

## **STRATEGIC SUPPLIER PARTNERSHIP AND ITS IMPACT ON BUSINESS PERFORMANCE: A STUDY ON THE SELECTED HOSPITALS IN NAGPUR REGION**

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### **ABSTRACT**

Strategic Supplier Partnership plays an important role in optimizing the costs and improving the quality of material being provided to the organisation. Service organisations like hospitals also have their purchase departments that focus on the cost reduction, quality improvement and customer satisfaction through proper supplier identification and supplier management. This paper aims at studying the Strategic supplier partnership practices of the hospitals in Nagpur city, where in specifically the private multi-specialty hospitals of the region are studied. The impact that strategic supplier partnership has on the business performance of the hospitals in terms of market share, profitability, customer satisfaction through responsiveness and reliability is also studied through the perception based data collected from the hospital respondents.

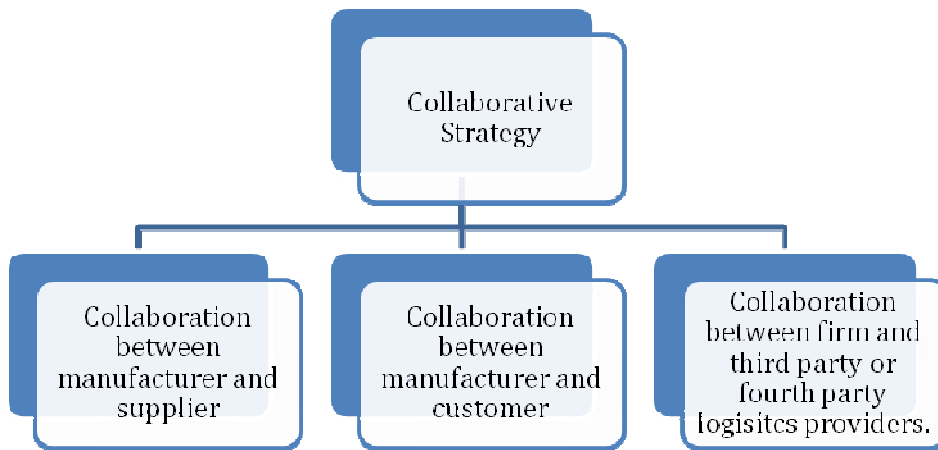
**KEYWORDS:** Health Care, Strategic Supplier Partnership, Supplier Relationship Management, Supply Chain Management & Collaborative Strategy

### **INTRODUCTION TO SUPPLIER RELATIONSHIP MANAGEMENT**

(Bhat, 2009) Supply Chain Planning is the process of coordinating production, distribution strategies and storage requirements to efficiently allocate supply chain resources to maximize profit or minimize costs.

Supply chain strategy involves determination of the nature of procurement of raw materials and components, transportation of these materials to and from the company, manufacture of the products or operations to produce the services, distribution of the product to the customers offering along with the associated services.

One supply chain strategy is collaborative strategy that enables partners to jointly gain a better understanding of future demand for the product, and thereby implement realistic programs to meet the demand.



