



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

*IMPLICATION OF SUPPLY CHAIN MANAGEMENT
TO COMPETITIVENESS
A CASE IN BGI ETHIOPIA PLC*

**BY
ABIY LEMMA**

ADVISOR: MATHEWOS ENSERMU (PhD)

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APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

signature

External Examiner

Signature

Internal Examiner

Signature

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ABBREVIATIONS AND ACRONYM

SCM – Supply Chain Management

SC- Supply Chain

SCN- Supply chain network

CA- Competitive Advantage

CRM – Customers Relationship Management

SRM – Suppliers Relationship Management

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ABSTRACT

The ultimate goal of any business organization is to stay in the business with the optimal profit. In today's business environment, Supply Chain Management is one of the most significant changes in the paradigm of business management that has the potential to make or break a company. Effective supply chain management has become a potentially valuable way of securing competitive advantage that enhances company's competitiveness. This research paper studied the implication of SCM in BGI Ethiopia's competitiveness. Data for the study was collected from both primary and secondary data. Primary data was collected through questionnaires and structured interview. Questionnaires were distributed for selected employees, outlets and consumers and interview was held with the SC Manager (Ato Zerom Gezahegn) and selected section heads of the department. The research was executed as a case study and used a non probability sampling technique specifically convenience sampling technique. A total of 284 sample population has been used for the study. Data analysis was conducted by applying descriptive analysis (Percentages and frequencies), reliability analysis, and Pearson correlation analysis. The findings reveal that there is a relationship between SCM and company's performance, growth and competitive advantage. Even though, the company is facing problems in the implementation of successful and quality management of supply chain, the results show that there is a positive implication of SCM in BGI Ethiopia's competitiveness. The results indicated that a proper and effective management of the supply chain able to enhance a competitive advantage of the company and leads it to improved competitiveness. The paper has value both to the company and the beer industry as it provides verification of the widely held belief of the value of effective supply chain management.

Keywords: *Competitiveness, Customers, Competitive Advantage, Growth, Performance, Suppliers, Supply Chain Management, Supply Chain Networks*

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

The history of Ethiopian brewery industry dates back 1922, 92 years ago. The year 1922 is way back in time to be referred to as the 'old days'. The Ethiopia of those days were under the rule of emperor Zewditu Menelik and Addis Ababa was not even three decades old. That Addis Ababa was a scene of huge crowd of what the foreigners call 'tukuls'(grass roofed cottage).It was just beginning to get ready to host things like modernism ,the light of civilization, new development/progress, etc. roads had been paved, cars were coming ,construction of modern houses began ,news paper appeared ,schools opened ,and the railways was streaming in one of the modern things that happened was the opening of the brewery. Many got stunned at wonders of modernity. Some 55 years ago, the Ethiopian Trade Journal,(Vol 1, No1,August 1960)wrote "The St.George Brewery is situated near the Mexico Square. Addis Ababa ,and occupies an area of 20000 Sq. Meters of land .The brewery stands right on the same site it was 90 years age. During the time of the last Emperor it was known as Marshal Smut Street. It was fairly big building and it started off as one of the pioneers in Ethiopia's industrial development. The factory started with machineries that were operated by hand and foot and work was done by direct human labor. Transporting of the raw material to the silo, fermenting of the malt, boiling he barley, filtering the beer, filling the bottles etc were all done by manually.(Source: <http://www.addismap.com/bgi-ethiopia> retrieved on January 17,2015)

Over two decades passed, since Ethiopia has started privatization of its most government owned business sectors by transferring ownership to local investors and international companies. This privatization policy put the current market in a fierce competition between companies. Especially, the brewery industry is the most affected industry by the privatization policy. Global brands like Heineken and Diaggo has joined the beer industry following BGI Ethiopia.

The brewery industry is offering excellent employment opportunities, participating in different social responsibilities and contributing for the growth of the economy. While consumption of beer has been on rise for the last decade, consumers have also become more refined in demanding more products. Meeting this growing and unsatisfied demand was not

possible with the production capacity of factories in the country. In addition, beer exports over the last few years have been growing by a significant rate especially to neighbor countries like South Sudan (Juba). The market gap, high demand for beer and other positive economical and political opportunities attracted international investors and companies for investment in Ethiopia. Because of international companies' involvement in the industry, competition is becoming intense these days.

Currently the beer industry is the biggest sector of the Alcoholic Beverage industry in Ethiopia. In this competitive market, all the companies are trying to deliver a more quality and valuable products to the customer compared to their competitors. This enables supply chain management to be more important in the current business environment. Supply chain management has a crucial effect in companies' competitiveness. In this paper I have investigated the implication of supply chain management on competitiveness in BGI Ethiopia Plc (St. George Brewery).

Supply chain management has been defined as the systemic, strategic coordination of the traditional business functions and tactics across business functions within a particular organization and across businesses within the supply chain for the purposes of improving the long-term performance of the individual organizations and the supply chain as a whole (CLM 2000). Therefore, the modern supply chains are expected to respond rapidly, effectively, and efficiently to changes in the marketplace so as to sustain, and furthermore create competitive advantage.

Over the years, the nature of competition has changed to the extent that companies no longer compete against other companies on the bases of quality as traditionally practiced in the 80s (Fawcett et al. 2007). However, the new source of business competition lies outside the walls of an organization, and is determined by how effectively companies link their operations with their supply chain partners; suppliers, distributors, wholesalers, retailers and end consumers (Petrovic-Lazarevic et al. 2007). Being able to create business relationships with customers, suppliers and other strategic partners anchored on trust and long term commitment then becomes a crucial competitive parameter (Mattson 2002). For this, and factors like shorter product lifecycle and customer expectations, businesses have had to invest and re-focus greater attention on relationship with customers and suppliers. Consequently, an organizations supply chain has become a strategic agenda driving decision making at senior management level (Simchi-Levi et al. 2000).

There was no as such a rigorous competition in the beer industry of Ethiopia before few years, mainly because there were no strong players in the market. Only St. George and Dashen beer had taken the largest share in the market from which the lion share goes to St.George brewery. The other beer brands like Meta, Harar and Bedelle were weak competitors in the market. BGI Ethiopia is the producer of St.george and Castel beer and distributes its products through agents and outlets. Currently BGI Ethiopia is facing a strong competition from international brands and successful international companies like Heineken and Diageo.

Implementing effective supply chain management is very important for achieving competitiveness through competitive advantage. In the current business environment Supply chain management is considered as one of the crucial element in the competitiveness of a company. Thus the purpose of this research paper was to identify the major contribution of the supply chain management in increasing the competitiveness of the company compared to its competitors.

1.2 Back ground of the company

BGI Ethiopia Limited Company was established as per the commercial code of Ethiopia in 1996 G.C. The primary objective of the company is to produce and distribute quality bottle and draught beer to local and foreign market. The company was formed by two shareholders with a total paid-up capital of Birr 161,989,000.00.As stipulated in the company's memorandum of association the name, address & distribution of shares among share holding members.

BGI Ethiopia is subsidiary company of BGI (Brasseries et Glaciers Internationals).The holding Company is Group Castel, which was founded by the 9 brothers and sisters of the Castel family in 1949.The Castel group's activities in the beer and soft drinks sector are mainly managed through the operational subsidiary BGI.

BGI Ethiopia inaugurated its first brewery located in Kombolcha in the year 1998.In the same year; the company acquired Saint George Brewery, the first and oldest brewery in the country, from Ethiopian Privatization & Public Enterprises Supervising Agency in the same year. In order to satisfy local market needs BGI Ethiopia introduced high gravity brewing process and inaugurated the new bottling line at the Saint George Brewery in 2006.

However, the demand for beer has shown significant growth over recent years. Recognizing capacity limitation to address the demand, BGI inaugurated (2011) the third brewery in Hawassa, as a careful strategically move to reach the southern parts of the country.

1.3 Statement of the problem

As a business organization BGI Ethiopia's primary objective is to generate optimal profit. When we are talking about profit, it's obvious that the company should maintain its cost low and raise its quality as per the expectation of its customers. If the company fails to minimize its costs and keeps its customers satisfied, there will be a simple shift of customers to other similar products that leads to low profit. And for the company to fulfill its objective, the SCM plays a vital role in minimizing costs and producing a quality product that exceeds customers expectation.

Complex suppliers relationship and dynamic market make the supply chain management activity complicated. The following are the major challenges faced the supply chain management of BGI Ethiopia that directly affects its competitiveness in the market

1. Lack of secure sources of supply – The ability of firms to react quickly to customer demand is dependent on the reaction time of suppliers to make volume changes. (Walker, 2005). To avoid any shortage that affects the production process and the market, the company faces problems in ensuring security with suppliers.
2. Understanding customers demand and market change- Customer relationship comprises the entire array of practices that are employed for the purpose of managing customer complains, building long-term relationships with customers and improving customer satisfaction (Tan et al., 1998; Claycomb et al, 1999; Li et al., 2006). Good relationships with supply chain members, including customers, are needed for successful implementation of SCM programs (Moberg et al., 2002). Understanding customer's demand can be considered as one of the major challenge faced by SCM. In addition, understanding the dynamic market environment and taking action on time is also a challenge that SCM is facing.
3. Dollar exchange scarcity –Because of scarcity and low quality of local products raw materials including malt and other manufacturing components must be imported from

the outside world to manufacture quality product that exceeds customer's expectation and knockout competitors. For this importation procedure the company needs a higher amount of dollar i.e. one of the major scarcities in Ethiopia. Proper handling of this kind of issues is the responsibility and at the same times the challenge of the SCM.

4. High level of inventories and production cost – To compete with competitors the company should be able to deliver a quality product with a low price. To maintain its profit by delivering products with a lower price inventories and production costs should be kept as low as possible. And in the current economy it's a huge challenge to keep these costs low.
5. Fluctuation of prices in raw materials constantly – Due to national and international economic factors there is a high fluctuation of prices in raw materials. Constant fluctuation of price creates instability in the production cost of the products. This is one of the challenges that is faced by the supply chain management department.

