

**IMPACT OF SUPPLY CHAIN MANAGEMENT PRACTICES ON THE
PERFORMANCE OF BANKS IN KENYA: A CASE OF POSTBANK**

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DECLARATION

This project is my own original work and has not been presented for award of a any degree in any other university or institution of higher learning.

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HD311-C002/2341/2013

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This research proposal has been submitted for examination with my approval as the Project Supervisor.

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DEDICATION

This project is dedicated first, to the Almighty God who gave me the physical and mental strength to undertake and accomplish this study. Secondly, I devote this project to my family members for the support they accorded me in the period of research. To them I owe this work.

ACKNOWLEDGEMENT

I would like to acknowledge the efforts of all those individuals whose contribution and assistance made the completion of this research proposal possible.

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I would like to absolve all individuals mentioned above for the errors of omission and/or commission or any interpretational error(s). For these, I remain solely responsible.

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DEFINITION OF TERMS

Information Communication Technology

Information and communications technology (ICT) is often used as an extended synonym for information technology (IT), but is a more specific term that stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information.

Globalization

Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. Advances in transportation and telecommunications infrastructure, including the rise of the telegraph and its posterity the Internet, are major factors in globalization, generating further interdependence of economic and cultural activities.

Organization

An organization is an entity, such as an institution or an association that has a collective goal and is linked to an external environment. There are a variety of legal types of organizations, including corporations, governments, non-governmental organizations, international organizations, armed forces, charities, not-for-profit corporations, partnerships, cooperatives, universities, and various types of political organizations.

Outsourcing

Outsourcing is the contracting out of a business process to a third-party. Outsourcing sometimes involves transferring employees and assets from one firm to another, but not always. Outsourcing is also used to describe the practice of handing over control of public services to for-profit corporations. It includes both foreign and domestic contracting, and sometimes includes offshoring or relocating a business function to another country. Financial savings from lower international labor rates is a big motivation for outsourcing.

Partnership

A partnership is an arrangement in which parties agree to cooperate to advance their mutual interests. Partnerships between individuals, businesses, interest-based organizations, schools, governments, and varied combinations thereof, have always been and remain commonplace. It is formed between two or more businesses in which partners pool their resources together to achieve and share profits and losses. Partnerships exist within, and across, sectors. Non-profit, religious, and political organizations may partner together to increase the likelihood of each achieving their mission and to amplify their reach.

Practices

This is a conventional, traditional, or otherwise standardized method employed to achieve the desired objective. SCM practices are a set of activities undertaken by organizations to ensure effective management performance of its supply chain. They not only promote organization's cutting advantage, but also enhance its performance.

ABSTRACT

Effective supply chain management (SCM) has become a potentially valuable way of securing competitive advantage and improving organizational performance as competition is no longer between organizations, but among supply chains. The purpose of this study was to examine the adoption of the Supply Chain Management practices on the performance of Banks in Kenya. This research conceptualizes and develops four dimensions of SCM practice (outsourcing of goods & services, information & communication technology, strategic supplier partnership, and globalization) and tests the relationships between SCM practices, and organizational performance. The study employed descriptive design. Data for the study was collected using a self-administered questionnaire procedure, where the questionnaires were administered to the selected respondents through drop and pick later technique. A sample size of 33 respondents was drawn from the sample frame using simple stratified random sampling technique to promote the needs for efficiency and representativeness from various branches and outlets of POSTBANK as an organization in Nairobi County and the relationships proposed in the framework was tested using Chi-square, T-test among other statistical tools. Data was analyzed by aid of Statistical Package for Social Sciences (SPSS). The study will be useful in the academic circles as it will contribute immensely towards filling the gaps in knowledge in the area of service industry. The study found that outsourcing was important to the banks only when the appropriate methods are employed. It also found that ICT had a major role in determining the performance of banks as it dictated the mode of transaction and data they displayed to clients. Strategic partnership was also important based on what it intended to achieve in enhancing the performance of banks. Lastly, globalization is equally vital as it increases competition and exposes local banks to global scene to experience how performance of banks can be improved. The study recommends that correct ICT methods should be applied to promote the

competitiveness of banks and improve performance. Also it recommends that outsourcing be done only if they promote the objectives and goals of the banking institute.

CHAPTER ONE

INTRODUCTION

1.0 Introduction.

Supply chain management are the most significant aspects of the success of the banking organizations because they are the engines that drive their operation towards successful achievement of their goals.

This study seeks to investigate the impacts of the supply chain practices on the operations of banking organizations.

1.1 Background of the study

Supply chain Management (SCM) entails managing a network of interconnected businesses involved in the ultimate provision of products and services or service packages required by the end users (Harland, 1996). Supply Chain Management practices are increasingly becoming an important feature in the attainment of competitive advantage in most service organizations in the global markets today. The number of competitors is increasing and expanding both locally and globally, organizations not only have to re-establish their operations to produce goods and services of increased quality which will greatly differentiate them from others and make them respond to the changing market dynamics through the efficient and effective management of the Supply Chain (Stock and Boyer, 2009) .