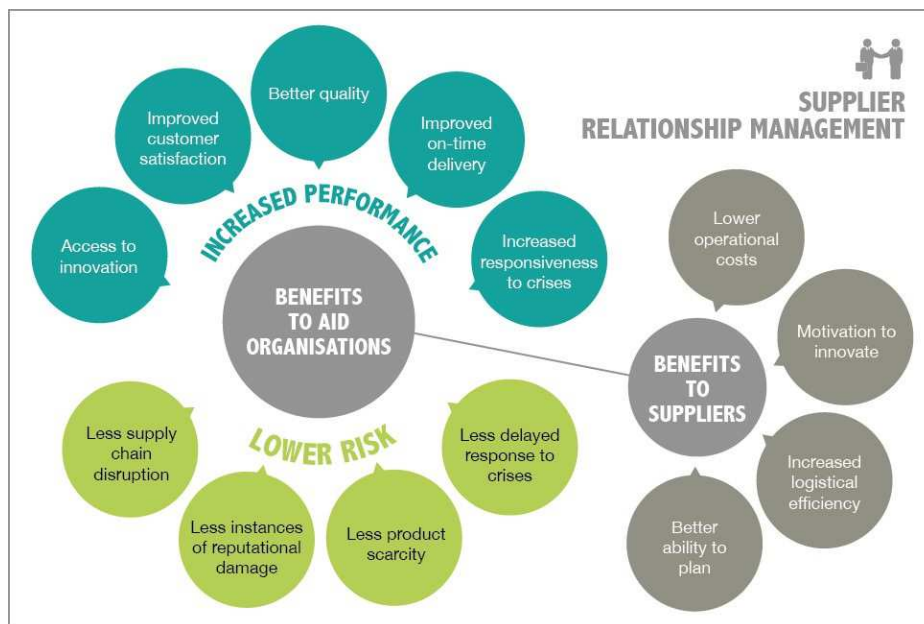
**Figure 1: Supply Chain Collaborative Strategies**

**Role of Supply Chain Management in Healthcare**

(LaPointe, 2016) Cutting healthcare costs has become a mantra for many hospitals and physician practices, especially as payers start to tie claims reimbursement amounts to quality and cost performance. Many organizations have looked to the billing and services portion of the revenue cycle for budget decreases, but others have started to examine their healthcare supply chain management.

The supply chain generally refers to the resources needed to deliver goods or services to a consumer. In healthcare, managing the supply chain is typically a very complex and fragmented process.

Healthcare supply chain management involves obtaining resources, managing supplies, and delivering goods and services to providers and patients. To complete the process, physical goods and information about medical products and services usually go through a number of independent stakeholders, including manufacturers, insurance companies, hospitals, providers, group purchasing organizations, and several regulatory agencies.



**Figure 2: Supplier Relationship Management**

(Jaffar, 2017) Supplier Relationship Management (SRM) is an important approach used for engaging with supplier on a level that reflects the priorities of the customer organisation, and how best these needs can be achieved.

SRM is an integrated approach, addressing both the buyer and seller sides, which can provide mutual benefits for both organizations. True SRM cannot be achieved through the Procurement Function acting alone.

SRM uses processes, principles, communications and tools to help companies better manage their existing suppliers within all areas of the company during the entire supplier lifecycle.

## **LITERATURE REVIEW**

(Mettler & Rohner, 2009) A study on "Supplier Relationship Management in Health Care: A Case Study in the Context of Health Care" illustrated the impact of the implementation of SRM principles in a leading Swiss hospital. It concluded that today's reason for implementing SRM is mostly driven by cost-savings and efficiency increase propositions, but substantial improvements in efficacy and quality in different areas of health care organizations can be achieved. By exchanging product and supplier information with other hospitals, the purchasing department under study has made the first move to establish strategic aspects of SRM. The availability of comprehensive and up-to-date product information can definitely enhance the bargaining power of the hospital's purchasing department.

(Abdallah, 2016) The purpose of the paper was to investigate the effect of trust with suppliers on hospital-supplier integration and hospital supply chain performance. Additionally, the mediating effect of SI on trust-hospital SC performance was investigated. This paper showed that trust with suppliers has a positive impact on hospital-supplier integration and hospital supply chain performance, and the hospital-SI partially mediates the relationship between the trust and the hospital SC performance. The paper finds that trust with suppliers has a positive impact on hospital-SI and hospital SC performance. Hospital-SI partially mediates the relationship between trust and hospital SC performance. The findings of this research provide useful insights into the role of trust in boosting SC performance in the healthcare sector. High levels of SI not only improve hospital SC performance, but also enhance the transformation of trust benefits into SC performance.

## **OBJECTIVE OF THE STUDY**

- To study the Strategic supplier partnership practices of the hospitals in Nagpur city.
- To study the impact of strategic supplier partnership on the business performance of the hospitals.

