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The Role of Supplier Base Rationalisation in Operational Performance in the Retail Sector in Zimbabwe

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Author's contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

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ABSTRACT

This research aimed at adding to the existing inventory of literature in the arena of procurement management to find out the role of supplier base rationalisation in operational performance in the retail sector in Zimbabwe. A cross-industry survey of retail supermarkets in Zimbabwe was done. A supplier base rationalisation key variables model incorporating five variables that are, the twenty/eighty rule, improve or else approach triage approach, competency staircase approach and spend categorization was tested in operational performance in Zimbabwe's retail sector. Research variables were discussed under the conceptual underpinning. The target population constitutes of retail supermarkets employees involved in procurement operation with a sample size of 59 procurement practitioners using Krejcie and Morgan [1] formula. Purposive sampling was carried out. The research instruments that were used are close-ended questionnaires to all procurement practitioners in the retail sector and open-ended interviews with procurement managers only. Data collected were analyzed using descriptive and inferential statistical tools and Statistical Package for Social Science software (SPSS) version 24 was used to process the collected data and presented in tables. Correlation analysis indicated that 76.2% of the change of operational performance was explained by the five supplier base rationalisation variables and revealed that they have a positive significant effect in operational performance. This research recommends that the procurement should move towards overall effective and efficient supplier base rationalisation practices that focus on boosting operational performance.

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1. INTRODUCTION

Supplier base rationalization is an effort to determine the correct number of suppliers and contractors to do business with [2]. The reason is to cut purchases from peripheral or poor performing suppliers while increasing and focussed purchases amongst their more anticipated top-performing suppliers.

Rationalization of the supplier base can also be called supplier base optimisation. It needs an organization to classify it's spent and identify present and prospective suppliers for each category. After identifying its categories and suppliers, an organization has five options for its supply base: reduce it, increase it, maintain it, keep the size but change the mix or expand than reduce, hence supplier base rationalisation does not mean reducing or removing suppliers.

In today's terms, supplier rationalisation is the optimization and listing of your suppliers' list and as much about how you manage engagement with them, as the number you have or the price they charge you. The normally believed opinion that rationalisation or optimization just means cutting suppliers is not the case [3].

Planning your suppliers' list to business needs might essentially upsurge the number of suppliers you work with, as well as improving the chance presented to them. According to Hugo and Badenhorst-Weiss [4] visibility of information is critical as a foundation for analyzing your suppliers and effective rationalisation; it is about making variations built on knowing who you are procuring from, how much you procure and critically how much it costs your company to do so.

According to Waters [5], operational performance is centred on improving productivity and powerful frameworks which are strong and can warranty excellent which surpass customer prospects. To reach to such sustainable operational products, operations strategy must be developed which can support the company in safeguarding the vital operational objectives of the company are met that is cost reduction, the flexibility of the production system, speed of product development and production and quality assurance for the product.

The growth of the retail sector in Zimbabwe has been accredited to urbanization; a growing

middle class and its altering lifestyles and market liberalisation that has led to competition in the sector. However, much growth was not seen within the retail chains over the past decade [6]. Optimising the retail sector by improving its operational performance is vital as it funds the country's Gross Domestic Product and employment creation in the country.

Although the majority of procurement scholars have studied the subject and concept of supplier base rationalisation or supplier base optimisation and filed their findings. Among them are; Carter and Ogden [7], Genpack [8], Karlsson and Eriksson-Ritzen [9] and Muthoni [2], in her master theses dissertation, no research has been carried out on the effect of supplier base rationalisation practices.

Nevertheless, this does not mean that Zimbabwean companies do not do supplier base rationalisation. Though there is no evidence about in what way retail supermarket procurement practitioners are conducting supplier base rationalisation in Zimbabwe, their alacrity to applying value-added supplier base rationalisation practices on their procurement agendas cannot be questioned.

The aforesaid background discloses that cross-sector research of Zimbabwe's retail sector, which pointed on supplier base rationalisation practices it, left a substantial knowledge gap in what way retail supermarkets in Zimbabwe should enhance its operational performance through successful implementation of overall supplier base rationalisation practices. This research pursues to fill this gap of scarce information and knowledge that there is a reality in relation to the role of supplier base rationalisation in the operational performance of the retail sector in Zimbabwe.

1.1 Structure of This Research

In section 2, present a literature review, research objective, research question and research hypothesis. In section 3, presents the methodology. Section 4 presents and discusses the results. Finally, section 5 contains conclusions and recommendations.

