favour of the alternative hypothesis that the relationship subsists was rejected. In fact the relationship was positive, thus an increase in one item increased the other. However, in the buyer sample, planning of production/ sales volumes and sharing long term plans were not correlated as evidenced by the insignificant (>.05) test statistic. In this instance, the null hypothesis was accepted and it was concluded with 95% confidence that there was no relationship between the two items.

Table: 5. 19 Analysis of Joint decision making items: Spearman's rank order correlation

	Problems dealt with together			
	Buyer		Supplier	
Joint decision making dimension	Coeff	Sig.(1 tailed)	Coeff	Sig.(1 tailed)
Owing each other favours	-0.103	.382	.305*	.025
Shared responsibility	.036	.459	.546**	.000
Committed to improvements for mutual benefits	.285	.197	.626**	.000

* Correlation is significant at the .05 level (1-tailed).

** Correlation is significant at the .01 level (1-tailed).

In Table 5.19, the supplier sample indicates high levels of significance ($p < 0.01$). Thus it was concluded with 99% confidence that there was an association between the variables in the population. The buyer sample shows lack of correlation between dealing with problems together and any of the other items measured. All the test statistics were insignificant ($p > 0.05$), hence it was concluded with 95% confidence that there was no association between the variables in the population.

The next section correlates the two dimensions of joint action, joint planning and joint decision making by means of the 'major' items used to measure them.

Table: 5. 20 Analysis of Joint Action dimensions: Spearman's rank order correlation

	Joint decision making			
	Buyer		Supplier	
	Coeff	Sig.(1 tailed)	Coeff	Sig.(1 tailed)
Joint planning	.731	.005	.376	.007

The two dimensions of joint action, namely joint planning and joint decision making were correlated to determine whether there was a significant relationship to enable us to infer by using one of them to run the one sample chi-square test to prove or disprove the joint action hypothesis.

The correlation test results indicated a significant correlation ($p < .01$) in both samples meaning that the observed correlation was unlikely to have come about if there was no association between the variables in the population. The null hypothesis that there was no association between joint action and joint decision making was therefore rejected with 99% confidence in favour of the alternative hypothesis which stated that there was an association between joint planning and joint decision making. In fact the results show that the variables were positively related though the strength of the relationship was weak. Thus, as joint planning increased, joint decision making also increased and the reverse is also true.

Irregardless of the correlation results above, for the main joint action hypothesis, a one sample chi-square test was run using the two 'major' items used to measure the dimensions of joint planning and joint decision making.

<i>Ho</i>	<i>Joint action</i>	<i>=</i>	<i>No joint action</i>
<i>H1</i>	<i>Joint action</i>	<i>></i>	<i>No Joint action</i>

The following results were recorded as follows:

Table 5. 21 One sample chi-square test – Joint Action

Buyer					Supplier		
	Observed	Chi-value	p-value		Observed	Chi-value	p-value
Joint planning	1.0	4	.818	.366	11	9.524	.002
	2.0	7			31		
Joint decision making	1.0	3	2.273	.132	6	21.429	.000
	2.0	8			36		

In the suppliers' sample, the p-values in both variables of the dimensions were less than 0.05, therefore the null hypothesis that there was no difference in frequencies of responses observed in the population was rejected. It was concluded that it could be

established at 95% confidence that relationships between buyers and sellers were motivated by joint action or lack of it. The frequency differences when considering the observed in the sample alone was also significant, largely so for joint decision making hence when inferred to the whole population, the test statistics did point out the statistical significance of the difference. The large frequencies of joint action pointed toward buyer-supplier relationships, which were highly motivated by joint decision making and joint planning. In the buyer sample, the results show that the null hypothesis of no difference in frequencies of joint action in the population was supported as the test statistics were insignificant ($p > 0.05$). We therefore concluded with 95% confidence that according to the buyers the presence or absence of joint action does not influence buyer-supplier relationships.

5.2.4.2 Flexibility

The hypothesis formulated for this dimension is as follows:

H4 The buyers and suppliers are inclined to adapt to changing circumstances (flexibility)

The construct of flexibility was measured by 3 items. Each item however was soliciting for the opinion of the respondent with regard to flexibility from different points of views:

- Their own company – ‘our company is flexible in response to changes in the relationship with the buyer/supplier’.
- The counterpart’s company – ‘the buyer/supplier makes adjustments to maintain the relationship with our company’.
- Working together – ‘in the event of unexpected situations arising, we work together to structure new deals’.

Table 5.22 illustrates the results of the Spearman’s rank-order correlation tests performed.

Table 5. 22 Analysis of Flexibility items: Spearman's rank-order correlation

	Flexibility to changes			
	Buyer		Supplier	
	Coeff	Sig.(1 tailed)	Coeff	Sig.(1 tailed)
Ability to make adjustments	.645*	.016	.528**	.000
Ability to restructure deal	.161	.318	.485**	.001

** Correlation is significant at the .01 level (1-tailed).

** Correlation is significant at the .01 level (1-tailed).

Inference from the buyer sample reveals that in the population there was no evidence of association between the variable relating to flexibility of their company to change, and that of their ability to work with supplier new deals in the event of unexpected situations arising in the relationship as indicated by the correlation coefficient (0.161) and the p-value which is >0.01 (test carried at 99% confidence interval). However, in all the other items, the test statistics provided evidence that at 99% and or 95% confidence interval, there was significant positive association between the items ($p < .01$ and $p > 0.05$). The null hypotheses in the two instances postulated no relationship between the items.

Given the nature of the items used to measure flexibility and the correlation results, the three items namely: flexibility to changes; ability to make adjustment to maintain the relationship; and structuring new deals were made use of in carrying out a chi-square test to prove or disprove the main hypothesis as these could have resulted in different implications on the results. The null hypothesis therefore was formulated as:

<i>Ho</i>	<i>Flexibility</i>	<i>=</i>	<i>No Flexibility</i>
<i>H1</i>	<i>Flexibility</i>	<i>></i>	<i>No Flexibility</i>

Table 5.23 illustrates the results from the tests.