1.4. Basic research questions

The following basic questions were raised for respondents during the data collection from questionnaire and interview

1. What are the factors that are affecting the implementation of quality SCM in BGI Ethiopia?
2. What are the major challenges that the company faces in the relationship with its SC networks?
3. Is there a relationship between the application of SCM and the competitive advantage of the company?
4. Is there relationship among the application of SCM and the company's performance?
5. Is there relationship among the application of SCM and the company's growth?

1.5. Objective of the study

1.5.1 General objective

This study was aimed to identify the implication of the supply chain management to competitiveness of BGI Ethiopia.

1.5.2 Specific objectives

1. To identify the major challenges that BGI Ethiopia is facing in implementing quality Supply Chain Management.
2. To show how the application of SCM affects the competitiveness of the company.
3. To evaluate the relation of supply chain management with the company's growth and performance.
4. To recommend methods for the improvement in the implementation of the supply chain management in the company.

1.6 Significance of the study

Most studies show that Supply chain management directly influences the competitiveness of the company. Tan et al (1998) found that SCM impacts the effectiveness of SCM strategies and lead to the financial and market performances. BGI Ethiopia is facing an intense competition from competitors these days and this paper was conducted to redirect the company's attention to the supply chain as a core activity and examined the supply chain activity in enhancing competitiveness.

Specifically, conducting the study is significant for the following areas;

- Identifies to what extent that SCM has relationship with the competitiveness of the company.
- Identifies barriers that the company faces in implementing quality supply chain management practice
- Increases awareness regarding the typical problems related with the supply chain management implementation in the company
- Shows internal and external factors that affect the supply chain management in the company
- Recommends mechanisms that the company should use to overcome the problems raised
- The study can be used as a reference for any researcher or interested party, on related issues with supply chain management and competitiveness.
-

1.7. Definition of terms

Supply Chain Management (SCM) – The following table shows different definitions of SCM developed by different scholars

Table 1 Supply chain management definitions

Authors	Definition
Tan et al. (1998)	SCM encompasses materials/supply management from the supply of basic raw materials to final product (and possible recycling and re-use). SCM focuses on how firms utilize their suppliers' processes, technology and capability to enhance competitive advantage. It is a management philosophy that extends traditional intra-enterprise activities by bringing trading partners together with the common goal of optimization and efficiency.
Berry et al. (1994)	SCM aims at building trust, exchanging information on market needs, developing new products, and reducing the supplier base to a particular OEM so as to release management resources for developing meaningful, long term relationships.
Jones and Riley (1985)	An integrative approach to dealing with the planning and control of the materials flow from suppliers to end-users.
Saunders (1995)	External Chain is the total chain of exchange from original source of raw material, through the various firms involved in extracting and processing raw materials, manufacturing, assembling, distributing and retailing to ultimate end customers.
Elram (1991)	A network of firms interacting to deliver product or service to the end customer, linking flows from raw material supply to final delivery.
Christopher (1992)	Network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer.
Lee and Billington (1992)	Networks of manufacturing and distribution sites that procure raw materials, transform them into intermediate and finished products, and distribute the finished products to customers.
Kopczak (1997)	The set of entities, including suppliers, logistics services providers, manufacturers, distributors and resellers, through which materials, products and information flow.
Lee and Ng (1997)	A network of entities that starts with the suppliers' supplier and ends with the customers' custom production and delivery of goods and services.

Source: (Croom, Romano, & Giannakis, 2000)

Competitiveness - Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level (Murths, 1998). At a firm level

Competitiveness is the ability of a firm to design, produce and/or market products superior to those offered by competitors, considering the price and non-price qualities” (D’Cruz, 1992).

Competitive advantage - is the extent to which companies are able to create a defensible position over its competitors (McGinnis and Vallopra, 1999).

1.8 Delimitation/Scope of the Study

The scope of the study was restricted to one company’s supply chain management activities which are BGI Ethiopia’s SCM activities, and the focus of the study was delimited to the data obtained only within the geographical location of Addis Ababa. But, further collection of opinions from other regions population would have a significant effect on the comprehensiveness of the study

The common problem that is faced by researchers most of the time in Ethiopia is the traditional data secrecy behavior of most individuals and companies. The researcher has also faced this kind of problems during the preparation of this research paper. In relation with this problem, as the data is collected through questionnaire and interview, it was challenging to have volunteer respondents who are willing to commit their time and fill the questionnaires adequately and appropriately. It was also challenging to get as much information through interview due to lack of cooperation from the section heads and managers. In addition, lack of studies on the issue of supply chain management practices in Ethiopian organizations, time shortage, and financial constraints were also the limiting factors during this research was conducted.

1.9 Organization of the paper

The research paper is organized in five chapters. The first chapter constitutes the information of the study. It includes background of the study, background of the company, statement of the problem, research questions, objectives of the study, and significance of the study, definition of terms and delimitation / Scope of the study.

The second chapter reviews the related literatures. It contains other studies and writings on SCM, competitiveness and competitive advantage. The third chapter shows the method of study used in the preparation of the research paper. Chapter four emphasizes on the results and discussion. Chapter five is the compilation of summary, conclusions and recommendations of the whole paper.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 Review of literatures on Supply Chain Management

The way you manage your supply chain can make or break your company. Some of the most spectacular business success over the past 20 years has come from finding more effective ways to deliver products to consumers (David A., 2003). According to David A. Taylor(PhD) Cutting edge supply chains are double edged swords. Wielded with skill, they can slice open new markets. Improperly handled, the leap to deep, self inflicted wounds. For all the advantages that can come from getting the supply chain right, getting it wrong can be catastrophic.

The members of the Global Supply Chain Forum (2009) have developed the following definition which neatly encapsulates the aspects of SCM: Supply chain management is the integration of key business processes from end-user through original suppliers that provides products, services, and information that add value for customers and other stakeholders. The eight supply chain management processes identified by the Global Supply Chain Forum and shown in Figure 1 are:

Figure 1. Eight supply chain management processes



(Lambert, 2008)

The strategic sub-processes provide the structure for how the process will be implemented and the operational sub-processes provide the detailed steps for implementation. The strategic process is a necessary step in integrating the firm with other members of the supply chain, and it is at the operational level that the day-to-day activities take place. (Lambert, 2008).

The term “supply chain management” (SCM), according to Van der Vorst (2004) is relatively new. It first appeared in logistics literature in 1982 as an inventory management approach with an emphasis on the supply of raw materials (Oliver and Webber 1982). By 1990, academics first described SCM from a theoretical standpoint to clarify how it differed from more traditional approaches to managing the flow of materials and the associated flow of information (Cooper and Ellram 1993). The growing interest in SCM, according to Lummus and Vokurka (1999) is attributable to three (3) basic factors, thus, growing specialization or focus on core activities by many firms, intense competition from both local and international sources, and the realization by firms that maximizing performance of one department or function may lead to less than optimal performance for the whole company. Agreeing with this assertion, Cooper et al. (1997) in their research concluded that, the concept of SCM arose over the recognition that sub-optimization occurs if each organization in a supply chain attempts to optimize its own results rather than to integrate its goals and activities with other organization to optimize the results of the chain.

SCM is a discipline in the early stages of evolution (Gibson, Mentzer, & Cook, 2005). SCM gives a concrete form to the so called “business ecosystem idea” and provides a framework of processes for firms to engage in co-existence rather than competition (Bechtel & Jayaram, 1997). Consultants proposed the term and educators proposed the structure and theory for executing SCM. The term "supply chain management" first appeared in 1982 (Oliver & Webber). Around 1990, academics first described SCM from a theoretical point of view to clarify the difference from more traditional approaches and names (such as logistics), to managing material flow and the associated information flow (Cooper et al., 1997). The term supply chain management has grown in popularity over the past two decades, with much research being done on the topic (Ashish, 2007).

The concept of SCM has received increasing attention from academicians, consultants, and business manager’s alike (Feldmann & Müller, 2003, Tan, Lyman & Wisner, 2002, Van

Hoek, 1998). Many organizations have begun to recognize that SCM is the key to building sustainable competitive edge for their products and/or services in an increasingly crowded marketplace (Jones, 1998). The concept of SCM has been considered from different points of view in different bodies of literature (Croom et al., 2000) such as purchasing and supply management, logistics and transportation, operations management, marketing, organizational theory, and management information systems.

Tan, Kannan, Handfield & Ghosh (1999) attempted to link certain supply chain management practices with firm performance. In particular, they examined the effects of quality management, supply base management and customer relations practices on firm financial performance. They found that some aspects of quality management – use of performance data in quality management, management commitment to quality, involvement of quality department, and social responsibility of management -- all were positively related to firm performance (Gillyard, 2003). Managing the supply base was found to have a significant impact on firm growth but not on overall performance. The significance of supply chain management highlights the need for companies to actively manage their supply chain to maximize their performance. As Mentzer et al. (2001) said, a supply chain will exist whether a firm actively manages it or not. Boddy, Cahill, Charles, Fraser-Kraus, and Macbeth (1998) found that more than half of the respondents to their survey considered that their organizations had not been successful in implementing supply chain partnering; Spekman, Kamauff, and Myhr (1998), noted that 60% of supply chain alliances tended to fail. Deloitte Consulting survey reported that only 2% of North American manufacturers ranked their supply chains as world class although 91% of them ranked SCM as important to their firm's success (Thomas, 1999). It appears that while SCM is important to organizations; effective management of the supply chain does not yet appear to have been realized.

For any market driven organization to be able to compete effectively with its competitors it must sustain certain core competencies, such as process management, integration of knowledge, and diffusion of learning. Competitive position of a business arguably results from the assessment of what the firm offers with regards to value creation as compared to that of its competitors (Gorynia 2004). Indeed, basic measures of the competitive position of a firm are its market share and financial position. Additionally, factors such as product quality, customer loyalty, and reputations are also used as additional measures of business performance and competitive position of a firm (Gorynia, 2004). Consequently, Lee and

Billington (1992) pointed out that, SCM can be used as a strategic weapon to develop a sustainable competitive advantage by reducing investment without sacrificing customer satisfaction.