1.2 Literature Underpinning

This section reviews some of the researches that have been conducted in the area of supply base

rationalization. It pursues to find out the supply base rationalization practices and to define the relationship between supply base rationalization and operational performance and conceptual framework.

1.3 The Concept of Operational Performance

According to Muo and Omwenga [10], operational performance is centred on enhancing productivity and powerful frameworks which are strong and can promise excellent which surpass client anticipations. This research, hence, takes a look at the essentials of operational performance which are straight attributable to the operational performance milieu, that is, quality service, cost, lead time, delivery performance and production capacity.

1.4 The Concept of Supplier Base Rationalisation

According to Van Weele [11], supplier base rationalisation or optimization is concerned with determining the approximate number of suppliers with whom the procurer will do business. The concept is about identifying the correct mix of suppliers with good capabilities and is about constructing a supply base that is the best overall fit for the company. It is a very important concept in procurement management of carefully selecting different suppliers to take those with suitable capability. Chartered Institute of Purchasing and Supply [3] noted that the major practices are: the twenty/eighty rule, improve or else approach, triage approach, competency staircase approach and spend categorization.

1.5 The Twenty/Eighty Rule Supplier Base Rationalization Practices

The rationalization practice recognizes those little suppliers (20%) that cause the majority of spend or cause the greatest quality difficulties or risks and are then deliberated for removal. This approach is generally used when companies require a fast decrease in the number of suppliers [3].

1.6 Improve or Else Supplier Base Rationalization Practices

Chartered Institute of Purchasing and Supply [3] noted that it involves providing suppliers with a warning that they have a definite period of time in

which to encounter new performance requirements or danger purging from the supply list.

1.7 Triage Supplier Base Rationalization Practices

These practices encompass appraising the performance of suppliers and placing it into one of three categories namely: those incompetent of meeting procurement performance supplies, suppliers that do not reliably meet procurement requirements in all parts but have probable for upgrading and high-quality, capable suppliers [3].

1.8 Competency Staircase Supplier Base Rationalization Practices

According to the Chartered Institute of Purchasing and Supply [3], these practices need suppliers to efficaciously traverse a sequence of performance footraces for them to endure in the supply list. All suppliers must encounter a procurer's simple quality requirements for contemplation as possible suppliers. Suppliers must then pass a sequence of milestones similar to mounting a staircase.

1.9 Spend Categorization Supplier Base Rationalization Practices

This approach uses two tools to conduct the process portfolio analysis matrix and supplier evaluation scorecard [3]. There is a need to know the corporate goals and objectives, know the procurement goals and objectives, decide the interested party and benchmark with other companies amongst other things.

1.10 Conceptual Underpinning

According to Irungu [12], a conceptual framework is a study instrument envisioned to succour a researcher or author in developing an appreciative of the condition under study. In this research, operational performance is theorized as being dependent on the twenty/eighty rule, improve or else approach, triage approach, competency staircase approach and spend categorization. To elucidate the central concepts of supplier base rationalisation practices and operational performance, a conceptual framework that incorporates the independent and dependent variables was established as presented in Fig. 1.

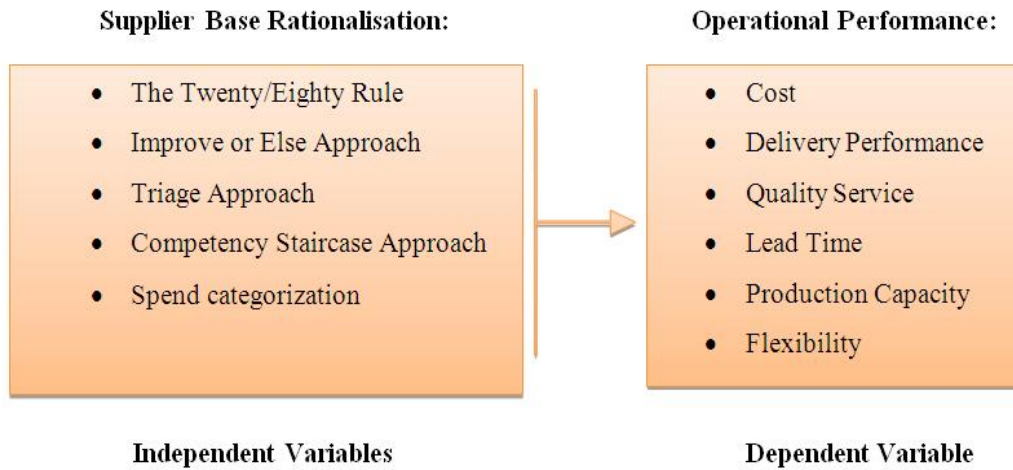


Fig. 1. Conceptual framework
 Source: Researcher / Author (2019)