## **HYPOTHESIS**

**Null Hypothesis:** There is no significant difference between the strategic supplier partnership practises and business performance of the hospital.

**Alternate Hypothesis:** Implementation of strategic supplier partnership practises increases the business performance of the hospital.

## RESEARCH METHODOLOGY

**Population:**The target population of this study was the private multi-specialty hospitals of Nagpur city.

**Sample Size:**Twelve hospitals were identified from the survey based on the convenience sampling done. But 10 hospitals responded to the survey.

The respondents in this survey were the procurement or purchase in charge of these hospitals. The choice of procurement in charge in the study was based on the assumption that these were the officers with past and present knowledge of the supplier relationship management strategies and procurement performance; hence, they were better placed to offer valuable insight into the study.

### Primary Data Collection

The researcher used self-administered structured questionnaire as a research tool to collect data from the respondents. The questionnaire had three sections;

**Part A:** Background information of the Hospital/respondents.

**Part B:** Supplier relationship management practices.

**Part C:** Business Performance.

This questionnaire comprised of 10 statements that were put on 10 point Likert Scale, 1 being highest rank and 5 being lowest rank.

## DATA ANALYSIS

**Table 1**

DESCRIPTIVE STATISTICS					
	Strategic Supplier Partnership (SSP) Practices	N	Range	Mean	Std. Deviation
I	Planning & goal setting activities with supplier	10	2.00	4.30	.82327
II	Regularly solve the problems with suppliers.	10	2.00	4.50	.70711
III	Organise continuous improvement programs.	10	2.00	4.60	.69921
IV	Quality is the first criteria while selecting suppliers.	10	4.00	3.30	1.41814
V	Establishing long term relationship with suppliers.	10	2.00	4.50	.70711
	<b>Impact of Strategic Supplier Partnership</b>				
I	SSP has resulted in increased profitability in organisation.	10	4.00	3.20	1.47573
II	SSP has increased market share.	10	2.00	3.60	.69921
III	SSP has impact on the reliability of services towards customer.	10	2.00	4.30	.82327
IV	SSP has resulted in responsiveness of service quality.	10	3.00	4.20	1.03280
V	SSP has a positive impact on customer satisfaction.	10	2.00	4.30	.82327

Descriptive statistics given above describes the measures of central tendency of the data collected and standard deviation. Except for the practice of considering quality as main criteria, other practices are seen implemented to an extent of 89.5%. The standard deviation in 'Quality is the first criteria while selecting suppliers' is highest that is 1.148.

For the impact of SPP on profitability of the organisation, the standard deviation is highest i.e. 1.1475. This high standard deviation indicates that the perceptions of the hospital respondents are highly dispersed.

Table 2

DENOTATIONS	
SSP practice 1	Planning & goal setting activities with supplier
SSP practice 2	Regularly solve the problems with suppliers.
SSP practice 3	Organize continuous improvement programs.
SSP practice 4	Quality is the first criteria while selecting suppliers.
SSP practice 5	Establishing long term relationship with suppliers.
SSP impact 1	SSP has increased market share.
SSP impact 2	SSP has impact on the reliability of services towards customer.
SSP impact 3	SSP has resulted in responsiveness of service quality.
SSP impact 4	SSP has a positive impact on customer satisfaction.



Figure 3: Responses on SSP practice 1

The above figure shows that 80% of the hospitals surveyed agreed that they include the suppliers in the planning and goal setting activities.