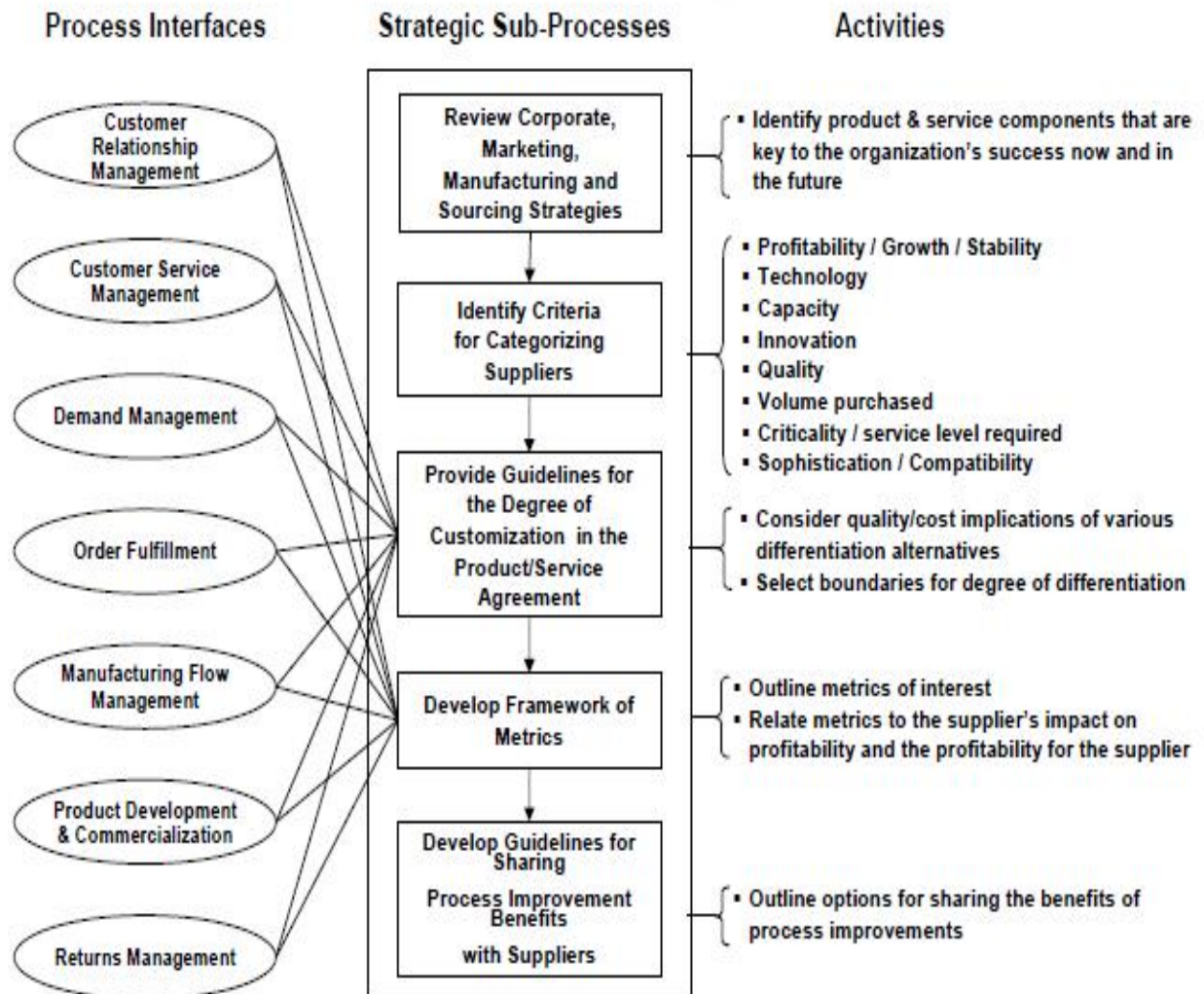
2.1.1 Supply Chain Management Practices

‘SCM practices’ is defined as “the set of activities undertaken by an organization to promote effective management of its supply chain” (Li et al.). Li et al. identified strategic supplier partnership, customer relationship, and information sharing as key SCM practices.

2.1.1.1 Strategic supplier partnership is defined as “the long term relationship between the organization and its suppliers. It is designed to leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits” (Li et al.). Some of the advantages of including suppliers early in the product-design process as mentioned by Tan, Lyman and Wisner (2002) are that suppliers can offer cost effective design alternatives, assist in selecting better components and technologies, and aid in design assessment. Long-term relationship does not refer to any specific period of time, but rather, to the intention that the arrangement is not going to be temporary (Chen & Paulraj, 2004). Through close relationships supply chain partners are willing to (1) share risks and reward and (2) maintain the relationship on a long term basis (Landeros & Monczka, 1989; Cooper & Ellram, 1993; Stuart, 1993).

Figure 2 Strategic supplier relationship management sub-processes

The Strategic Supplier Relationship Management Process



(Croxtton et al, 2001).

2.1.1.2 Customer relationship is defined as “the entire array of practices that are employed for the purpose of managing customer complaints, building long-term relationships with customers, and improving customer satisfaction” (Li et al.). Successful SCM involves customer integration at the downstream and supplier integration at the upstream, considering that each entity in a supply chain is a supplier as well as a customer (Tan et al., 1999). Close customer relationship allows product differentiation from competitors, helps sustain customer loyalty, and elevates the value provided to customers (Magretta, 1998). Immediate customer relationship activities have played a crucial role in developing effective SCM strategies (Wisner, 2003).

2.1.1.3 Information sharing refers to “the extent to which critical and proprietary information is communicated to one’s supply chain partner” (Li et al.). Simatupang and Sridharan (2005) bring forth some of the elements that comprise information sharing, including data acquisition, processing, storage, presentation, retrieval, and broadcasting of demand and forecast data, inventory status and locations, order status, cost-related data, and performance status. However, there is the reluctance on the part of organizations in the supply chain to share information with each other. Information is generally viewed as providing an advantage over competitors, and organizations resist sharing with their partners (Vokurka & Lummus, 2000) due to the fear of giving away competitive and sensitive information such as inventory levels, production schedules (Lancioni, Smith & Oliva, 2000; Ballou, Gillbert & Mukherjee, 2000; Croom, Romano & Giannakis, 2000).

2.1.2. Supply Chain Responsiveness

Supply chain responsiveness is defined as the capability of promptness and the degree to which the supply chain can address changes in customer demand (Holweg, 2005; Prater, Biehl & Smith., 2001; Lummus, Duclos & Vokurka, 2003; Duclos, Vokurka & Lummus 2003). Prater et al. further maintain that as the level of speed and more importantly flexibility increase, the level of supply chain responsiveness increases. Aquilano, Chase and Davis (1995) contend that “low cost, high quality and improved responsiveness (both delivery time and flexibility of product delivery)” are the three main strategic imperatives to stay competitive in this century. Bowersox, Closs and Stank (1999) advocate the need for organizations to be responsive when the penalties associated with uncertainty are higher. These penalties for an organization could include costs of stocking out or carrying the wrong inventory and which can be mitigated through a responsive system, by adopting effective SCM practices. The construct of supply chain responsiveness identified are:

Operations system responsiveness is defined as the ability of a firm’s manufacturing system to address changes in customer demand. Duclos et al. and Lummus et al. in a conceptual study, emphasize that operation responsiveness at each node of the chain is an integral component of supply chain responsiveness. They further argue that in order to meet the end customer’s needs, each entity in the supply chain must deliver the product or service in a timely and reliable manner.

2.1.2.1 Logistics process responsiveness is defined as the ability of a firm's outbound transportation, distribution, and warehousing system (including 3PL/4PL) to address changes in customer demand. The responsiveness in the logistic processes is a vital component in the success of a responsive supply chain strategy (Fawcett, 1992).

2.1.2.2 Supplier network responsiveness is defined as the ability of a firm's major suppliers to address changes in the firm's demand. A key to responsiveness is the presence of responsive and flexible partner upstream and downstream of the focal firm (Christopher & Peck, 2004). The ability of firms to react quickly to customer demand is dependent on the reaction time of suppliers to make volume changes. Whenever disruptive causes such new technology, terrorist threats (Walker, 2005) or cut-throat competition tend to throw the supply chain haywire, the supply chain networks must be ready to react to any ripple effect. Slack (1991) argues that supplier networks are the essential building blocks of a flexible system.

2.1.3 Performance drivers of Supply chain management

There are five areas where companies can make decisions that will define their supply chain capabilities: Production; Inventory; Location; Transportation; and Information. Chopra and Meindl define these areas as performance drivers that can be managed to produce the capabilities needed for a given supply chain. Effective supply chain management calls first for an understanding of each driver and how it operates. Each driver has the ability to directly affect the supply chain and enable certain capabilities. The next step is to develop an appreciation for the results that can be obtained by mixing different combinations of these drivers. Let's start by looking at the drivers individually.

2.1.3.1 Production

Production refers to the capacity of a supply chain to make and store products. The facilities of production are factories and warehouses. The fundamental decision that managers face when making production decisions is how to resolve the trade-off between responsiveness and efficiency. If factories and warehouses are built with a lot of excess capacity, they can be very flexible and respond quickly to wide swings in product demand. Facilities where all or almost all capacity is being used are not capable of responding easily to fluctuations in demand. On the other hand, capacity costs money and excess capacity is idle capacity not in use and not generating revenue. So the more excess capacity that exists, the less efficient the operation becomes.

