

**EFFECT OF SUPPLY CHAIN MANAGEMENT PRACTICES ON
ORGANIZATIONAL PERFORMANCE OF THIRD PARTY LOGISTICS
FIRMS IN NAIROBI CITY COUNTY, KENYA**

ISHMAEL KINYUA MUTUA

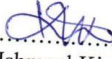
**A Thesis Submitted in Partial Fulfillment for the Degree of Master of Science in
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DECLARATION AND RECOMMENDATION


Declaration

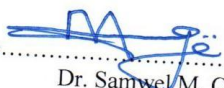
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Signature..... ..... Date 09/10/2024
Ishmael Kinyua Mutua
CM16/28946/16

Recommendation

This Thesis has been examined, passed and submitted with our approval as the University Supervisors.

Signature..... ..... Date 09/10/2024
Dr. Miriam Thogori
Chuka University

Signature..... ..... Date 09/10/2024
Dr. Samuel M. Chege, PhD
Chuka University



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DEDICATION

To my beloved father George Mutua Guachu, for instilling the virtues of hard work and commitment to excel in life, my sons Nigel and Nevan, for always supporting and giving me the courage to go on and to my entire family for their love and encouragement.

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ABSTRACT

Third party logistics industry in Kenya provides a vital link between manufacturing operations and end customers in order to provide excellent services and strategic value to customers and has become one of the most competitive areas of venture. Therefore, Third Party Logistics (3PL) firms are under constant pressure to expand and differentiate their services in order to remain competitive. However, despite having many differentiated services, clients still complain of delays due to poor service delivery, escalating overheads and delayed lead times. Some studies have partly associated this with supply chain inefficiencies. The general objective of this study was to determine the effect of SCM practices on organizational performance. The specific objectives of the study were to determine the effect of information sharing practices, supplier partnership, supplier sourcing practices and supply chain risk management practices on the organizational performance of 3PL firms in Nairobi City County. This study focused on 3PL firms because they provide a vital link between the manufacturing operations and end customers in order to provide excellent services and strategic value to customers. The research was premised on the Agency theory and Contractual theory. The study employed descriptive research design with a target population of 567 3PL firms from which a sample size of 235 was obtained. A total of 235 heads of logistics departments formed the sample size. Simple random sampling was adopted to select firms while data was collected using a questionnaire. Multiple linear regression analysis was used to examine the linkage between variables and t-statistic at a significance level of 5% was employed in testing hypothesis. The overall significance was tested using F-test. The results of the investigation were presented in form of tables and equations. The study established positive significant effect of information sharing practices (regression coefficient 0.157, P-value $0.000 < 0.05$) supplier partnership practices (regression coefficient 0.423, P-value $0.000 < 0.05$) and supplier sourcing practices (regression coefficient 0.422, P-value $0.000 < 0.05$) on organizational performance. Further supply chain risk management practices had a positive and significant effect on organizational performance (regression coefficient 0.450, P-value $0.000 < 0.05$). The study concluded that jointly information sharing practices, supplier partnership, supplier sourcing practices and supply chain risk management practices affected organizational performance of 3PL firms in Nairobi County. The study recommended that the 3PL firms should formulate policies to enhance frequent identification of potential risks in the supply chain and improve information sharing among partners and develop better sourcing strategies to enhance firm performance. This study will be useful for policy makers such as the ministry of transport who will get vital information and knowledge which will help in formulation of policies on supply chain management practice which can be effectively implemented in regulating third party logistics companies' operations.