2. EMPIRICAL LITERATURE

Omar [13] in the study of developing a supplier base reduction process investigated the methods of effectively managing and improving the performance of its supplier base in her industrial management master's degree at Helsinki Metropolia University of Applied Sciences. The study discovered that the procuring firm would apply the triage supplier base rationalisation method by concentrating on performance enhancement of the supplier base. Nevertheless, the study did not research the effect of triage supplier base rationalisation approach in procurer the company's operational performance. Carter and Ogden [7] conducted a study on the supply base reduction process. The study recognized that spend categorisation improves the supplier base rationalisation process. The study, nevertheless, did not show in what way spend categorisation effect operational performance. Karlsson and Eriksson-Ritzen [9] discussed planning for supplier base rationalisation. The study found that certainly improves or else approach is important when planning a supplier base rationalisation process. However, this study was overall in referring to planning for supplier base rationalisation and not the exact effect of improving or else approach on operational performance. Lemke, Goffin, Szejczewski, New, Pfeiffer and Lohmuller [14] in the study of supplier base management in Germany and United Kingdom established that competency staircase approach had supported firms in improving supplier base management. The study although pointy out that undeniably

competency staircase approach enhanced supplier base management, it had a universal use on supplier base management but did not centre on the effect on operational performance. Ogden [15] studied the association between supply base reduction within supply base reduction. The study found that the twenty / eighty approach display remarkable development within the supply base. A study on the twenty / eighty approach is needed to establish in what way such an approach effect operational performance. Pryjma [16] explored the supplier base reduction process. The study established that procurement practitioners acknowledged the triage approach as a means to categorize and reduce the supplier base. However, the study was only on supplier base reduction tools in procurement management.

2.1 Research Objective

The objective is to find the role of supplier base rationalisation in operational performance in the retail sector in Zimbabwe.

2.2 Research Question

It is on the basis of the abovementioned knowledge gaps that this research, therefore, seeks to answer; what is the role of supplier base rationalisation in operational performance in the retail sector in Zimbabwe?

2.3 Hypotheses of This Research

This research hypothesizes that:

- **Hypothesis₀:** Supplier base rationalisation has an effect in operational performance in the retail sector in Zimbabwe at ($\alpha < 0.05$) significance level.
- **Null Hypothesis₁:** Supplier base rationalisation have no effect in operational performance in the retail sector in Zimbabwe at ($\alpha < 0.05$) significance level.

2.4 Research Methodology

This research used a descriptive research design because it enables the researcher to incorporate both qualitative and quantitative techniques of data analysis. The purposive target population were procurement managers, procurement officers, buyers and procurement assistants directly involved with procurement and with procurement expertise in the retail sector which encompassing of a total of 70 procurement practitioners. In order to pick the sample size, this research adopted Krejcie and Morgan [1] formula: $S = \frac{X^2 NP (1 - P)}{d^2 (N - 1) + X^2 P (1 - P)}$, which was also utilised by Munyimi and Chari [17] in finding a sample size from the private telecommunication companies in Zimbabwe. Hence the random sample for the cross-sectional survey was 59 procurement practitioners in the retail sector in Zimbabwe. This research utilised primary data which was collected directly from procurement practitioners through questionnaires and interviews with procurement managers at the head offices of retail supermarkets in Zimbabwe. Quantitative data were collected by means of closed questions because answers to closed questions can be more elaborate [18]. Open-ended interviews with only procurement managers with responsibility for procurement management was used to collect qualitative data of this research. Open-ended interviews were used to corroborate quantitative data collected, at the same time generating additional evidence for this research [19]. The researcher travelled in person to administer and distribute the questionnaires directly to procurement practitioners. The questionnaire was pilot tested on 10% of the members of the sampling frame. This was conducted to discover weaknesses in research design, arrangement and to offer proxy data for the selection of probability sample [20]. Afore the final data collection stage, the questions were reviewed in terms of linguistic, order of questions, the structure of questions, phrasing of questions, clearness of questions by including feedback collected during the pilot stage. To satisfy the reliability criterion, a

Cronbach's alpha was used and benchmarked at a value of more than or equal to 0.7 [21]. Quantitative data were analysed by descriptive and inferential analysis using Statistical Package for Social Sciences (SPSS) version 24. Quantitative data are presented using statistical technique tables while qualitative data presented descriptively. The multiple linear regression model to be used will be as below:

Multiple Linear Regression Econometric Model

$$Op = \beta_0 + \beta_1 (F_1) + \beta_2 (F_2) + \beta_3 (F_3) + \beta_4 (F_4) + \beta_5 (F_5) + \xi$$

Where: Op = dependent variable, (operational performance); β_0 = the multiple linear regression coefficient (intercept term or constant); ξ = error term (distributed about a mean of 0 and for purposes of computation, is assumed to be 0); β_1 to β_7 = slopes of the multiple linear regression model or the weights of the following independent variables respectively; F_1 = twenty / eighty rule; F_2 = improve or else approach; F_3 = triage approach; F_4 = competency staircase approach; F_5 = spend categorization.

3. RESULTS AND DISCUSSION

The discussion of the results starts by examining the validity and reliability tests of the cross-industry survey data obtained by administered close questions taken from procurement practitioners in the retail sector in Zimbabwe.

3.1 Validity and Reliability Tests

Reliability of the scale for the constructs describing the variables of this research was found to be enough as the overall items and composite reliability coefficient was 0.981 above 0.7 which is set as acceptable [21]. It can be concluded that this research instrument was passable for subsequent analysis.

3.2 The Role of Supplier Base Rationalisation in Operational Performance

Multiple linear regression analysis was done to determine the role of supplier base rationalisation in operational performance in the retail sector in Zimbabwe gave the following model summary in Table 1.

Table 1. Multiple linear regression model summary

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.970 ^a	.941	.935	.24916

a. Predictors: (Constant), spend categorization, competency staircase approach, triage approach, improve or else approach twenty / eighty rule

Table 2. Multiple linear regression analyses of variance

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	52.371	5	10.474	168.718	.000 ^a
	Residual	3.290	53	.062		
	Total	55.661	58			

a. Predictors: (Constant), spend categorization, competency staircase approach, triage approach, improve or else approach, twenty / eighty rule

Table 3. Multiple linear regression coefficients

Multiple linear regression model independent variables		Unstandardized coefficients		Standardized coefficients	T	Sig.
		B	Std. error	Beta		
1	(Constant)	-.235	.192		-1.222	.227
	F ₁ = Twenty / eighty rule	.111	.114	.123	.973	.035
	F ₂ = Improve or else approach	.365	.130	.341	2.806	.007
	F ₃ = Triage approach	.176	.070	.225	2.508	.015
	F ₄ = Competency staircase approach	.650	.101	.629	6.460	.000
	F ₅ = Spend categorization	.094	.107	.110	.878	.038

The results in Table 1 show that the correlation coefficient $R = 0.970$, indicates that there is a significant correlation between the twenty/eighty rule, improve or else approach, triage approach, competency staircase approach, spend categorization and operational performance in Zimbabwe's retail sector. The overall multiple linear regression model was effective because it conforms to the coefficient of determination R^2 which 0.941 that is mean all the independent variables play 94.1% role in the variation in operational performance. The std. error of the estimate is low with a value of about 0.24916 with the multiple linear regression model. The multiple linear regression one-way analysis of variance (ANOVA) table is illustrated in Table 2.

In Table 2, the one-way analysis of variance (ANOVA) was used to show the overall multiple linear regression model significance. The multiple linear regression sum of squares (52.371) is > the residual sum of squares (3.290), which shows that more of the variation in organisational performance in the retail sector is clarified by the multiple linear regression model. As the p-value is less than the 0.05, then overall independent variables had a significant

explanatory effect in operational performance ($F = 168.718$ and a p-value < 0.05, which means that the variation clarified by the multiple linear regression model is not due to chance. The multiple linear regression coefficients are illustrated in Table 3.

Table 3 shows that twenty / eighty rule has beta coefficient, 0.111 and p-value, 0.035 < 0.05. Thus a 1 standard deviation upsurge in twenty / eighty rule, leads to a 0.111 decline in operational performance; with other variables kept constant. This positive result has been said by interviewees, a procurement manager states:

"Yes, indeed the twenty / eighty, the statistic and in some ways it helps procurers to enhance operational performance. It positively affects operational performance because it enables procurers to look at how they spend on suppliers, to be more efficient and improve operational performance," he said.

Similarly, a procurement manager states, "of course the twenty / eighty rule has foundations in economics, but it was "proven" in our company

using statistical analysis that it enhances operational performance, hence it is not meant to be used only by economics professors but also procurers can use on supplier base rationalisation and it can positively improve operational performance,” he said.