Table: 5. 23 One sample chi-square test – Flexibility

		Buyer			Supplier		
		Observed	Chi-value	p-value	Observed	Chi-value	p-value
Flexibility	1.0	3	2.273	.132	9	13.714	.000
	2.0	8			33		
make adjustments	1.0	1	7.364	.007	10	11.524	.001
	2.0	10			32		
restructure deal	1.0	4	.818	.366	10	11.524	.001
	2.0	7			32		

According to the results from the supplier sample, the null hypothesis of no significant difference in frequencies between respondents who were inclined to adapt to changing circumstances and those who were not was not supported as the test statistic (chi-square=13.714) was highly significant ($p < 0.01$). It was therefore concluded that with 99% confidence that flexibility (the presence or lack of it) was a motivator of the buyer supplier relationships in the focal industry. Besides perceiving their companies to be flexible, the suppliers believed that the buyers made adjustments to maintain their relationship and that together they worked together to maintain their relationships. However, the buyer sample is compatible to the supplier's only with regard to the opinion of either party making adjustments to maintain the relationship. This inference is derived from the fact that the test statistic (chi-square=7.364) was significant at a 99% confidence interval ($p < .01$). It was therefore concluded with 99% confidence that buyers and suppliers in the focal industry made adjustments to maintain the relationships. Thus there was some level of flexibility as far as the buyer perceptions were concerned. The results of the other items show that although the buyers were agreeable to their suppliers making adjustments, they were not agreeable to their companies being flexible neither did they agree to them working together with the suppliers to restructure deals in the event of the unexpected. This was proved by the test statistic for both items (chi-square = 818 and 2.273) being insignificant ($p > .05$). It was therefore concluded with 95% confidence that there was no significant difference in the population between buyers who perceive their companies to be flexible and those who did not with regard these two variables.

5.2.5 Nature of relationships

This section aggregates the results from the three constructs of buyer-supplier relationships in order to derive the type of relationship that exists in the focal industry. The basis of derivation is literature which led to an assumption of this study that buyer-supplier relationships in the focal industry are adversarial or collaborative. The main proposition was:

H5 Buyer-supplier relationships in the tobacco industry are collaborative and not adversarial in nature.

The results obtained in the analysis of the constructs in the prior sections are summarized in table 5.24 below. An equal weighting of each construct was assumed and the frequency of responses in each construct determined its support or lack of thereof. The results are based on support or lack of, of the alternative hypotheses of each construct which postulates the presence of each construct in the buyer-supplier relationships of the focal industry.

Table: 5. 24 Summary of Constructs' Hypotheses Results

Construct	Buyers	Suppliers
	Supported	Supported
Trust		
<i>Interpersonal</i>	NO	NO
<i>Interorganisational</i>	NO	NO
TSI		
<i>Physical</i>	NO	NO
<i>Human</i>	NO	YES
Collaboration		
<i>Joint action</i>	NO	YES
<i>Flexibility</i>	PARTIALLY	YES

From the above results table, it was surmised that buyers and suppliers in the focal industry had different opinions on the buyer-supplier relationships that existed in their industry. From the buyer perspective, all the constructs did not apply except for the dimension of collaboration, flexibility, which was only evidenced in one of its variables – the perception of the buyer on ability of the supplier to make adjustments

to maintain the relationship with the company. The nature of the relationship was therefore inclined more toward adversarial. With regard to suppliers, the buyer-supplier relationships lacked trust and physical transaction investments. The relationships however exhibited the other constructs namely, the dimension of TSI, human TSI, and the two dimensions of collaboration, joint action and flexibility.

From inference, the hypothesis that the buyer supplier relationships are collaborative and not adversarial can be rejected, and it be concluded that the relationships were inclined more toward adversarial than they were toward collaboration. However, the fact that the relationships are not purely adversarial or collaborative indicated the existence of intermediary types of relationships in the industry.

CHAPTER 6: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

This chapter discusses the results of the descriptive and statistical analysis based on the survey data presented in the previous chapter. The discussion follows the hypotheses of the study's theoretical framework formulated in Chapter 4 and subsequently tested in chapter 5. Conclusions are drawn regarding the research questions and hypothesis and the possible managerial implications are also discussed. The chapter concludes with recommendations for further research.

6.1 The control variables

The study was based on data obtained from a survey with a response rate of 23.3% and 84.6% suppliers and buyers respectively. The buyer's response rate was very high because of the size of the sampling population which included all tobacco contracting firms in Zimbabwe. These firms evidently enjoy oligopsony in the market because of the large supplier base. According to literature, a response rate of 20-30% on mailed questionnaire surveys is a norm (Takim and Akintoye, 2002). The supplier response rate of 23.3 was therefore a norm within the sampling frame.

The profile of respondents was of essence to this study to establish their appropriateness to respondent to our questionnaire as well as to highlight some characteristic factors that could affect the buyer-supplier relationships. The study found that the demographics in terms of age and experience differed in their distribution between the two samples. The buyers were younger and less experienced, whilst the suppliers were concentrated in the older and more experienced categories. This was in line with our questionnaire objectives to seek respondents with knowledge on the focal industry and in the field of buyer-supplier relationships. Most buyers, though younger and less experienced, were in the supervisory position and were the personnel that interacted with the suppliers regularly. They were therefore in a position to highlight the major issues that underlie the relationships. The world of experience of the farmers also assisted in giving a true picture of the issues on the ground.

The length of business interactions was important as it was expected to impact on the four constructs as postulated by literature (Claro *et al.*, 2004). To the contrary, the length of business interactions had no effect on both the buyers and suppliers except for human TSI in the supplier population. The overshadowing objective of profit maximization in the struggling economy resulted in parties looking up for their own interest resulting in them migrating from one relationship to the next seeking for relations that could ensure profitability. For instance a farmer would not stick to a contractor who was unable to provide them with inputs. Thus relationships were not granted enough time to develop and foster trust and flexibility.

What appeared to be also of importance to the supplier was their size as the bigger their operations were (determined by the amount of tobacco sold in a season) the more trust they had in their buyer agent, and the more joint action there was. Bigger operations are also likely to be treated better than smaller operations on a one on one basis. They are easier to collaborate with and have high reputation risks than smaller operations which they want to protect. However the perceived interpersonal trust did not spill to organisational trust. The bigger the supplier operations were, the more profitable they also were. Profitability in tobacco farming is determined by the area grown and the yields achieved. Also of importance was the investment they subsequently made in the relationships which was mainly in the form of increased acreage under the tobacco crop. Size however did not seem to increase trust or collaboration.