2.1.3.2 Inventory

Inventory is spread throughout the supply chain and includes everything from raw material to work in process to finished goods that are held by the manufacturers, distributors, and retailers in a supply chain. Again, managers must decide where they want to position themselves in the trade-off between responsiveness and efficiency. Holding large amounts of inventory allows a company or an entire supply chain to be very responsive to fluctuations in customer demand. However, the creation and storage of inventory is a cost and to achieve high levels of efficiency, the cost of inventory should be kept as low as possible.

2.1.3.3 Location

Location refers to the geographical siting of supply chain facilities. It also includes the decisions related to which activities should be performed in each facility. The responsiveness versus efficiency trade-off here is the decision whether to centralize activities in fewer locations to gain economies of scale and efficiency, or to decentralize activities in many locations close to customers and suppliers in order for operations to be more responsive. When making location decisions, managers need to consider a range of factors that relate to a given location including the cost of facilities, the cost of labor, skills available in the workforce, infrastructure conditions, taxes and tariffs, and proximity to suppliers and customers. Location decisions tend to be very strategic decisions because they commit large amounts of money to long-term plans. Location decisions have strong impacts on the cost and performance characteristics of a supply chain. Once the size, number, and location of facilities is determined, that also defines the number of possible paths through which products can flow on the way to the final customer. Location decisions reflect a company's basic strategy for building and delivering its products to market.

2.1.3.4 Transportation

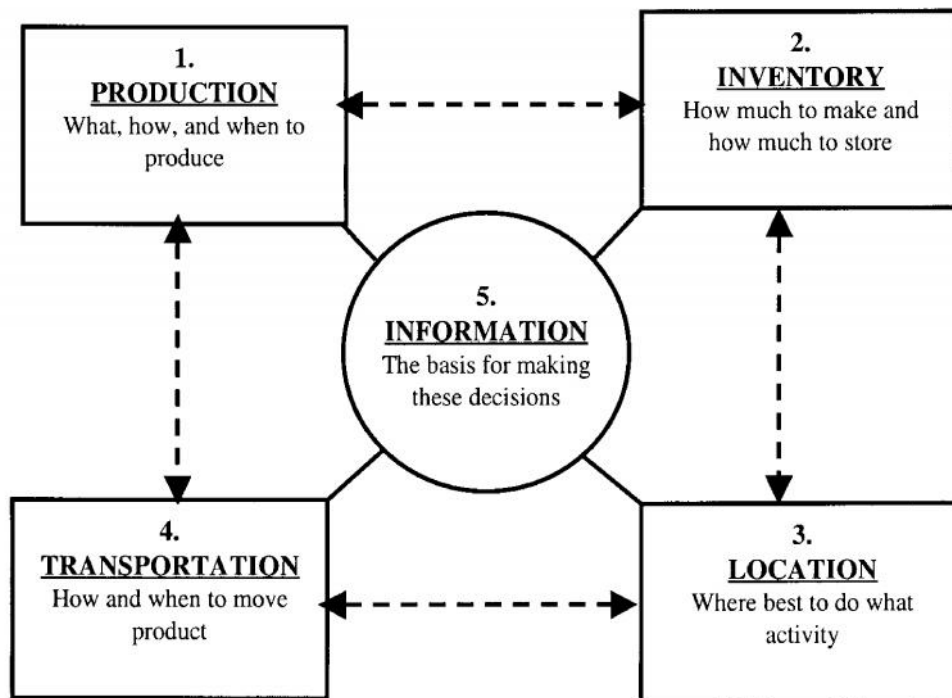
This refers to the movement of everything from raw material to finished goods between different facilities in a supply chain. In transportation the trade-off between responsiveness and efficiency is manifested in the choice of transport mode. Fast modes of transport such as airplanes are very responsive but also more costly. Slower modes such as ship and rail are very cost efficient but not as responsive. Since transportation costs can be as much as a third of the operating cost of a supply chain, decisions made here are very important.

2.1.3.5 Information

Information is the basis upon which to make decisions regarding the other four supply chain drivers. It is the connection between all activities and operations in a supply chain. To the extent that this connection is a strong one, (i.e., the data is accurate, timely, and complete), the companies in a supply chain will each be able to make good decisions for their own operations.

This will also tend to maximize the profitability of the supply chain as a whole. That is the way that stock markets or other free markets work and supply chains have many of the same dynamics as markets.

Figure 3: The Five Major Supply Chain Drivers



RESPONSIVENESS versus EFFICIENCY

The right combination of responsiveness and efficiency in each of these drivers allows a supply chain to “increase throughput while simultaneously reducing inventory and operating expense.”

Source: (Basic concepts of supply chain management, 2004)

2. 2. Competitiveness

Competitiveness is one of the most powerful concepts in modern economic thinking. It can be defined at national level, industry and firm level. Even if there are different definitions of competitiveness it is better to have a clear understanding of the concept of competitiveness. At the macro-economy level, “competitiveness is identified with a steady upward trend measured by GDP growth, productivity of resources and factors of production growing in macro –terms, and economic expansion onto the international market (enlargement of existing markets as well as entry into new market), that is, with the capacity of offering new, better and cheaper goods and services in a competitive environment” (Porter, 1990). At the level of individual firms, competitiveness is the ability of a firm to survive and prosper, given the competition of other firms for the same profits. The competitiveness of a firm is the result of a comparative advantage relative to other firms. Porter defines competitive advantage as the ability of a company to make products that provide more value to customers than rival products, leading to higher sales and higher profit for the company. (Porter 1985, Porter 1996, p-62) Firm level competitiveness can also be defined as “the ability of a firm to design, produce and/or market products superior to those offered by competitors, considering the price and non-price qualities” (D’Cruz, 1992). “Competitiveness” is primarily a firm-level concept and refers to the ability of a firm to produce output of superior quality and lower costs than its domestic and international competitors. It is reached by improving product quality and through processes of product development (Beyene, 2009).

Over the last decades the term competitiveness has been widely used. For the last decades, Policy makers and economic theories have been trying to address the hearts of the concept of competitiveness for better understanding the issue that are center to improving economic well being and the distribution of wealth. In this regard generally there are two schools of thought on the country competitiveness: economic school of thought and management school of thought

Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word, *competere*, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the

global market economy in which goods, services, people, skills, and ideas move freely across geographical borders (Murths, 1998).

Firm level competitiveness can be defined as the ability of firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities (D'Cruz, 1992). Competitiveness processes are those processes, which help identify the importance and current performance of core processes such as strategic management processes, human resources processes, operations management processes and technology management processes. The competitiveness process can be viewed as a balancing process that complements traditional functional processes such as operations management and human resources management. It enhances the ability of an organisation to compete more effectively. Sources of competitiveness are those assets and processes within an organisation that provide competitive advantage. These sources can be tangibles or intangibles.

Firm-level competitiveness is of great interest among practitioners. Nations can compete only if their firms can compete, argues Christensen of Harvard Business School. Porter says “it is the firms, not nations, which compete in international markets”, (Porter, 1998). The environmental factors are more or less uniform for all competing firms. Research shows that 36 per cent of the variance in profitability could be attributed to the firms' characteristics and actions (McGahan, 1999). Other pro-firm views (Bartlett and Ghoshal, 1989; Prahalad and Doz, and 1987; Prahalad and Hamel, 1990) focus on individual firm and their strategies for global operations, and resource positions to identify the real sources of their competitiveness.

Competitiveness involves “ a combination of assets and processes, where assets are inherite (natural resources) or created (infrastructure) and processes transform assets to achieve economic gains from sales to customers” (DC, 2001). Outcomes can be achieved through competitive potentials through the competitiveness process (Berkely et al, 1988), similar to the Asset-Process Performance (APP) framework (Momaya, 2000).

Some authors view competitiveness with the competency approach. They emphasise the role of factors internal to the firms such as firm strategy, structures, competencies, capabilities to innovate, and other tangible and intangible resources for their competitive success (Bartlett and Ghoshal, 1989; Doz and Prahalad, 1987; Hamel and Prahalad, 1989, 1990). This view is particularly among the resource-based approach towards competitiveness (Prahalad and Hamel, 1990; Grant, 1991; Barney 2001, 1991; Peteraf, 1993; Ulrich, 1993). Ability to

develop and deploy capabilities and talents far more effectively than competitors can help in achieving world class competitiveness (Smith, 1995). For providing customers with greater value and satisfaction than their competitors, firms must be operationally efficient, cost effective, and quality conscious (Johnson, 1992; Hammer and Champy, 1993). Also related to this condition are a number of studies focusing on particular aspects like marketing (Corbett and Wassenhove, 1993), information technology (Ross et al, 1996), quality of products (Swann and Tahhavi, 1994), and innovative capability of firms (Grupp et al, 1997).

Productivity has often been termed as a surrogate of competitiveness and good indicator of long-term competitiveness of a firm by many authors. Porter defined competitiveness at the organisational level as productivity growth that is reflected in either lower costs or differentiated products that command premium prices. The generic strategy given by Porter also emphasizes these criteria (Porter, 1990). It has been said the company, industry, or nation with the highest productivity could be seen as the most competitive (McKee and Sessions-Robinson, 1989).

In today's turbulent business environment, dynamic capabilities, flexibility, agility, speed, and adaptability are becoming more important sources of competitiveness (Barney, 2001; Sushil, 2000). O'Farrell et al (1992, 1989, and 1988) have conducted a number of studies on the relationship between sources of competitiveness and firm performance, with focus on price, quality, design, marketing, flexibility, and management. The importance of firm-level competitiveness is confirmed by a large number of studies discussed above. Recognizing the dynamic role processes play in enhancing competitiveness, the role of processes in firm-level competitiveness need to be examined.