This finding is in line with that of Ogden [15] that the twenty/eighty approach display remarkable development within the supply base.

Improve or else approach has a beta coefficient, 0.365 and p-value, $0.007 < 0.05$, implying that 1 standard deviation rise in improving or else approach, leads to a 0.365 rise in operational performance with other variables held constant. This quantitative result was verified in the open-ended interview. The procurement manager states:

“Improve or else has a positive effect on operational performance because it gives every supplier, regardless of their past performance, an opportunity to change and remain in the supply base,” she said.

She went on to say, *“Improve or else has the ability to drive rapid operational performance improvement in the company since it helps procurers to manage continuous improvement, because it lets suppliers constantly better their practices to make the company more efficient, accurate and improve operational performance”*.

In the same vein, *“it improves operational performance because it enables procurers to give warnings to suppliers who fail to perform, and reduce purchase from marginal or poor performing suppliers which increase the concentration of procurers on procurement among their most desirable top performing suppliers which will optimise operational performance,”* said procurement manager.

The result gotten in this research agrees the aforementioned study conducted by Karlsson and Eriksson-Ritzen [9] which concluded that certainly improve or else approach is important when planning a supplier base rationalisation process.

The outcomes on the regression coefficient did reveal that there is a significant positive relationship between triage approach and operational performance with a beta coefficient of 0.176 and p-value, $0.15 < 0.05$ meaning that a change in triage approach will indeed lead to a positive change in operational performance.

Procurement manager confirmed the positive change:

“Definitely triage is a sustainable supplier base rationalisation approach and a strategic initiative used in our company and indeed it has optimised operational performance,” procurement manager said.

“Moving beyond it is a supporting process to reduce static and have the correct mix of suppliers to do business with and improve operational performance,” added a procurement manager.

In support, the result of studies conducted by Pryjma [16] which showed that procurement practitioners acknowledged the triage approach as a means to categorize and reduce the supplier base, hence in line with Omar [13] who discovered that the procuring firm would apply the triage supplier base rationalisation method by concentrating on performance enhancement of the supplier base.

This research discovered that there is a positive significant linear relationship between competency staircase approach and operational performance as shown by the beta coefficient, 0.650 and p-value, 0.000. Therefore this inferred that 1 unit change in competency staircase approach will trigger operational performance upwards by 0.650. The point was captured in an open-ended interview when a procurement manager was parroted saying:

“Competency staircase approach positively improves operational performance since it forester’s supplier’s ability to meet buyer’s technical specifications and product performance requirements,” he said.

Moreover, a procurement manager states, *“competency staircase informs targeted operational performances and improving operational performance, which has led to better business results in our company,”* she said.

“Let me reiterate that competency staircase is the pulse of operational performance improvement since it identifies and optimises supplier’s skills and supplier competencies required to deliver on an organisations business strategy. It has created a real-time and predictive operational performance of the capacity of our suppliers”. said another procurement manager.

As confirmed by Lemke et al. [14] that competency staircase approach had supported firms in improving supplier base management.

Spend categorization beta coefficient of 0.094 shows a positive effect in operational performance, which is statistically significant (p-value = 0.038 < 0.05). We would expect an increase of 0.094 in operational performance for every one unit increase in spend categorisation. Referring to the positive role, procurement manager said:

“Definitely spend categorization improves operational performance, because the company reduce procurement costs on the items through arm's length approaches such as vendor-managed inventories, blanket

ordering among other techniques,” she told the interviews.

Another procurement manager added, *“It positively affect operational performance, the strategy here is standardization of specifications to make supplier switching easier and using competitive bidding to secure best deals,” he added.*

A procurement manager went on to say, *“Spend categorisation positively affected operational performance in our company because it provides procurers in our company knowledge into our company's procurement activities and expenditures and has reaped benefits which drive and progress operational performance improvement,” he said.*

This finding is also consistent with that of Carter and Ogden [7] who indicated that spend categorisation improve the supplier base rationalisation process. From this research, the resultant multiple linear regression model is computed as:

$$\bullet \quad Op = -0.235 + 0.111 F_1 + 0.365 F_2 + 0.176 F_3 + 0.650 F_4 + 0.094 F_5 + \xi$$

(.227) (.035) (.007) (.015) (.000) (.038)