On the buyer side, size did not mean anything to them except in joint planning and flexibility. Thus the bigger the buyer the more they planned jointly with the supplier and the more flexible they were with regards unexpected situations rising. The results of no correlation with trust were in contrast with prior research conducted in the Dutch potted flowers which found that the smaller the size of the buyer, the higher the levels of trust (Claro *et al.*, 2004)). Smaller buyers entail a smaller customer base; hence perceptions of trust are higher.

The status of tenure had a bearing on the results as the level to which a farmer was secure with regard to their business' continuity was significant with regard the levels of investment they made in their business relationships. The results however illustrated no statistical significance although cross tabulation indicated that more of

those who had the least secure status of tenure invested the least. The results also indicated that only 16.7% of the suppliers had the least secure form of security of tenure – pending government confirmation. The buyer on the other hand, although in the same regard, would be worried about the returns from their investment measured by the percentage of their contracted tobacco they actually receive at the end of the season. The distribution of buyer's percentage delivered crop was negatively skewed. This implies that most buyers reported having received higher percentages of their contracted crop. However, the percentages are clearly not good enough as the ideal is 100% given the level of assistance they offer to the buyers. This assistance actually becomes a huge financial obligation which if unmanaged can be detrimental to the bottom line.

6.2 Analysis of prevalence of the constructs of buyer-supplier relationships

The study was structured such that hypotheses formulated on the three constructs were in line with the study objectives. The results of the hypotheses testing are discussed hereunder.

6.2.1 Trust

The results to establish the prevalence of trust in the buyer-supplier relationship for both the buyers and suppliers were negative. In other words, we failed to establish at 95% confidence that relationships between buyers and sellers in the population were motivated by trust or lack of it. Although, suppliers perceived the buyer's interpersonal trust to be somewhat better than organizational trust, the overall effect was in line with literature which states that interpersonal trust is argued to be deficient to sustain and manage a relationship, but a combination with inter-organizational trust is deemed essential (Zaheer *et al.*, 1998). The buyer on the other hand could not really separate the two as the supplier businesses are Sole Proprietorships.

The buyers seemed less convinced about the existence of trust in the relationship than did the suppliers. The results suggested other factors are at play in the relationships for instance distribution of information. This is in line with previous research on the Dutch potted flower study which found that information that buyers

get from the network of interconnected relationships is so vulnerable that trust is unnecessary for the buyer-supplier relationships (Claro *et al.*, 2004). Thus information might replace the need for trust. There is a possibility of buyers facing high levels of information asymmetry in actual crop grown in the country and uncertainty of procuring that crop with the ongoing land reform. Thus a contracted farmer can wake up one day and be asked to leave the farm as it would have been resettled. On the other hand the farmer is not well informed of the ruling prices and with the volatility of the local currency, their profitability was highly at risk. The lack of information which resulted in high levels of uncertainty consequently had the buyers and suppliers placing more emphasis on building mechanisms that protect them from such distortions resulting in expenditure of time and resources in building trust unessential. Thus the sole goal of the contractor is to ensure procurement of the targeted amount of tobacco to ensure meeting their own export or processing milestones. As such they concentrate on this goal to the extent that all else is rendered unimportant except getting the tobacco crop out of the farmer. On the other hand, tobacco farmers' sole goal is to get the best price for their crop and will endeavour to do so at the expense of the relationship with the contractor.

Further, the current wave of side marketing heightened the perception of lack of trust from the buyers' view. Under contract lines, buyers and suppliers have obligations to deliver as per contract. However, the governing body TIMB seemed to have slackened on their controls of ensuring that no supplier sold through any other grower number but their own. A farmer can only grow and deliver tobacco under a growers' number that is specific to them. This was however not the case as farmers were holders of multiple grower numbers through which they were side marketing. Side marketing was defined as delivering tobacco to a different contractor merchant from that specified in a contract drawn at the onset of the growing season that provided any form of assistance in establishing the crop. This has seriously dented buyer supplier relationships to the extent that some contract merchants have terminated their relationships with certain suppliers. This is an indication of lack of flexibility and joint action on the buyer's part although one might argue that this action was brought about by the untrustworthiness of the supplier which led to them breaching their contractual obligations.

On the supplier's side, the perception of non existence of trust could have emanated from the fact that farming is a business that is very time conscious due to its seasonality nature. The relationships of suppliers with buyers usually get strained in situations where contract merchants are not forthcoming with information as to the availability of inputs and lately funding. As alluded to in Chapter 2, the relationships in the focal industry are based on farmer accessing inputs from contractor through which they re obliged to sell their crop. The relationships in reality were characterized by inputs that arrive late and buyers who made promises that they could not deliver especially on payments following farmer's crop delivery. The situation was made worse by the financial sector that was hard hit by the current economic hardships. Farmers used to access finance for production from the banks which were facing liquidity challenges leaving the growers solely dependent on the contract merchants. Several farmers moved from one contractor to the next seeking better service hence the relationships were hardly long term enough for trust to develop.

The prices that farmers obtained for their crops were also a source of despondence with the growers. The contract merchants advance inputs to the farmers at prices more than 50% their market price and when it came to selling they offered farmers the lowest prices on the auction floors. As much as pricing in the industry is quality based, growers felt they were not getting a fair deal. They did not believe that the buyer was acting in utmost good faith.

Conclusively, the relationship negotiations in the buyer-supplier relationships were not in good faith. It seemed that contractors wanted to take advantage of the contents of the contracts to suppress the voice of the supplier. Consequently, side marketing became prominent as the low contract prices resulted in farmers being tempted to go elsewhere where prices were more attractive.

6.2.2 Transaction Specific Investments

The results indicated that the creation of assets that are specific to the buyer-supplier relationships was not evident in the focal industry. Thus, there was no evidence to support the notion that the physical specific investments made at farmer

and contracting merchant's level were necessarily going to improve the buyer-supplier relationship.

