

**SUPPLY CHAIN CAPABILITIES AND FIRM PERFORMANCE OF EPZ  
AGRO-PROCESSING FIRMS IN NAIROBI METROPOLITAN REGION,  
KENYA**


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**A Thesis Submitted to Graduate School in Partial Fulfillment of the  
Requirement for the Award of Degree of Master of Science in Procurement  
and Logistics Management of Chuka University**

**DECLARATION AND RECOMMENDATIONS**

**Declaration**

This research thesis is my original work and has not been presented for an award of a diploma or conferment of degree in any institution.

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**Recommendations**

This thesis has been examined, passed, and submitted with my approval as the University supervisor.

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## **DEDICATION**

This thesis is dedicated to my father Sammy Mwangi Mwaura and my Mum Gladys Wambui Mwangi for their encouragement and full support during the study.

## **ACKNOWLEDGEMENT**

First and foremost, I thank the Almighty God for granting me good health, knowledge, wisdom and the gift of life, which have enabled me to complete this study. I extend my heartfelt appreciation to my supervisor, Dr. Henry Kimathi, for his tireless guidance, professional advice, patience and constructive criticism that motivated me to persevere to the very end. His creativity and encouragement have made a significant impact on this work. I am also grateful to the faculty members, particularly the staff in the Department of Management Science, for their valuable guidance and moral support throughout my academic journey. Special thanks go to my parents, Mr. Sammy Mwangi Mwaura and Mrs. Gladys Wambui Mwangi, my sisters, Monica Wanjugu Mwangi and Lilian Waithira Mwangi, and my brother, Ibrahim Kiragu Mwangi, for their unwavering support and encouragement during my studies. I would also like to express my deep gratitude to the members of the Kenya Assemblies of God for walking with me in prayer and encouragement while working on this research. Finally, I extend my sincere appreciation to my classmates and friends for their valuable input.

## ABSTRACT

Agro-processing firms in Kenya, particularly those operating within the Export Processing Zones (EPZs), are strategically positioned to drive economic transformation through industrialization and value addition. To achieve this role, firms rely heavily on diverse supply chain capabilities that support efficiency and competitiveness. However, the interplay of supply chain visibility, logistics management, relational capability and supplier diversification often presents a dilemma in sustaining and advancing their competitive position. The study therefore examined the relationship between supply chain capabilities and firm performance of EPZ Agro-Processing firms in Nairobi Metropolitan, Kenya. Specifically, the research focused on determining the effects of supply chain visibility, logistics management capability and relational capability on firm performance, as well as the moderating effect of supplier diversification on the relationship between supply chain capabilities and firm performance. The study was anchored on the Transaction Cost Theory, Theory of Constraints and Social Exchange Theory. A descriptive cross sectional research design was adopted. The target population comprised 31 EPZ Agro-Processing firms located in Nairobi Metropolitan, and a census approach was used. Piloting was conducted on three firms selected randomly in Rift Valley region to test the validity of the instrument. Reliability was confirmed through Cronbach's alpha coefficients. Data was collected using structured questionnaires with closed-ended questions measured on a five-point Likert scale. A total of 27 questionnaires were completed. Data analysis was conducted using the Statistical Package for Social Sciences (SPSS) Version 28, employing descriptive and inferential statistics, and hypothesis testing at a 5% significance level. Ordinary Least Squares (OLS) regression was used to test the direct relationships, while stepwise regression was applied to examine the moderating effect of supplier diversification. Descriptive statistics show that firms had relatively efficient supply chains which strengthen their competitive position. They were fairly effective in tracking goods in real time and maintaining better logistics practices through optimized delivery routes. The firms also sustained reasonably positive relationships with partners and had a fairly broad supplier base. In Inferential analysis, results show that supply chain visibility, logistics management and relational capability enhanced firm performance through efficiency, responsiveness and collaboration. Supplier diversification, however, did not significantly moderate these relationships, suggesting that firm performance is largely driven by supply chain capabilities rather than supplier base expansion. The study was limited by its cross-sectional design, which captured data at a single point in time and did not account for dynamic changes in supply chain capabilities and firm performance. The study recommends managers to strengthen visibility systems, invest in logistics infrastructure and foster long-term collaborative supplier relationships. Policymakers can amend and implement policies that support digital tracking technologies, logistics networks and collaborative platforms to enhance competitiveness in the EPZ Agroprocessing sector. For scholars, the study contributes empirical evidence and extends theoretical perspectives by linking supply chain capabilities to supplier diversification and firm performance in EPZ industry.