2.3 Competitive Advantage

A company's competitive strategy defines, relative to its competitors, the set of customer needs that it seeks to satisfy through its products and services. A firm's competitive strategy will be defined based on its customer's priorities. Competitive strategy targets one or more customer segments and aims to provide products and services that satisfy these customers' needs. (Sunil & Peter, 2007)

"Competition is at the core of the success or failure of firms" (Porter, 1985). The evaluation and understanding of one's industry and resources is an important component of establishing

a competitive advantage. Porter (1985) provides a framework and way ahead for firms to achieve and sustain a competitive advantage. Porter (1985) and various other studies (Barney, 1991; Bharadwaj, Varadarajan, & Fahy, 1993) seek to describe and identify various sources of competitive advantage. "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors" (Barney, 1991: 102). There is no surprise that competitive advantage can be expected to lead an organization to superior performance (Bharadwaj, Varadarajan, & Fahy, 1993).

Competitive advantage "comprises capabilities that allow an organization to differentiate itself from its competitors and is an outcome of critical management decisions" (Li et al., 2006: 111). Competitive capabilities "are the attributes of an organization that attract customers; they are potential points of differentiation between an organization and its competitors" (Tracey, Vonderembse, & Lim, 1999: 414). Tracey et al.'s (1999) and Rondeau, Vonderembse, and Ragu-Nathan's (2000) studies further investigated competitive capabilities. Competitive capabilities should also allow firms to establish higher levels of performance (Tracey, Vonderembse, & Lim, 1999). With the emerging importance of SCM and growing competitiveness between supply chains it is in a firm's best interest to seek out ways to capture a competitive advantage. Based on previous SCM studies, competitive advantage in this thesis was defined as "the extent to which an organization is able to create a defensible position over its competitors" (Li et al., 2006: 111).

Porter's Generic Business Strategies

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999). Porter's (1980) generic strategies can yield competitive advantage and also ensures long-term profitability, the firm must make a choice between one of the generic strategies rather than end up being "stuck in the middle."

Differentiation strategy is usually developed around many characteristics such as product quality, technology and innovativeness, reliability, brand image, firm reputation, durability, and customer service, which must be difficult for rivals to imitate. A firm implementing a differentiation strategy is able to achieve a competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. Thus, a firm that implements a differentiation strategy enjoys the benefit of price-inelastic demand for its product or service. This would in turn help the firm to avoid potentially severe price competition and allow it to charge premium prices leading to above-normal profits (Porter, 1980). The successful implementation of the differentiation strategy requires resources and skills such as strong marketing capabilities, product engineering skills, creative flare, corporate reputation for quality, reliable and durable products and/or technological leadership, and strong cooperation from distribution channels (Porter, 1980). When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka *et al.*, 2001). Since, the product or service is unique; this strategy provides high customer loyalty (Porter, 1985).

Cost leadership strategy is usually developed around organization-wide efficiency. In order for firms implementing the cost leadership strategy to maintain a strong competitive position and sustain their profit margins for a considerable period of time, they have to place a premium on efficiency of operations in all functional areas (Porter, 1980). Firms that implement a cost leadership strategy are able to secure a relatively large market share by being the lowest cost producers or service providers in their industry or market. Thus, firms implementing the cost leadership strategy can obtain above-normal profits because of their ability to lower prices to match or even below those of competitors and still earn profits. By pursuing low costs, companies not only operate efficiently, but also become an effective price leader, undermining competitors' growth in the industry through its success at price war and undercutting the profitability of competitors. If the firm's cost of sale or cost of raw material is lower than its competitors, then the firm can offer lower prices, higher quality, or both (Spulber, 2009, p.356). Lower costs and cost advantages result from process innovations, learning curve benefits, economies of scale, product designs reducing manufacturing time and costs, and reengineering activities.

Focus on a select customer group, product range, geographical area, or service line (McCracken, 2002). Focus also is based on adopting a narrow competitive scope within an

industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

2.4 Theoretical framework

There are different theories that are developed and explained by different scholars regarding the issue of supply chain management and competitiveness. This research is based on the SCM theory from the members of Global supply chain forum and porters theory of competitiveness. Global supply chain forum (2009) defined SCM as the integration of key business processes from end-user through original suppliers that provides products, services, and information that add value for customers and other stakeholders. Porter, 1990 defined competitiveness at the level of individual firms, competitiveness is the ability of a firm to survive and prosper, given the competition of other firms for the same profits. The competitiveness of a firm is the result of a competitive advantage relative to other firms. Porter defines competitive advantage as the ability of a company to make products that provide more value to customers than rival products, leading to higher sales and higher profit for the company. (Porter 1985, p-2, Porter 1996, p-62). Global supply chain forum and Porters theory is used to depict the implication of SCM on competitiveness. The following figure explains the theoretical framework of this research paper.

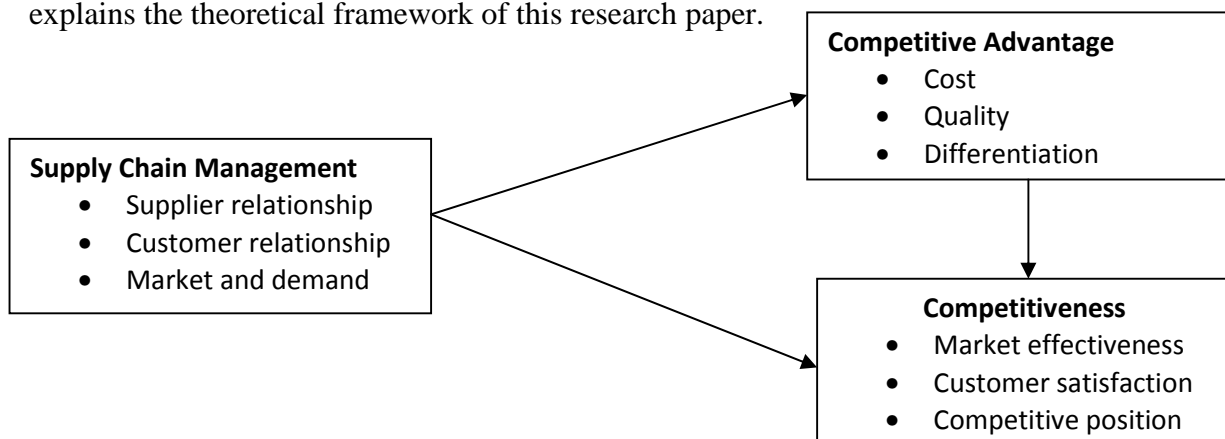


Figure 4: Theoretical framework (Based on global supply chain forum and porters competitiveness theory)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

In this chapter, the researcher discussed the instruments used, the source of the sample population and the size of the samples, the research approach used, the sampling technique used and how the data are analyzed in the research paper.

3.1 Research Design

Reliable and accurate data is essential to meet the designed objectives of the study. This study was designed as a case study, which is the implication of SCM on competitiveness a case in BGI Ethiopia. The advantage of using a case study is that it allows us to understand the characteristics and behavior pattern of specific issues in depth. As Kitay & Callus, 1998 explained, case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena. As Kombo and Tromp (2006) defined data collection as the gathering of information to serve or prove some facts. In this research paper qualitative data was used on the raised issues. The qualitative method helps the researcher to understand the meaning of situation, event, experiences, and action of participants (Maxwell,2005). The researcher also used both descriptive (frequencies and percentages) and correlational analysis for the study.

3.2 Population and Sampling Techniques

The target population of the research paper mainly divided in to three parts, which are employees, Outlets (Hotel, Groceries, Beer Garden...etc) and final consumers. The total population used in this research was 284 people. The population was sourced from 43 employees, 96 outlets and 145 final consumers, and an interview was held with the Supply chain manager Ato Zerom Gezahegn and Section heads of the company. Because there is a very huge infinite population for this study the researcher used a non probability sampling technique. The subjects were selected using a convenience sampling technique. Convenience sampling is a statistical method of drawing representative data by selecting people because of the ease of their volunteering or selecting units because of their availability or easy access. (www.explorables.com retrieved on January 19, 2015). The researcher tried to distribute the

questionnaires by being free from any bias and the samples taken were representatives of the whole population. So, the technique helped me to draw a conclusion from the results of the research.

3.3 Types of Data and Tools/Instruments of Data Collection

The data collection was from both primary and secondary source. The primary data was gathered through questionnaire from employees, Outlets and final consumers. In addition a structured interview was conducted with Supply chain manager and Section heads. The questionnaire distributed to the employees, Outlets and consumers was useful to evaluate and analyze the implication of the supply chain management on growth, performance, supply chain networks relationship, consumer relationship, differentiation, price and quality that directly affects competitiveness of the company. The interview conducted was helpful for understanding the challenges the company is facing in relation with managing the SC and the effort undertaken by the company to improve competitiveness by applying effective supply chain management. The secondary data was useful because it allowed me to look at the prevailing thoughts of others regarding the implication of SCM in competitiveness. All necessary care and diligence was applied to ensure the validity, reliability and accuracy of the data collection.

3.4 Procedures of Data Collection

The research questionnaire was distributed to employees, Outlets and consumers of the product. The repliers were selected randomly but based on my personal judgment.

During Data Collection

- Multiple options was provided for respondents to submit data, which included e-mail submission of questionnaire
- Respondents were ensured that their response is confidential and protected and,
- Provided information regarding the purpose of the data collection, the importance of their participation and the schedule of processing and publication.

3.5 Methods of Data Analysis

Descriptive analytical technique was used with the aid of Statistical Package for Social Sciences (SPSS) to analyze the data collected with the use of questionnaires. The questionnaires were answered on a five –point likert-type response scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). In addition the data collected was analyzed by correlational research method because in this research I investigated the relationship between the independent variable i.e. Supply chain Management with its effect on the dependent variable competitiveness. The study also used tables, frequencies, and percentages to analyze the collected data.

CHAPTER FOUR

RESULTS AND DISCUSSION

This the result and discussion part is composed of the results gathered from primary data (employees, outlets and consumers questionnaires and interviews) and secondary data(internet, articles and different written documents).The questionnaires that were gathered from Employees, Outlets and consumers are analyzed separately. And the data gathered thorough interview used in the discussion of the questionnaires result. In addition a correlation analysis is made based on employee’s response. Also, before the questionnaire was fully distributed a reliability test has been made.