The nature of the industry is such that specialized assets are created, but they are only specific to a certain extent. Due to the huge supplier base, creation of such assets is a huge investment that buyers are not willing to take. There is no doubt that the parties are making investments in their businesses but the investments are not perceived to be earmarked for the benefit of the relationship. For instance, suppliers are continuously purchasing farm implements some of which are financed by the contracting merchants. These investments are made however to solely enhance the strength of the growers' business. The grower is only obliged to do business with the buyer to the extent that capital expenditure advance has been paid off. Their obligations to the buyer also only extend until their crop has been delivered after which they can switch to other buyers such that they can change buyers every season. The same applies with the buyers.

Suppliers are sceptical about making long term investments with the buyers for fear of becoming overly dependent on the buyer to the extent that the buyer might have too much control over the relationship and become exploitive. This is supported by Williamson (1985) and Anderson and Grbing (1988) in *Claro et al.* (2004) who cited that high levels of transaction-specific investments (TSI) might affect the buyer-supplier relationship negatively by fostering dependence and other governance hazards, such as opportunism.

The main types of investment by buyers are in the form of funding arrangements, inputs and infrastructural development (on the grower's premises). The type of investment is again short lived and maintains the relationship only until the advances in these respects have been paid off. Thus every season buyers secure relationships only for another year before they are possibly terminated by either one of the parties. Most contracting merchants do not own their own storage premises but rent space from auction floors. Thus they also rent receiving bays and some tobacco trolleys. This is an indication of lack of long term commitment to their relationships.

The supplier's perception of existence of human specific investments made by the buyer to the relationship was sought. The result was buyers were perceived to have made significant human specific investment in the relationship. The high 'switching costs' facing the suppliers could be with regard to the technical services offered by the buyers as well as other form of assistance offered. The buyers have specialized field officers who are qualified agronomist that are always out in the farms providing technical know how to the growers. With regard to perception of the growers' own time and effort invested in learning the buyer's business practices, the investment was also found to be significant. This might be a factor of the extensive experience that growers have in the field and the length of their relationships with their buyer such that they are well versed with the dynamics of the buyers' operations.

The investment in human assets is one sided (buyers only) as there is no human development that a grower can offer to the contractor. The contractor however, can leverage on skills transfer in terms of extension services provided by their agronomist who is also used as a link between research and actual growing operations. Again, the environment mirrors the donor-recipient kind of relationship as contractor merchants possess inherent wealth whereby they have all resources and the grower has nothing.

The buyers still perceived their relationships with the grower not to be characterized by human transaction specific investments despite the fact that they deploy their field officers to work with the growers. This could be so as this investment is easily transferable from one relationship to the next. Thus, agronomists are university trained and specialize in several enterprises such that they can be redeployed to other industry enterprises such as maize and other grain crops. The degree of specificity of a TSI diminishes when the investment is transferable to a certain extent (Claro *et al.*, 2004). The buyers feel they have not made much investment in them to improve buyer-supplier relationships but more for research and to ensure quality of the tobacco crop.

Overall, with regard to TSI no party has made deliberate attempts to invest in the relationships. The buyer supplier relationships were such that both parties were free to exit the relationship as long as they were not in breach of the contract whose

terms did not extend beyond a single growing season. Relationships were by no means such that they were serious commitments made. Terms of contracts vary from one season to the next and are short term in nature. Thus customizing operations to suit the requirements of any one party becomes difficult as the relationship is not guaranteed in the long term.

6.2.3 Collaboration

The buyers perceived that there was no joint action with the suppliers. With regard to planning, buyers had unlimited capacity such that they could buy more than they contracted rendering planning insignificant to a certain extent. Consultation with the suppliers also in terms of decision making was difficult considering the huge numbers of growers they had on their books. Joint problem-solving however was evident to a smaller extent.

On the grower's side, joint action was found to be evident in the relationship. This could have arisen due to the fact that, although the growers made their own plans and decisions, they consulted with regard to market expectation. Thus to a certain extent, the buyers were engaged in planning since the grower could not grow a crop that they were not convinced of the market. Information was gathered on international prices that aided the growers in decisions on production depending on prices of other crops. With regard decision making, each farmer had a cropping program which specified the different enterprises they had and the area under which each enterprise would be grown. However, the decision to put certain acreage under tobacco partly lied with the amount of tobacco that the buyer could contract the farmer. The limited access of inputs rendered the growers at the mercy of the contractors. Therefore, to some extent there was consultation when making decisions although they did not seem to work together. Each one was interested in their own business with the farmer having own expectations with regard to rotations and area grown under each crop. The main objective of any business is profit maximization hence the farmer will only grow that which will maximize their returns. Diversity provided the growers with security and reduced exposure to climate or

market risks posed by growing a single crop. Trust also played a part in decision making.

The suppliers and buyers perceived their relationships to be characterized with flexibility though the suppliers seemed to enjoy the benefits more. In the event of unforeseen circumstances, buyers were flexible enough to restructure the contracts to come up with new contracts that incorporated carry over of the value of assistance extended to the grower from the previous season. Due to their unlimited capacity, buyers were also able to purchase any amount of tobacco produced by the grower outside the contractual agreement.

On the other hand however, growers are not always flexible. They maintained that their core business was farming and not tobacco farming only hence they were not able to expand production when required to if they were operating at maximum capacity. Thus diversification was the thrust of every farmer. Growers also had rotations to follow which if not done they could easily manage them out of business. Expansion of the enterprise also meant increase in human assets which the growers were not willing to undertake largely due to financial constraints and to some extent lack of grower's experience. The tobacco farming is one enterprise in which it is more viable to establish a small acreage and concentrate on maximising yield and quality than a huge acreage that will produce poor yields and quality. Side marketing came about as a result of the inflexibility of growers to make adjustments to maintain their relationships with the buyers with regard prices offered by the buyers.

6.2.4 Nature of buyer-supplier relationships

The results of the proposition that the buyer-supplier relationships in the focal industry were collaborative and not adversarial indicated that relationships in the industry were pointing more toward adversarial than they were toward collaborative partnerships.

From the results and the succeeding discussions, the relationships were clearly characterized by short-term based contracts, in which the buyer purchased among many suppliers. The catchphrase here would have been competition on prices but in

the case of the focal industry quality is the basis of competition as it determines price. The fact that the relationships are characterized by large numbers of suppliers on short term contracts disqualifies them to be collaborative as the latter are based on long term relationships with few selected suppliers (Humphreys *et al.*, 2001).