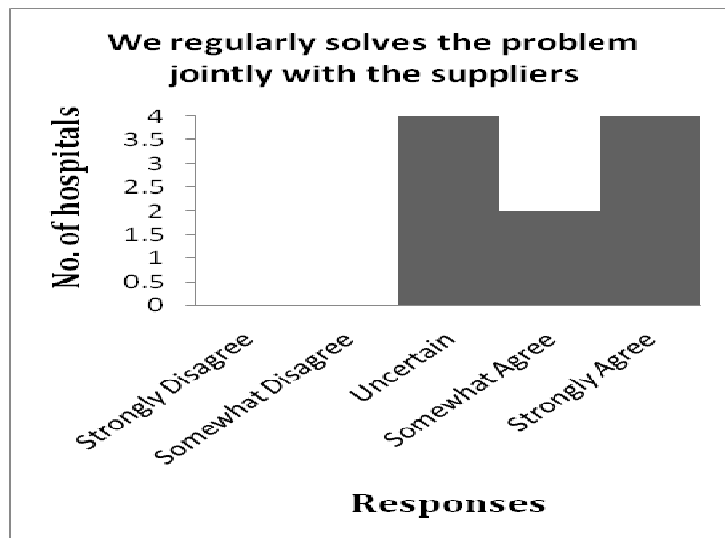
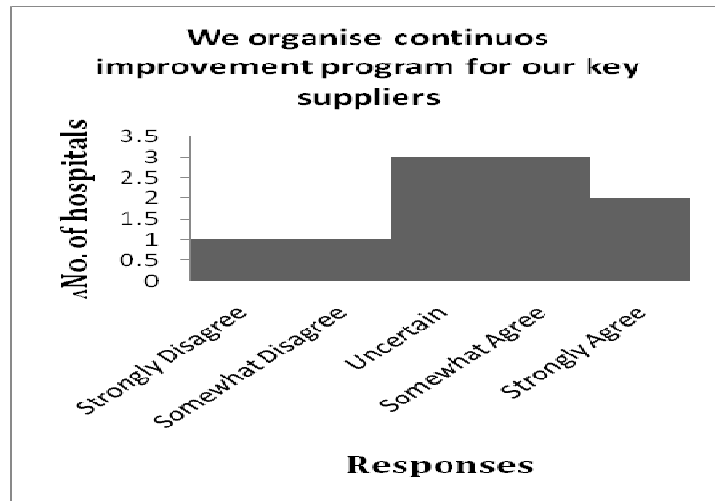


Figure 4: Responses on SSP practice 2

The above figure shows that around 60% hospitals surveyed jointly solve problems with its suppliers, but 40% of the hospitals were uncertain in practicing the same.



**Figure 5: Responses on SSP practice 3**

The above figure shows that 30% organisations do not organise the improvement programs for its suppliers, 30 % were uncertain on its implementation, and 40 % of the surveyed hospitals organised the continual improvement programs for its strategic suppliers.



**Figure 6: Responses on SSP practice 5**

The above figure shows the hospitals that consider quality a major criteria while selecting the suppliers. Here, it can be seen that for around 70% organisations quality stands prior to other criteria like cost, delivery schedules, suggestion system etc., when it comes to selecting its suppliers. And, 20 % are uncertain and disagree to quality being the prime factor.

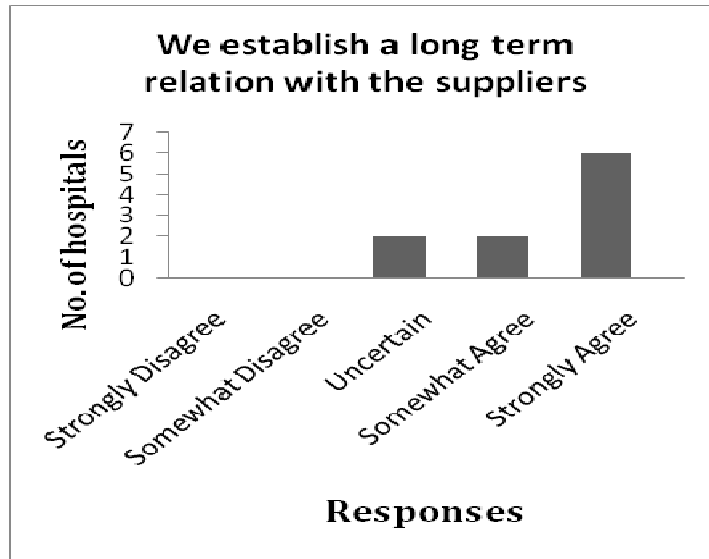


Figure 7: Responses on SSP practice 4

Long term relationship with the suppliers means, having a partnership that focus on long term benefits to both the hospitals and its suppliers. Here, it can be seen that 80% hospitals surveyed believe in establishing long term supplier relationship.