4.1 Descriptive Analysis on questionnaires

4.1.1 Reliability Test

A pre-test was conducted with 22 respondents before the questionnaire was revised to avoid inapplicable questions, ambiguous wording, and the questionnaires appropriateness. Clear instructions were provided at the beginning of the sections. After pre-testing and further revisions, the survey questionnaire was produced in final form and used to collect data. The following table shows the reliability test for each item.

Table 2: Reliability test

Item-Total Statistics		
No.	Variables	Cronbach's Alpha
1	Application of SCM	.774
2	Effectiveness of SCM	.801
3	Relation to performance	.797
4	Relation to growth	.805
5	Relationship to suppliers	.787
6	Relationship to customers	.824
7	Relation with outbound transportation, distribution and warehousing system	.789
8	Relation with distributors, wholesalers, retailers	.822
9	Response to complaints	.808
10	Response to market change	.827
11	Cost	.793
12	Quality	.806
13	Differentiation	.803
14	Sustainable competitive advantage	.798
15	Customers preference	.819
16	Adequacy in supply	.825
17	Price compared to other similar products	.806
18	Quality compared to other similar products	.823

An alpha score of higher than 0.70 is generally considered to be acceptable, while an alpha score of higher than 0.80 is considered a good measure of reliability (Nunnally, 1978). As we can see in the above table the cronbach's alpha shows that 8.16. So, we can be confident that all the variables have internal consistency.

4.1.2 Application of SCM in BGI Ethiopia

As many organizations in the current business environment agreed, applying SCM is essential for the success of an organization. The table below shows the opinion of the respondents regarding the application of the supply chain management in the company

Table 3: Application of SCM in BGI Ethiopia

<i>Application of SCM</i>	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0	0	0
Disagree	0	0	0	0
Neutral	2	4.7	4.7	4.7
Agree	32	74.4	74.4	79.1
Strongly Agree	9	20.9	20.9	100.0
Total	43	100.0	100.0	

(Source: Own Survey,2015)

As the table above indicated about 74.4 and 4.7 percent of the respondents agree and strongly agree respectively on the idea that there is application of SCM in BGI Ethiopia .On the other hand 4.7 percent of the respondents remained neutral regarding the application of SCM in BGI Ethiopia.

4.1.3 Effectiveness of the Supply Chain Management

Only applying SCM is not enough, effectiveness of managing the supply chain is very important, because the vital role SCM plays in the success of a company. Managing supply chain effectively helps streamline everything from day to day product flows to unexpected business disasters that may happen at any time. The following table shows the opinion of the respondents regarding the effectiveness of the company in implementing SCM.

Table 4: Effectiveness of implementing the supply chain management

Effectiveness of implementing the supply chain management	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	4.7	4.7	4.7
Disagree	5	11.6	11.6	16.3
Neutral	18	41.9	41.9	58.1
Agree	13	30.2	30.2	88.4
Strongly Agree	5	11.6	11.6	100.0
Total	43	100.0	100.0	

(Source: Own Survey,2015)

According to the table above effectiveness of implementing the supply chain management, 30.2 and 11.6 percent of the respondents strongly agree and agree respectively. Also, 41.9 percent of the respondents stay neutral on the effectiveness of the SCM in the company. On the other hand 11.6 and 4.7 percent of the respondents disagree and strongly disagree respectively.

4.1.4 The relation of SCM with performance

In today's business environment, competition is constantly getting stronger and tougher. And to stay in the battle field alive, the company should keep its performance consistent for success. SCM is one of the factors that affect the company's performance one way to the other. The table below shows the opinion of the respondents regarding the relation of SCM with performance of BGI Ethiopia.

Table 5: The relation of SCM with performance of the company

Supply chain management has a positive implication in company's performance.	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	2.3	2.3	2.3
Disagree	5	11.6	11.6	14.0
Neutral	12	27.9	27.9	41.9
Agree	19	44.2	44.2	86.0
Strongly Agree	6	14.0	14.0	100.0
Total	43	100.0	100.0	

(Source: Own Survey,2015)

As can be seen from the above table 44.2 and 14 percent of the respondents agree and strongly agree respectively on the idea that the application of SCM has a positive impact to the company's performance. On the other hand when 27.9 percent of the respondents prefer a neutral response the other 11.6 and 2.3 percent of the respondents disagree and strongly disagree respectively.

4.1.5 The relation of SCM with growth of the Company

Many companies have begun to recognize SCM as one of the growth weapon for business. The following table shows the opinion of the respondents regarding the relationship of the supply chain management with growth.

Table 6: The relation of SCM with growth of the Company

Positive relationship between SCM and company's growth	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	0	0	0	0
Disagree	0	0	0	0
Neutral	18	41.9	41.9	41.9
Agree	23	53.5	53.5	95.3
Strongly Agree	2	4.7	4.7	100.0
Total	43	100.0	100.0	

(Source: Own survey, 2015)

As can be seen from the table 4.7 percent strongly agree, 53.5 percent agree and 41.9 percent responded neutral on the idea that there is a positive relationship among the supply chain management and the growth of the company.

4.1.6 SCM's relationship with its supply chain networks

'Network' describes a more complex structure, where organizations can be cross-linked and there are two way exchange between them; 'chain' describes a simpler, sequential set of link(Harland et.al,2001).In order to serve competitive products, better communication and link with the supply chain networks is crucial. The supply chain network of the company includes suppliers, logistics/transporters, stakeholders, banks, distributors, agents, consumers, wholesalers, retailers and warehouses. The following table describes the opinions of the respondents regarding the relationship of SCM with its supply chain networks.

Table 7: The relationship of SCM with its supply chain networks

Positive relation with Supply chain networks	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)
Customers	13.95	60.47	25.58	0	0
Suppliers	11.63	46.51	41.86	0	0
Distributors, wholesalers and retailers	2.33	65.12	18.60	13.95	0
outbound transportation and warehousing	4.65	65.12	25.58	4.65	0

(Source: Own Survey,2015)

Since competition is no longer between organizations, but among the supply chains, effective communication and relation with the supply chain networks is one of the potential valuable

way of securing competitiveness and improving the performance of a company. I have assessed the relationship of the company with its supply chain networks by using 4 items. These 4 items were answered on a five –point likert-type response scale ((1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

According to the table 13.95% and 60.47% of the respondents strongly agree and, agree on the company’s positive relation with customers and the rest 25.58 percent preferred a neutral position. When it come to suppliers relationship 11.63 and 46.51 percent of the respondents strongly agree and agree on the positive relation of the company with its suppliers and the rest 41.86 percent remained neutral.

On the other hand 2.33 and 65.12 percent of the respondents strongly agree and agree respectively that the company has a good relationship with its distributors, wholesalers and retailers. The other 18.6 and 13.95 percent of the respondents respond neutral and disagree respectively. Moreover, 4.65 % strongly agree, 65.12 agree, 25.58 neutral and 4.65 disagree on the idea that the company’s positive relation with outbound transportation and warehousing.

4.1.7 Relation of SCM with competitive advantage

Having a competitive advantage generally suggests that an organization can have one or more of the following capabilities when compared to its competitors: lower price, higher quality or differentiated product. These capabilities, will intern, enhance the organizations overall performance. (J.T Mentzer et.al).In the table below respondent’s opinion towards the relation of SCM with CA of the company analyzed

Table 8: The relation of SCM with CA of BGI Ethiopia

Relation with CA	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)
Cost reduction	2.30	46.50	39.50	11.60	0
Quality enhancement	0	46.50	27.90	11.60	14.00
Differentiation	2.30	46.50	27.90	23.30	0

The researcher assessed the relationship of SCM with the competitive advantage of the company by using 3 items. These 3 items were answered on a five –point likert-type response scale ((1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). As can be seen from the table 2.3 and 46.5 percent of the respondents strongly agree and agree respectively that the application of SCM helps for cost reduction and 11.6 percent disagree and the rest 39.5 percent preferred a neutral position. When it comes to quality enhancement the respondents replied 46.5% agree, 27.9 neutral, 11.6 disagree and 14 percent strongly disagree. In addition 2.3 % strongly agree, 46.5 % agree, 27.9 % neutral and 23.3 disagree on the idea that the SCM has a relationship with the differentiation of the products.

4.1.8 Competitiveness in the market compared to other similar products

In today’s Ethiopian beer market there is a high competition among brewery companies. Currently there are a lot of beer brands in the market more than ever, and there are also many other brands who are about to join the market. Global companies like Heineken are also became the part of the Ethiopian beer market. In this section of the paper, I have tried to collect the opinions of the outlets regarding the issue of competitiveness of BGI Ethiopia’s products compared to other similar products.

Table 9: Frequency table on competitiveness in the market

Comparison to competitors	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)
High customers preference	7.3	39.6	0	53.1	0
Adequate supply of products	12.5	55.2	0	32.3	0
High Quality	18.8	38.5	0	42.7	0
Low Price	12.5	13.5	6.3	67.7	0
Achieving sustainable CA	18.8	12.5	14.6	47.9	6.3

Source: (Own survey, 2015)

The researcher assessed the competitiveness of BGI's products with compared to the competitors by using 5 items. These 5 items were answered on a five –point likert-type response scale ((1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). As can be seen from the above table 7.3 strongly agree, 39.6 agree, and 53.1 percent of the respondents agree on the idea that here is high customers preference on BGI products. Regarding the adequacy of supply of products 12.5 strongly agree 55.2 agree and 32.3 disagree. When it comes to quality compared to other products 18.8%, 38.5% and 42.7 % strongly agree, agree and disagree respectively. Interims of price when 12.5% and 13.5 % of the respondents strongly agree and agree on the low price of the products 67.7 percent disagree. The rest 6.3 percent of the respondents prefer a neutral position. On the other hand 18.8% and 12.5% of the respondents strongly and agree respectively that the company is achieving a sustainable competitive advantage. The other 47.9 and 6.3 percent of the respondents disagree and strongly disagree. The rest 14.6 percent of the respondents take a neutral position.