It appeared from the results that due to side marketing (buyer's perspective), the buyer preferred short-term relationships as they were able to evaluate the suppliers, trustworthiness every season. These unfair treatments on the buyer were perceived to have resulted in buyer hostility toward the supplier. Consequently, this might have been a reason for buyer's lack of investment in the supplier's business to balance its effort and gains. On the other hand however, the supplier was cautious of exploitations which could have arisen from unfair price distortions. As it where, the supplier was being charged double the input prices. Thus there is room for the buyer to take advantage of its purchasing leverage, without adequately compensating the supplier. According to Choi and Wu (2009), such behaviour exhibited in both parties typifies adversarial relationships.

With regard to conflict resolutions and perceptions of business parties being flexible, the relationship to some extent exhibited the collaborative type which emphasizes sharing of common goals (Petison and Johri, 2007). In some instances conflicts were resolved through dialogues, and both the buyer and supplier perceived their relationship to be flexible in this regard. As emphasized in the results section, companies interacted frequently when suppliers accessed inputs and working capital and they also shared meaningful information in the form of extension services provided though there was no evidence that this was done to maintain the buyer supplier relationships. In addition, adjustments were made in the event of the supplier failing to deliver the crop as per agreement.

The relationships did not completely fall into the adversarial type as the parties, to some extent, provided time for personal relationships within the business framework. Although there was no trust, there was extensive personal communication beyond the transactions themselves. Thus the fact that the results could not attach the existing relationship to a particular type of relationship suggested intermediate positions between the collaborative and adversarial partnership. This is in line with

the postulation of reviewed literature which did argue about the real world setting in which the theoretical distinctions between adversarial and collaborative' relationships had become not so clear with practices differing from case to case (Szwejczewski et al., 2005). There is, therefore a continuum between the two extreme sides of the relationships which comprise other forms of relationships (Claro *et al.*, 2004).

The current buyer-supplier relationships could be a sign of the focal industry evolving from the adversarial towards more cooperative relationships with new arrangements based on interdependence and long term relations. Literature has it that the adversarial type of relationships are deemed old fashioned with the trend now moving toward collaboration (Humphreys *et al.*, 2001). This change is attributed to market pressures. It must be noted however that buyer-supplier relationships, do not necessarily evolve in a one-way move from an adversarial (less close) to a collaborative (more close) style of relationship (Petison and Johri, 2007).

Using Ford (1980)'s classification of relationship evolution reviewed in chapter 3, the relationships in the focal industry exhibited characteristics of the Early Stage of the process as the buyer negotiated with potential farmers on the terms of the contract especially with regard to tonnage to be delivered and price. However, with the rampant side marketing, the buyer was more selective and wanted to negotiate with those farmers whom they perceive trustworthy. The distance between both parties was still generally high as they regarded each other with suspicion. Some characteristics of the development stage were also exhibited in some cases were, though the contracts on paper are short-term, there was repeat business were the farmer stayed with the same contractor for more than 3 years. The distance of the relationships in this case was reduced though no significant commitment was evident.

6.3 Conclusions

The foundation that the nature of buyer-supplier relationships has significant implications for the management of these relationships and on the profitability of the business led to our central research question:

“What type of buyer-supplier relationships exists in the Zimbabwean Tobacco Industry”?

In the course of the study, it was found that two of the three major constructs that formed the theoretical framework of the study, namely – trust and transaction specific investments were not prevalent in the focal industry with the exception of one of the dimensions of TSI - human transaction investment on the supplier sample. The other construct, collaboration, was prevalent with regard to its two dimensions in the supplier sample and to a smaller extent in flexibility in the buyer sample. The answer to the research question was derived from the four hypotheses set on the four constructs and a proposition made whose answer was inferred from the construct hypotheses. The hypothesized prevalence of some of the conceptual elements of buyer-supplier relationships was not supported, namely:

- There was no significant evidence that trust, interpersonal and or organizational, characterized the buyer-supplier relationships. Although suppliers perceived the buyer's interpersonal trust to be somewhat better than organizational trust, the overall effect was negative. Interpersonal trust alone was argued to be lacking to sustain and manage a relationship, but a combination with inter-organizational trust was deemed essential.
- Although there was evidence of the supplier having made human TSI, the overall perception of both the buyer and supplier was that there was no significant specific investment made.
- With regard to collaboration, there seemed to have been evidence of significant joint action and flexibility from the supplier's perception whilst the buyer perceived their relationships to be flexible to some extent but with no joint planning or joint decision making.

While the buyers tended to perceive the relationship as purely adversarial, there was dilution from the suppliers who perceived the relationship to be somewhere between the continuum of adversarial and collaborative, though still inclined more toward adversarial. Taking the overall results of the empirical part of the study, it was inferred that the type of relationship in the focal industry was adversarial, although there were signs of evolution toward collaboration.

6.4 Managerial implications

The Zimbabwean tobacco industry is among the main foreign currency earners and GDP contributors in the country. The agricultural environment at the moment is characterized by high levels of insecurity with regard to land issues and this could have affected the responses as there are high levels of suspicion regarding any inquiries made on farming operations. Over the years the respondents are used to transacting or interacting with each other in a particular way primarily for survival purposes and now appear complacent in improving the state of affairs, despite that it is not the best practice. This also applies even if they are aware of the benefits offered by collaboration. Be that as it may, the achievement of success through collaborative buyer-supplier relationships is crucial for improving global market competitiveness of the growers and merchants alike as well as the restoration of the Zimbabwean economy. It is imperative that managers are aware and understand the fundamentals behind the success and failure of business relationships and most importantly to know how to improve the overall performance of these relationships. The globalization of the world economy requires that efforts be made to change the status quo toward the new era of establishing sustainable buyer-supplier relationships. The establishment of the current nature of buyer-supplier relationships in the tobacco industry in Zimbabwe has significant implications for the management of these relationships and on the sustainable profitability of these businesses. The managerial implications of this study are thus summarised below:

- Managers should change their attitude and focus from immediate survival oriented benefits of transactional relationships to symbiotic, synergistic and sustainable long term collaborative relationships. Understanding of the process flows in counterpart's businesses, their value chains and the supply chain as a whole is central to improve the relationships and ultimately the bottom line.
- There is need to recognize the importance of developing co-operative relationships in the industry. These relationships are not easy to develop and need a lot of investment in resources both physical and human. The deficiency of supply chain management skills poses a big gap toward establishing ideal supply chain links and their consequent management.