Figure 8: SSP Impact 1

When associating Supply Chain Management practices with market share of the organisation, many practices like customer relationship, information technology adaption etc may contribute to efficiency of the firm, thus resulting in increased market share. When surveyed for the supplier relationship practice as a part of Supply Chain Management Practice, 90% hospitals agreed that having a better relationship with its suppliers would contribute to the increase in market share.



**Figure 9: SSP Impact 2**

Above chart shows that 80% hospitals surveyed agree to the statement that strategic supplier partnership has improved the reliability of its services towards the customers.



**Figure 10: SSP Impact 3**

Responsiveness in the services provided by the firms means the willingness and readiness in providing the service to its customers. 80% hospitals believe that Strategic supplier partnership has resulted in responsiveness of the service quality of the hospital.





Figure 11: SSP Impact 4

60% firm believe that Strategic supplier partnership has a positive impact on the customer satisfaction.

### TESTING OF HYPOTHESIS

The assumption that there is no significant relationship between the factors of strategic supplier partnership, and the impact of quality and business performance in the hospitals, is tested using the Pearson’s correlation coefficient.

Table 3

Karl Pearson’s Correlations			
		SSP	BP
Strategic Supplier Partnership (SSP)	Pearson Correlation	1	<b>.588</b>
	Sig. (2-tailed)		.074
	Sum of Squares and Cross-products	1.520	1.600
	Covariance	.169	.178
	N	10	10
Business Performance (BP)	Pearson Correlation	<b>.588</b>	1
	Sig. (2-tailed)	.074	
	Sum of Squares and Cross-products	1.600	4.864
	Covariance	.178	.540
	N	10	10

The above table shows that the relationship between the correlation between strategic supplier partnership and quality business performance is 0.588, which is high degree correlation. This is a high degree of positive correlation. Thus, it can be inferred that, those health care units that have focused on developing strategic relationship with its suppliers have been benefited from it.

### CONCLUSIONS

Granting that today’s purpose for employing Strategic Supplier partnership by the organisations is profitability, increasing market share and cost saving, customer satisfaction is the foundation to achieving this. In the service sector like health care, where the costs are increasing day by day, and quality cannot be compromised upon, organisations are finding ways and means to cut down costs. Strategic Supplier Partnership can provide a means to achieve the same. Planning & goal setting activities with supplier, regularly solving the problems with suppliers, organising continuous improvement programs, establishing long term relationship with suppliers can contribute to improve the health care facilities. This study

shows that supplier partnership can improve the service quality through improved reliability and responsiveness of the service quality.

### **LIMITATION OF STUDY**

Since the data collected on the implementation of Supplier partnership and its impact on the business performance is completely perception based, varying perception about the topic of study can result in deviation in the results.

- All the sample units considered in the sample did not respond to the survey.
- Since the experience, educational qualification and designation of the respondent i.e. purchase in charges differed, some preconception can be obtained in the data collected.
- The data for the study consisted of responses from single respondent in an organization, which may be a cause for possible response bias. The use of single respondent may generate some measurement inaccuracy.
- Since the target research group was the private hospitals and hotels, the every questionnaire and interviewing process had to be permitted by the authority which took time.

### **SCOPE FOR FURTHER RESEARCH**

This study was limited to the selected multispecialty private hospitals of Nagpur city. Time and cost aspect limited the sample size for the study. A more comprehensive and detailed study on the Supply chain aspects of the hospitals can be done. Further, this study also provides a scope for studying the level of engagement of the suppliers from the supplier's point of view.

Since the region has huge number of single speciality hospitals, this study can be extended to these types of hospitals also.

This study presented that the sub constructs under the construct of supplier partnership practices are not fully practised by the firms. Further, barriers to the effective implementation of the supplier partnership practices can be identified and studied.

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