4.1.9 Relation of SCM with its final consumer's

The ability of the SCM to build a good relationship with its final buyers is very vital for its growth. In this issue the following questions has been included in the questionnaire.

Table 10: **Relation of SCM with its final consumer's**

SCM with its final consumer's	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)
Response to changes in market efficiently	2.80	42.10	17.20	37.90	0
Attention to customers' needs and comments	11.00	26.20	46.90	15.90	0
Carry out action for complaints effectively	0	35.90	40.70	20.00	3.40

(Source: Own Survey,2015)

The researcher assessed the relationship of SCM with the competitive advantage of the company by using 3 items. These 3 items were answered on a five –point likert-type response scale ((1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). From the above table 2.8% strongly agree, 42.1% agree and 37.9 percent disagree on the idea that the company response to changes in the market efficiently. The rest 17.2 percent remained neutral. When it comes to attention to customer needs and comments 11%, 26.2% and 15.9% of the respondents strongly agree, agree and disagree respectively. The other 46.9 percent of the respondents were neutral. When we see the company’s ability to carry out action for complaints effectively 35.9%, 20% and 3.4 % agree, disagree and strongly disagree. The rest 40.7 percent of the respondents remained neutral.

4.2 Correlational analysis

Correlation is computed into what is known as the correlation coefficient ,which ranges between -1 and +1.Perfect positive correlation (a correlation coefficient of +1)implies that as one security moves, either up or down ,the other security moves, either up or down, the other security will move in lock step, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movement of the securities are said to have no correlation; they are completely random. (<http://www.investopedia.com/terms/c/correlation.asp>)

Table 11 Pearson Correlational Coefficient Summary

Correlations

		Applicati on of SCM	Success in implem ting SCM.	Performa nce	Growth	Cost	Quality	Differenti ation	Sustaina ble C.A
Application of SCM	Pearson Correlation	1	.445**	.261	.306*	-.052	-.524**	-.055	.059
	Sig. (2-tailed)		.003	.091	.046	.742	.000	.727	.709
	N	43	43	43	43	43	43	43	43
Success in implem ting SCM.	Pearson Correlation	.445**	1	.572**	.363*	.037	-.213	.027	.527**
	Sig. (2-tailed)	.003		.000	.017	.814	.171	.865	.000
	N	43	43	43	43	43	43	43	43
Performanc e.	Pearson Correlation	.261	.572**	1	.813**	-.153	-.315*	-.369*	.729**
	Sig. (2-tailed)	.091	.000		.000	.327	.040	.015	.000
	N	43	43	43	43	43	43	43	43
Growth	Pearson Correlation	.306*	.363*	.813**	1	-.208	-.454**	-.219	.546**
	Sig. (2-tailed)	.046	.017	.000		.181	.002	.159	.000
	N	43	43	43	43	43	43	43	43
Cost	Pearson Correlation	-.052	.037	-.153	-.208	1	.540**	.622**	-.403**
	Sig. (2-tailed)	.742	.814	.327	.181		.000	.000	.007
	N	43	43	43	43	43	43	43	43
Quality	Pearson Correlation	-.524**	-.213	-.315*	-.454**	.540**	1	.082	-.385*
	Sig. (2-tailed)	.000	.171	.040	.002	.000		.602	.011
	N	43	43	43	43	43	43	43	43
Differentiati on	Pearson Correlation	-.055	.027	-.369*	-.219	.622**	.082	1	-.212
	Sig. (2-tailed)	.727	.865	.015	.159	.000	.602		.173
	N	43	43	43	43	43	43	43	43
Sustainable C.A	Pearson Correlation	.059	.527**	.729**	.546**	-.403**	-.385*	-.212	1
	Sig. (2-tailed)	.709	.000	.000	.000	.007	.011	.173	
	N	43	43	43	43	43	43	43	43

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The correlation table above measures the correlation of the independent variables (SCM) with the dependent variables (Performance, growth, production cost, quality, differentiation and sustainable competitive advantage). The p-value tells whether the correlation is statistically significant or not.

When we see the correlation between the application of SCM with variables, the resulting correlation coefficient indicated that there is statistically significant correlation between application of SCM with effectiveness of implementation ($r=0.445$, $p<0.01$) and application of SCM with growth ($r=0.306$, $p<0.05$). Therefore, the Correlational analysis reveals that there a significant positive relationship between application of SCM with the effectiveness of the implementation.

On the other hand, the relationship between application of SCM and performance is statistically insignificant ($r=0.261$, $P>0.05$), application of SCM and sustainable competitive advantage ($r=0.59$, $p>0.05$), application of SCM and cost ($r=0.52$, $p>0.05$), application of SCM and sustainability of the CA ($r=-0.59$, $p>0.05$). As this correlation indicates there is a weak relationship between the application of SCM with performance, cost, and sustainability of the CA.

The correlation analysis also indicates that application of quality and differentiation are negatively correlated with application of SCM in BGI Ethiopia. Application of SCM and quality ($r=-0.524$, $P<0.01$), application of SCM and differentiation ($r=-0.524$, $P<0.01$).

4.3 Discussion of the questionnaire and interview analysis

The interview was made after the questionnaire has been fully collected and analyzed so the interview was designed to in order to support and identify answers on the results of the questionnaire. The interview was held specifically with the Supply Chain Manager, Planning Section Head, Resources Section Head and Logistics Section Head. The purpose of the interview was to understand the major challenges that are faced by the company regarding the raised deficiencies from the results of the questionnaire and also it aimed at to collect information regarding the actions of the company in relation with the supply chain management and competitiveness.

4.3.1 Challenges of implementing quality SCM in BGI Ethiopia

According to the questionnaire results most of the respondents prefer a neutral position regarding the effectiveness of the company in implementing a quality SCM. This implies that most of the respondents are not confident that the company is successful in implementing the supply chain or they are not witnessing any results due to the implementation of SCM in the

company. According to the interview held with Section heads they have given the following reasons as the challenges of implementing SCM effectively and successfully

- It has been only two years since the SCM established as an independent department, because of this there is lack of experience in the human power.
- The department is facing problems especially with banks to get foreign currency for importation of goods and raw materials.
- The maturation of competitiveness in the current beer market creates bargaining power of suppliers.
- The supply chain management is highly dynamic. Shortages of raw materials, demand upsides, supplier issues, intense budget constraints are affecting the effectiveness of implementing SCM in the company

4.3.2 SCM in relation with company's performance and growth

From the interview held with the SCM Manager he noted that the company is viewing the SCM as a key to performance and the engine for growth. He said that even though it is much harder to achieve growth because of more demanding customers, bargaining power of suppliers and continuing pressure from highly competitive companies in the industry, it's still possible to achieve growth with appropriate management of supply chain. He also added that by applying the tools and techniques that SCM offers, the company will have the ability to enhance its performances that leads to its growth. The questionnaire result also shows that SCM has a positive relationship with the company's performance and growth.

4.3.3 The relation of SCM with the competitive advantage of the company

The result from the questionnaire reveals that BGI Ethiopia is aligning its SC activities to get a competitive advantage. From the interview held with the supply chain manager, he noted that currently the competition of the beer industry in Ethiopia became between global companies. Including BGI Ethiopia, companies like Heineken and Diageo are globally operating companies. So ,understanding and effectively applying SCM has become an essential prerequisite for staying competitive in the race and enhancing performance. Understanding this in mind BGI Ethiopia is aligning its supply chain activities to get a competitive advantage.

4.3.4 Challenges the company faces with its supply chain networks

Data collected through the questionnaire and interview with section heads and the SCM manager of the company supports the idea that the SCM is giving adequate attention to its relationship with the supply chain network. Even though, the SCM department is working hard on the effective link of its operation with the supply chain networks, the interviewees point out the following challenges they are facing mainly from the company's supply chain network

- Suppliers inability to provide materials on time as per the SC order
- Suppliers inability to provide sufficient and adequate quantity.
- Lack of storage places especially for perishable raw materials
- High transportation costs.
- Poor Infrastructural problems affecting the logistics
- Lack of loyalty among distributors and agents (keeping stock during shortage season)
- Lack of loyalty among the suppliers of raw materials to the company. There is unfair distribution of raw materials that are scarce in the market.

4.4.5 Challenges the SCM department is facing to achieve competitiveness

As indicated on the analysis of the questionnaire most of the respondents think that the products of BGI Ethiopia's are competitive in the market, adequately supplied and affordable but the majority of respondents also think that there is a shift of customer preferences from the products of BGI Ethiopia to other similar products and BGI Ethiopia is not achieving a sustainable competitive advantage. In addition majority of the respondents replied that BGI Ethiopia's products have no good quality and competitive price when compared to other similar products.

Even though BGI Ethiopia's products are still competitive in the market, based on the responses that are given from the collected data we can see that BGI Ethiopia is facing the problem of losing its market share and competitiveness. The interviewees put the following reason as the reasons that lead the company thorough a hard time in its competitiveness

- Even though the products of BGI Ethiopia are available and affordable, the outlets preferred to be sole sellers of other products because there is no adequate distribution

of business supporting materials that is sponsored by the brewery companies like refrigerator, chairs, tables, tents, and coolers by the side of BGI Ethiopia.

- New entrants in the market like Heineken are providing high quality products with a low price
- The other companies are considering customers preferences in Ethiopia; especially the alcoholic contents of the products of BGI Ethiopia are not satisfying customer's needs.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

This study was aimed at analyzing the implication of supply chain management to competitiveness of BGI Ethiopia Plc. The specific objectives of the study include identifying the challenges BGI Ethiopia is facing in implementing a quality supply chain management, identifying the relation of SCM in with suppliers and customers, the relation of SCM with the company's growth and performance and assessing the relation of SCM with the company's competitive advantage. The study was conducted by using both primary and secondary data. The primary data for this study were collected through questionnaire and a one to one interview with section heads and the Supply Chain Manager. The study used 284 randomly selected subjects from employees, outlets and final consumers.