Supply chain management is a new concept in the focal industry hence the skills base of managers in the field is very small thus the need for extensive training programs in the subject area.

- Close links between the parties in the chain enable smooth flow of information and also foster trust among the counterparts and this requires efforts of both parties. The benefits of trust in any relationship cannot be over emphasized. Partners who do not perceive each other trustworthy will always look out for their own interest at the detriment of the other.
- There is need to ensure compatibility of the opinions of the buyers and sellers if the two are to work toward a shared vision. The fact that the buyers and sellers perceive their relationship differently shows there is no goal congruency. If the buyer-supplier relationships are to be developed to optimise the benefit there is need for goal congruency.

6.5 Recommendations for further research

The study offers several important findings to the literature. Yet, there are some limitations to the study. First, due to time constraints only the dyadic relationships were studied. As defined, a supply chain is a network of businesses and relationships and analyzing/evaluating relationships in the entire supply chain is vital in providing a more critical analysis of the state of affairs in the study context which enables the researcher to formulate recommendations that can be generalized to all supply chain relationships.

Further, there is need to carry out the same research study with a larger supplier sample to verify these results as the sampling frame used in this study was only a small part of the whole farming community in Zimbabwe due to time and cost constraints. The researcher was limited to concentrating on a particular characteristic of the population that is Zimbabwe Tobacco Association members the respondents of which were easily accessible.

Although the nature of the relationships in the Zimbabwean tobacco industry has been established, the performance of these relationships is paramount. It is therefore imperative that a study is conducted to evaluate the extent to which the buyer–

supplier relationships are working to derive value. This will aid in deriving effective ways to improve and manage these relationships.

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APPENDICES

Appendix 1 -Consent Form

Appendix 2- correlation tables

Length of business interactions, average tobacco bought and the constructs- Buyer

		average	TSI -	TSI -Interpersonal	Inter-	Joint	JointFlexibility	length of		
		tobacco	Physical	human	trust	organisational	planning	decision	bus	
		bought								
Spearman's rho	averageCorrelation	1.000	.486	-.168	-.464	.069	.000	-.181	-.717	.209
	tobacco Coefficient									
	bought									
	Sig. (1-tailed)	.	.065	.311	.075	.420	.500	.297	.006	.269
	N	11	11	11	11	11	11	11	11	11
length of bus interactions	Correlation	.209	-.043	-.134	-.479	-.201	-.201	-.241	.087	1.000
	Coefficient									
	Sig. (1-tailed)	.269	.450	.348	.068	.277	.277	.238	.399	.
	N	11	11	11	11	11	11	11	11	11

** Correlation is significant at the .01 level (1-tailed).

Length of business interactions, average tobacco bought and the constructs- supplier

		av. tob sales	TSI -Physical	TSI -Interpersonal human	Inter-organisational trust	Joint planning	JointFlexibility decision making	length of bus interactions		
Spearman's rho	av. tob sales Correlation	1.000	.259	.204	.312	.147	.410	.311	.194	.299
	Sig. (1-tailed)	.	.049	.097	.022	.177	.004	.023	.109	.027
	N	42	42	42	42	42	42	42	42	42
	length of bus interactions Correlation	.299	.228	.276	.059	-.017	.117	.205	.067	1.000
	Sig. (1-tailed)	.027	.074	.039	.354	.458	.230	.096	.336	.
	N	42	42	42	42	42	42	42	42	42

* Correlation is significant at the .05 level (1-tailed).

** Correlation is significant at the .01 level (1-tailed).

Average tobacco sold vs Achievement of expected yield-Buyer

		av. tob sales	achievement of expected yield
Spearman's rho	av. tob salesCorrelation Coefficient	1.000	.608
	Sig. (1-tailed)	.	.000
	N	42	42
	achievement of expected yieldCorrelation Coefficient	.608	1.000
	Sig. (1-tailed)	.000	.
	N	42	42

** Correlation is significant at the .01 level (1-tailed).

Average tobacco sold vs Achievement of expected yield-Supplier

			average tobacco bought	achievement of expected purchase volumes
Spearman's rho	average tobacco bought	Correlation	1.000	.385
		Coefficient		
		Sig. (1-tailed)	.	.121
	achievement of expected purchase volumes	N	11	11
		Correlation	.385	1.000
		Coefficient		
		Sig. (1-tailed)	.121	.
		N	11	11

Appendix 3-Survey Instruments

Introductory Letter

Dear All

My name is Melody Musodza, a Masters in Business Leadership Degree finalist student with UNISA. As a requirement of one my course, I am expected to carry out a research and write a dissertation. For my research, I have chosen to focus on buyer -supplier relationships in the Zimbabwean Agricultural Industry with particular reference to the Tobacco Industry.

I am excited about the opportunity to carryout research on this topic and to contribute to the growing body of knowledge on the nature of buyer supplier relationships and their performance in the agricultural sector of Zimbabwe and developing countries as a whole.

As part of the study methodology, I have randomly sampled tobacco farmers in the country which are in this case the suppliers and endeavoured to include all organizations that purchase tobacco to represent the buyers. I am particularly interested in gaining deeper insight on the type of relationships that exist and how they are performing. I am also eager to find out ways in which these relationships can be harnessed.

The study questionnaire is targeted at farm owners or farm managers and the heads of the purchasing department or the tobacco buyers in the buyer's institutions. The respondents will be consulted mainly through a self-administered and or self-completed questionnaire.

Your organization is one of those randomly selected to represent others in the industry in question. I am therefore writing to solicit your kind assistance by agreeing to participate in the study. Please find attached a confidentiality letter/ introduction letter from the University together with the questionnaire.

I estimate that the questionnaire will take about 10-15 minutes to complete. Please kindly complete and return the questionnaire by the 15th of October 2009. Should you need any clarifications or you would like me to come in person to explain any aspect of the study, please do not hesitate to contact me on the specified contact details.

In conclusion, kindly allow me to express my sincere appreciation for taking your precious time to read this letter and to complete the questionnaire.