Nevertheless, as per observation above, and based on the 5% level of significance, the independent variables “the twenty/eighty rule, improve or else approach, triage approach, competency staircase approach and spend categorization” has a positive effect in operational performance with p-values of 0.035, 0.007, 0.015, 0.000, 0.038 and hence its coefficients must be retained in the final multiple linear regression model whose Hence, predictor multiple linear regression model for Zimbabwe’s retail sector operational performance multiple linear regression model becomes:

$$\bullet \quad Op = -0.235 + 0.111 F_1 + 0.365 F_2 + 0.176 F_3 + 0.650 F_4 + 0.094 F_5 + \xi \text{ in unstandardized form}$$

(.227) (.035) (.007) (.015) (.000) (.038)

$$\bullet \quad Op = 0.123 F_1 + 0.341 F_2 + 0.225 F_3 + 0.629 F_4 + 0.110 F_5 + \xi \text{ in standardized form}$$

(.035) (.007) (.015) (.000) (.038)

This research concludes that supplier base rationalisation has a positive effect in the operational performance of Zimbabwe's retail sector.

4. CONCLUSIONS AND RECOMMENDATIONS

The findings of this current research conclude that twenty / eighty rule has a positive effect on operational performance. More procurement managers in Zimbabwe's retail sector supported that twenty / eighty rule is a supplier base rationalisation strategy for enhancing operational performance. Results conclude that improve or else approach had an acceptable positive effect in operational performance. The main reason from interviewees was the reduction of purchase from marginal or poor performing suppliers to procurement among the most desirable top performing suppliers to optimise operational performance. It is concluded that the triage approach had a significant positive effect on operational performance. Procurement managers in the sector welcomed applying triage approach supplier base rationalisation as an instrument for enhancing operational performance. The findings conclude that competency staircase approach to supplier base rationalisation offers a positive effect in operational performance. Interviewee's opinions towards this effect were mostly positive. This work concludes that spend categorization is positively related to operational performance quantitatively and supported qualitatively to be an effective tool in improving operational performance.

In light of the findings of this present research, useful pedagogical recommendations for procurement directors, procurement managers and procurement practitioners in the retail sector are as follows:

- The retail sector can take advantage to optimise its operational performance by implementing the twenty / eighty supplier base rationalisation rule through having a series of elements to be controlled, a selected small factor in terms of number of elements (20%) to almost always accounts for a large factor in terms of effort (80%) so as to identify those few suppliers (20%) that cause the bulk of spend or cause the most quality problems or risks from those critical few suppliers that supply important, high value to the company.
- Operational performance can be improved using improve or else supplier base rationalisation method by giving delivery time frames to suppliers, timelines for cost reduction to suppliers, delivery performance, quality service, lead time, production capacity, flexibility and always giving suppliers notice that they have a specified period of time in which to meet operational performance requirements.
- The procurement is recommended to use triage approach to supplier base rationalisation by systematically evaluating the performances of suppliers through putting them into three categories namely marginally performing suppliers incapable of meeting purchase performance requirements for removal from the supplier base, suppliers that do not consistently meet purchase requirements in all areas but with potential for improvement and target those for assistance and development, high-quality, capable suppliers requiring no improvement assistance and make those candidates for more collaborative buyer-supplier relationships for continuous improvement to improve operational performance.
- Procurement directors and procurement managers are recommended to establish competency staircases for suppliers to navigate a series of performance hurdles to result in fewer and fewer suppliers remaining in the supplier base to have a strong and flexible supplier base comprised of highly capable and motivated suppliers to achieve operational performance.
- It is recommended to use spend categorization supplier base rationalisation method through establishing structured and segmented suppliers as suppliers of critical items and engage those in collaborative ties, suppliers of leverage items and standardized specifications to make supplier switching easier, and also use competitive bidding to secure best deals and suppliers of bottleneck items and develop alternative suppliers as well as penalties in contracts to ensure achievement of operational performance.
- This research already shows a base reference concept of next-generation supplier base rationalisation which can improve operational performance. This research recommends further research on the assessment of any risks associated with supplier base rationalisation, the relationship between supplier base rationalisation in operational performance and procurement performance and indirect spent management.

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I WILL WALK ON TOP OF TROUBLES

Fear thou not for I am with thee, be not dismayed, for I am thy God, I will strengthen thee, yea, I will help thee, yea I will uphold thee with the right hand of my righteousness.

Isaiah 41 verse 10

But straightway Jesus spake unto them, saying, Be of good cheer; it is I; be not afraid

Mathew 14 verse 27

COMPETING INTERESTS

Author has declared that no competing interests exist.

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