5.2 MAJOR FINDINGS

The research indicated that there is an application of Supply chain management in BGI Ethiopia. But when it comes to the implementation of the SCM, the findings show that BGI Ethiopia is not as such effective in implementing quality Supply Chain Management. Effectiveness of the company's implementation of SCM affected mainly because of foreign currency scarcity, suppliers issue, market maturation and bargaining power of suppliers and buyers.

The research seems to indicate that, application of the SCM in BGI Ethiopia has a positive relation on the company's performance and growth. But, as the results indicated, the performance of BGI Ethiopia is not as satisfactory as the other competitors in the market. Lower quality of products as compared to other similar products, slow response for market changes, unfair distribution of coolers, refrigerators, chairs ,table, tents and different promotional materials for the outlets, and price adjustment following competitor's adjustment as the reasons that BGI Ethiopia's low performance.

From examining the relationship of the company with its Supply Chain Networks it was found that the company gives attention to its supplier, but growing bargaining power of suppliers, shortage of foreign currency, shortage of supplies, late delivery of materials and unfair distribution of scarce raw materials is affecting the company's relationship with its

suppliers. In addition, BGI Ethiopia has a good relationship with its customers but as the questionnaire analysis indicated most of the respondents have a neutral opinion regarding the relationship of the company with them. This implies that customers are not aware or not confident that the company has a positive relationship with them. In general the SCM has a good relation with its supply chain networks. But, it's facing problems in relation with suppliers, storage places, poor infrastructure and lack of loyalty among suppliers and its distributors.

The results also show that BGI Ethiopia's products are quality and affordable. Even though the products of BGI Ethiopia are quality products and affordable, there is a high shift of consumer's preference to other similar products, especially to Heineken products. According to the data collected, this is mainly because of the exceeding quality of the competitor's products and their cost leadership.

According to the findings, applying SCM helped BGI Ethiopia for achieving a better competitive advantage. But most of the respondents in the questionnaire indicated that BGI Ethiopia is having troubles in achieving a sustainable competitive advantage.

5.3 CONCLUSION

The brewery industry in Ethiopia is becoming a very competitive environment where maximum efficiency and sustainable competitive advantage are critical for the success of a company. And, in the current business environment managing the supply chain is becoming an increasingly important practice to enhance competitiveness. From the findings above, we can conclude that the application of Supply Chain Management in BGI Ethiopia has a positive implication on competitiveness through competitive advantage .In addition, From the questionnaire analysis and data collected from the interview, we can conclude that even though BGI Ethiopia is applying Supply Chain Management, it's hard to say that the company is effective in implementing successful SCM.

From examining the relationship of the company with its supply chain networks, we can conclude that the company gives attention to its relationship with its sSCN but still needs to put more effort especially in its supplier relationship management. And, the company is not also working adequately to build awareness regarding its readiness to accept and respond for any comments and complaints from its customers.

Regarding the issue of quality and cost, from the findings we can conclude that, there is a high shift of consumer's preference to other similar products. This is because of the exceeding quality of the competitor's products and their cost leadership. In addition from consumers comment BGI Ethiopia products are not moderate interims of their alcoholic content.

By reviewing the results of this study, BGI Ethiopia is one of the most competent companies in the brewery industry of the country. Managing supply chain in such a tough business environment is most challenging for any company because of many internal and external factors. So, this study is valuable as it depicts ways in reaching competitiveness that leads to high profit, which is the primary objective of any business organization.

5.4 RECOMMENDATION

Even though, BGI Ethiopia is doing well in implementing SCM effectively, it has also deficiencies. Therefore, I recommend the following points based on the findings.

- People are the most important asset in any organization. No matter how educated and experienced employees are they need a continuous training for their improvement in some specific issues they are working around. Because Supply Chain Management is a relatively new and complex concept, the company should consider a continuous management and employees training to utilize their knowledge and performance around the area of SCM.
- According to the analysis most consumers are not aware that the company is accepting any comments or complaints, and some of them who think the company accepts comments and complains do not think that it is responding efficiently. So the SCM should look for mechanisms to enhance its final consumer's relationship by investing more time on searching for what changes are occurring in the customers preference and the opportunities and traits that are emerging in the market. Moreover, according to the data collected, the company is not providing materials like chairs, refrigerator, and coolers and tents etc. adequately and fairly for its outlets. The company should provide the benefits that its outlets expected to get the benefit out of them it needs. By using an improved customers relationship management techniques the SCM should control the fair distribution of assets for the outlets otherwise, there may be a shift of outlets to other company's products.

- Currently the company is not a price leader in the market. It is simply adjusting its prices based on the competitor stated prices. An effective supply chain management practice can deliver a significant level of production cost reduction. So the company should work hard to get the best out of SCM to reduce its costs and enjoy being the price leader in the market.
- Based on the response to the questionnaire. The company's products need improvement in terms of differentiation. It is therefore recommended that the company should work hard on innovation to come up with unique products so that it can differentiate itself from its competitors. Differentiation alone by itself is not enough if there is no aggressive promotion regarding the differentiated product. So, it is recommended that the company should promote aggressively anything that differentiates the products so it can attract customers.
- The study confined itself to BGI Ethiopia Plc, however the competition in the whole brewery industry is becoming intense and this necessitates for further study regarding the issue of supply chain management and competitiveness in the beer industry.

In general, BGI Ethiopia can improve its competitiveness by applying a quality supply chain management, and by evaluating and proactively implementing changes in response to the dynamic business environment. Because there are very strong global competitors in the market, there is a consequent increase in complexity of the brewery industry. So, the company should redesign and reconfigure its supply chain continually and consider the SCM as a core activity to enhance its competitiveness.

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DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Mathewos Ensermu (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

Name

Signature

ENDORSEMENT

This thesis, titled “Implication of Supply Chain Management in competitiveness a case in BGI Ethiopia Plc” has been submitted to St. Mary’s University, School of Graduates Studies for MBA program with my approval as a university advisor.

Mathewos Ensermu (PhD)

Advisor

Signature

St. Mary’s University

May, 2015

Addis Ababa

Appendix I
St. Mary's University
School of Graduate Studies
Questionnaire

Dear respondents:

The main objective of this questionnaire is to gather your opinion regarding the implication of supply chain management to competitiveness in **BGI Ethiopia**. The data and opinion gathered will be used for partial fulfilment of the requirement for Masters Degree in Business Administration (MBA).

Your faithful and quick response will make the research fruitful. The information you provide will be kept confidential. Thank you in advance for your collaboration.

Note:

- Please do not write your name
- For the questions tick the one you choose

PART I GENERAL QUESTIONS

1. Gender

- Male Female

2. Educational Background

- 12th Complete Diploma/Degree Masters
 Other, please specify _____

For Employees Only

3. Experience in the organization

- For less than a year 2-5 years above 5 Years

4. Position

- Managerial position Section Head Non managerial position

5. How long have you been working in your current position.

- Less than 1 year 1-3 years More than 3 years

PART II SPECIFIC QUESTIONS

Key:

SD- Strongly disagree

D-Disagree

N-Neutral

A-Agree

SA-Strongly Agree

	SD	D	N	A	SA
--	----	---	---	---	----

1	Supply chain management is applied in BGI Ethiopia.					
---	---	--	--	--	--	--

2	The company has been effective in implementing supply chain management.					
---	---	--	--	--	--	--

3	Supply chain management has a positive implication to the company's Performance.					
---	--	--	--	--	--	--

4	The supply chain Management has a significance impact on the company's growth.					
---	--	--	--	--	--	--

5. The relationship of the company with its Supply Chain Networks					
--	--	--	--	--	--

1	The SCM effectively link its operations with its suppliers.					
---	---	--	--	--	--	--

2	The SCM has a good relationship with its customers.					
---	---	--	--	--	--	--

3	The SCM effectively link its operations with its, distributors, wholesalers and retailers.					
---	--	--	--	--	--	--

4	the Supply Chain Management positively affects the capability of the company's outbound transportation and warehousing system					
---	---	--	--	--	--	--

6. The relationship of SCM with Competitive advantage of the company.					
--	--	--	--	--	--

1	Supply chain management reduces the cost of the company's products.					
---	---	--	--	--	--	--

2	Supply chain management positively affects the quality of the company's products					
---	--	--	--	--	--	--

3	Supply chain management helps the company's products to differentiate					
---	---	--	--	--	--	--

7. Competitiveness of the company in comparison with its competitors.						
1	There is preference of the products of BGI Ethiopia compared to other similar products.					
2	There is adequate supply of BGI Ethiopia's products in the market					
3	The company offer products with high quality compared to its competitors.					
4	The company offer products with low price compared to its competitors.					
5	The company achieve a sustainable competitive advantage compared to its competitors.					

8. Relationship of Supply Chain Management with its final consumers						
1	The Supply chain management respond rapidly, effectively, and efficiently to changes in the marketplace.					
2	The Supply chain management gives adequate attention to its customer's needs and comments.					
3	the Supply chain management consider customer complaints and carry out the necessary action					

THANK YOU!!!

Appendix II Personal Interview

Date: _____
Department: _____
Interviewee: _____
Position/Title: _____

1. Do you think the company is successful in implementing Supply Chain Management?
2. What are the major challenges that the company face in implementing a quality Supply Chain Management?
3. Do you think the application of the Supply chain management enhances the company's performance?
4. What are the major competitive advantages of the company?
5. What are the major challenges the company faces with its major suppliers?
6. Do you think the application of SCM has relationship with the company's growth?
7. How is the relationship of the SCM department with its supply chain networks?
8. What are the major challenges the company face with its supply chain networks?
9. What are the major challenges the SCM is facing to achieve competitiveness?
10. What are the challenges the company faces with its distributors and outlets?