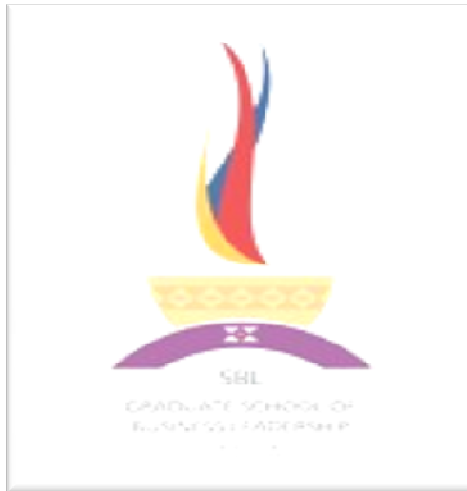
Your cooperation is greatly appreciated.

Kind Regards

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Questionnaire – Supplier

THE QUESTIONNAIRE



UNISA Masters in Business Leadership Student Survey SEPTEMBER 2009

PLEASE NOTE THAT THIS QUESTIONNAIRE IS TO BE RESPONDED TO WITH REGARD TO TOBACCO FARMING ONLY.

Section One: Demographics

Please select one.

- | | | | |
|---------------------------------------|---|--------------------------------------|--|
| 1) Category | <input type="checkbox"/> A1 Farmer | <input type="checkbox"/> A2 farmer | <input type="checkbox"/> Commercial Farmer |
| 2) Who buys your tobacco crop? | <input type="checkbox"/> Auction floors | <input type="checkbox"/> contractors | |
| 3) Gender? | <input type="checkbox"/> Male | <input type="checkbox"/> Female | |

- 4) **Current age?** ☐ Less than 18 ☐ 18 to 29 ☐ 30 to 39
☐ 40 to 49 ☐ 50 or older

5) **Capacity in the organization?**

- ☐ Director / owner
☐ head of enterprise/section
☐ farm manager
☐ supervisor

6) **Years of farming experience**

- ☐ Less than five years
☐ between five and ten years
☐ between ten years and fifteen years more than ten years
☐ More than fifteen years

7) **What is the average amount of tobacco you have sold in one season**

- ☐ less than 15 tonnes
☐ between 15 and 120 tonnes
☐ between 121 and 600 tonnes
☐ more than 601 tonnes

8) **What is your average yield per hectare?**

- ☐ less than 500 kg/ha
☐ between 500 and 1000 kg/ha
☐ between 1000 and 2000 kg/ha
☐ between 2000 and 3000 kg/ha
☐ more than 3000 kg/ha

9) **Length of business interactions with your tobacco buyer**

- ☐ Less than one year
☐ between one and three years
☐ more than three years

10) What is the status of tenure of your farm

- ☐ title deed
- ☐ offer letter
- ☐ management contract
- ☐ lease
- ☐ 99 year lease
- ☐ pending confirmation from the government

In the next sections, please indicate, by ticking the appropriate column, the ideal response to the stated aspects of the relationship with the selected buyer.

Section Two: Transaction Specific Investment

This section relates to the level that your company has created assets that are specific to this particular relationship with the buyer. Please tick the appropriate response.

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q11	We have invested in assets e.g. customized machinery, and tools to enhance our relationship with the buyer.				

Q12. The investments made by our company to deliver products to the buyer are in the form of:-

- ☐ Increase in hectares put under tobacco crop
- ☐ Increase in quality
- ☐ Infrastructural development

Other

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q13	We have invested time and efforts to learn about the business practices of the selected buyer.				
Q14	If we switch to another buyer we would lose a lot of investments that we have made to sell to the selected buyer.				
Q15	If we decided to stop working with this buyer, we would be wasting a lot of knowledge regarding the buyer's method of operation.				

Section Three: Trust

The following statements relate to the individual you are in contact with at the buyer's company who is the purchasing agent. Please tick the appropriate response.

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q16	Our company's contact person (purchasing agent) has always been fair in negotiations with us.				
Q17	In our company, we have faith in the contact person to look out for our interests even when it is costly to do so.				
Q18	Our company's contact person (buyers' purchasing agent) is trustworthy.				

The following statements relate to the buying company as a whole. Please tick the appropriate response.

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q19	We expect this buyer to be working with us for a long time.				
Q20	The selected buyer has always been fair in his negotiations with us.				
Q21	Based on experience, we can, with complete confidence rely on the selected buyer to keep promises made to us.				
Q22	The selected buyer is trustworthy.				

Section Four: Collaboration

The following statements relate to the business activities which you carry out together with the buyer to achieve a common goal. Please tick the appropriate response.

		Not at all	To a smaller extent	To a greater extent	Very much
Q23	Our company plans production/sales volumes for the next seasons together with this buyer.				
Q24	Our company plans the new products and varieties demands for the next season together with the buyer				
Q25	This buyer provides us with sales forecasts for the products our company sells to them.				
Q26	Our company shares long-term plans of our				

	products with this buyer.				
Q27	This buyer and our company deal with problems that arise in the course of the relationship together.				
Q28	This buyer and our company do not mind owing each other favours.				
Q29	In most aspects of the relationship with this buyer, the responsibility for getting things done is shared.				
Q30	This buyer and our company are committed to improvements that may benefit the relationship as a whole.				
Q31	Our company is flexible in response to changes in the relationship with this buyer.				
Q32	This buyer makes adjustments to maintain the relationship with our company.				
Q33	When some unexpected situation arises, this buyer and our company work out a new deal to maintain the relationship.				

Section Four: Performance

The following relate to your perceived level of satisfaction with the buyer. Please indicate how satisfied you are with the following aspects of the relationship with the selected buyer over the last 12 months:

		very unsatisfied	Somewhat unsatisfied	Somewhat satisfied	very satisfied
Q34	Prices paid by this buyer for our products.				
Q35	Quantity of products bought				
Q36	The way in which problems are solved.				

Indicate how satisfied you are with the buyer's ability to:

		very unsatisfied	Somewhat unsatisfied	Somewhat satisfied	very satisfied
Q37	Conform to high quality services in their purchasing department.				
Q38	Maintain regular communication during the growing season and/or harvest.				
Q39	Be bound to a legal enforceable contract (e.g. with respect to price and quality terms).				

The following statements refer to the profitability and growth of your business. Please tick the appropriate response.

		Not at all achieved	Somewhat not achieved	Somewhat achieved	Totally achieved
Q40	To what extent did you achieve the expected yield with your tobacco crop?				

Growth rate

Q41. What was the development of your total tobacco yield over the last three seasons?

- ☐ Increasing
 ☐ Decreasing
 ☐ Constant

[Thank You](#)

Questionnaire – Buyer

[Section One: Demographics](#)

Please select one.

1) Please tick the category of your company

- ☐ Tobacco Auction Floor
 ☐ Tobacco Contactor

2) What is your Gender?

- ☐ Male
 ☐ Female

3) Current age? ☐ Less than 18

☐ 18 to 29

☐ 30 to 39

☐ 40 to 49

☐ 50 or older

4) Capacity in the organization?

- ☐ Director
☐ head of department
☐ manager
☐ supervisor

5) Years of working experience

- ☐ Less than five years
- ☐ between five and ten years
- ☐ more than ten years

6) **How many tobacco farmers are on your books?** _____

7) **What is the average amount of tobacco that you have bought in the past three seasons**

- ☐ less than 15 tonnes
- ☐ between 15 and 120 tonnes
- ☐ between 121 and 600 tonnes
- ☐ more than 601 tonnes

8) **Do you provide assistance to the farmer?** ☐ Yes ☐ No

IF ANSWER TO ABOVE IS YES PLEASE ANSWER QUESTION 9 – 11. IF NO PLEASE GO TO QUESTION 12.

9) **What form of assistance do you provide?**

- ☐ inputs
- ☐ working capital
- ☐ capital expenditure items e.g. farm implements and machinery
- ☐ technical know how.

10) **What is the average hectareage you assisted in last season?**

- ☐ less than 500 ha
- ☐ between 500 and 2500 ha
- ☐ between 2501 and 4500 ha
- ☐ between 2501 and 6500 ha
- ☐ between 6501 and 8500 ha
- ☐ more than 8501 ha

11) **Of the funded hectareage, what percentage was delivered to you by the farmer?**

- ☐ less than 50%
- ☐ between 50% and 60%
- ☐ between 61% and 70%
- ☐ between 71% and 80%

- ☐ between 81% and 90%
- ☐ between 91% and 100%

12) **Length of business interactions with the Farmer**

- ☐ Less than one year
- ☐ between one and three years
- ☐ more than three years

In the next 3 sections, please indicate, by ticking the appropriate column, the ideal response to the stated aspects of a particular relationship with a farmer.

Section Two: Transaction specific investments

This section relates to the assets your company has created that are specific to a particular relationship with the farmer. Please tick the appropriate response.

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q13	We have invested in assets e.g. customized machinery, and tools to enhance our relationship with the farmer				

Q14. The investments made by our company to purchase products from the farmer are in the form of

- ☐ invoicing systems ☐ receiving bays ☐ tobacco trolleys
- ☐ Warehouse capacity ☐ Funding arrangements ☐ Infrastructural development
- ☐ Inputs

Other _____

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q15	We have invested time and efforts to learn about the business practices of the farmer.				

Q16	If we were to switch to another farmer we would lose a lot of investments that we have made to buy from this farmer,				
Q17	If we decided to stop working with this farmer, we would be wasting a lot of knowledge regarding the farmer's method of operation.				

Section Three: Trust

The following statements relate to the individual you are in contact with at the farmer's company who, in this instant, is being referred to as the sales agent. Please tick the appropriate response.

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q18	Our company's contact person (sales agent) has always been fair in negotiations with us.				
Q19	In our company, we have faith in the contact person to look out for our interests even when it is costly to do so.				
Q20	Our company's contact person is trustworthy.				

The following statements relate to the farmer's company as a whole. Please tick the appropriate response.

		Not true at all	Somewhat not true	Somewhat true	Totally true
Q21	We expect this farmer to be working with us for a long time.				
Q22	The selected farmer has always been fair in his negotiations with us.				
Q23	Based on experience, we can, with complete confidence rely on the farmer to keep promises made to us.				
Q24	The selected farmer is trustworthy.				

Section Four: Collaboration

The following statements relate to the business activities which you carry out together with the farmer to achieve a common goal. Please tick the appropriate response.

		Not at all	To a smaller extent	To a greater extent	Very much

Q25	Our company plans production/sales volumes for the next seasons together with the farmer.				
Q26	This farmer provides us with forecasts for the products our company buys from them.				
Q27	Our company shares long-term plans of our products with these farmers.				
Q28	The farmer and our company deal with problems that arise in the course of the relationship together.				
Q29	The farmer and our company do not mind owing each other favours.				
Q30	In most aspects of the relationship with the farmer, the responsibility for getting things done is shared.				
Q31	The farmer and our company are committed to improvements that may benefit the relationship as a whole.				
Q32	Our company is flexible in response to changes in the relationship with the farmer.				
Q33	The farmer makes adjustments to maintain the relationship with our company.				
Q34	When some unexpected situation arises, the farmer and our company work out a new deal.				

Section Four: Performance

Indicate how satisfied you are with the following aspects of the relationship with the farmer over the last 12 months:

		very unsatisfied	Somewhat unsatisfied	Somewhat satisfied	very satisfied
Q35	Prices of this farmer's products.				
	Quantity of product sold				
Q36	The way in which problems are solved.				

Indicate how satisfied you are with the farmer's ability to:

		very unsatisfied	Somewhat unsatisfied	Somewhat satisfied	very satisfied
Q37	Supply consistent product from one season to the next.				
Q38	Ensure produce is of high quality and uniform external appearance (e.g. with respect to blemishes, shape and size.)				

Q39	Maintain regular communication during the growing season and/or harvest.				
Q40	Be bound to a legal enforceable contract (e.g. with respect to price and quality terms).				

The following statements refer to the profitability and growth of your business. Please tick the appropriate response.

		Not at all achieved	Somewhat not true	Somewhat true	Totally achieved
Q41	To what extent did you achieve the expected purchase volumes of the tobacco crop?				

Growth rate

Q42. What was the development of your total tobacco purchases volume over the last three years?

☐ Increasing

☐ Decreasing

☐ Constant

[Thank You](#)