Supply Chain (SC) encompasses all activities associated with the flow of goods and services from raw Hmaterials stage to the final product usable by client and the supply chain management emphasizes on the integration of supply chain activities and information flows associated with them to achieve a competitive advantage of continuity and reliability (Zuckerman, 2004).

Many organizations aim at achieving survival, global leadership and to increase innovation; this will only be achieved by implementing a quality supply chain and continuous improvement of customer management through distinguished services (Ngugi, 2007)

Some supply chain management applications can be based on an open data models that support the sharing of both inside and outside the enterprise i.e. the extended enterprise which includes key suppliers, manufacturers and end customers of a specific company. Hadfield (1999) pointed out that, SCM joins all actions with a stream and changing of products from raw materials inward to the end user connecting the information streams.

Over the years the nature of supply chain management has changed to the extent that organizations no longer compete against companies on the basis of quality as it was practiced in the 90s (Faucette et al, 2007), however, the new source of business competition lies outside the walls of the firm, it is determined by how effectively these organizations link their operations with the supply chain partners. Being able to create effective business relationships with their customers, suppliers and other strategic partners anchored on long term commitment (Mattson, 2002).

The financial sector in Kenya has experienced rapid growth in the post-independence period making it one of the strongest financial markets in the region. The number of licensed commercial banks has risen from 9 in 1963 to 60 by the end of 2012. In addition to the commercial banks, Kenya's financial sector has got over 18 non-bank commercial institutions, 5 building societies and 4 mortgage financing companies. The Kenya's banking industry has continued to be dominated by two multinational banks which are; Barclays Bank and the Standard Chartered Bank, one of the Government controlled bank, and Kenya Commercial Bank (KCB) has also been dominating the market as a local Bank. The three top banks control over 50% of the total deposits in the country's banking sector (Ministry of finance, 2013). Kenya's financial sector has remained

fairly very liberal and competitive. Entry into the market by foreign investors has remained largely unrestricted. However to start a new bank, foreign investors were required to have Ksh.150 Million as the minimum core capital. The 1999 budget made large upward adjustments to this minimum core capital. The budget raised the figures to Ksh.500Million for banks and mortgage finances companies and Ksh.375Million for non-bank institutions and Ksh.150Million for building societies (Republic of Kenya, 1999 Budget).

In Kenya's financial sector, supply chain management performs various functions which include; receiving and processing of goods and services from user departments, coordinating the preparation of annual procurement plans as submitted by the respective departments, preparation of annual procurement plans as submitted by the respective departments, advertisement of tenders, preparation and processing of quotations, preparation of tender documents in consultation with the user departments, preparation of the letter of awards, notification and contract agreements as well as management of contracts, order follow up or processing of goods, delivering schedules to user departments, performance of market research and price survey on items and services required by the respective financial institution, maintenance of the updated supplier register and files for the purposes of performance rating and preparation of annual reports. Banking organizations procure various items within different categories of the requirements which include; stationery, printing services, cleaning materials, food stuff, consultancy services, legal services, clearing and forwarding services, security services, computer accessories, vehicles and machinery, insurance services, ticketing and travel services amongst others.

1.1.1 Kenya Post Office and Savings Bank.

Kenya Post Office and Savings Bank was established in 1910 as the first bank in Kenya to provide thrift and mobilize savings for the national Development through the provision of savings services to local and international citizens regardless of race, gender, color and or origin.

The 2010-2015 strategic plans is viewed as an instrument that gives and guides the organization in refocusing on its mandate through proper implementation of the necessary supply chain management practices. In line with the Procurement and Disposal Act of 2005, procurement and supply chain planning should be established in every public sector organization to increase efficiency and effectiveness of the SCM global objectives.

The organization therefore seeks to aim at satisfactorily achieving and delivering services and ensuring proper implementation of the SCM practices available to achieve its strategic plans. (Procurement Plan, 2010). The SC of the organization has achieved numerous challenges in the recent past due to the poor interpretation and the application of proper SCM practices (Karani, 2014). This study seeks to investigate the impact of SCM practices on banking organizations in Kenya with specific focus on PostBank because it is the oldest and first bank to be established in Kenya in 1910.

1.2 Statement of the Problem

Many researches on supply chain management have been done both locally and internationally and majorly processing and manufacturing sectors. Studies by Blowfield & Dolan (2010), Apopa (2012), (Roath, 2012) and Kasomi (2012) have found varied impacts of SCM on organizational performance. Some of the findings includes, but not limited to; enhanced performance

measurement, improvement and management organizational processes. However, the supply chain management within the banking sector has not been well covered.

Effective supply chain management practices in organizations require total understanding of the day to day transactions to collaborate trade chain and the practices enabling SCM facilities and direct organizational performance. This has not been the case in the banking industry especially in Kenya in the recent past. In modern banking sectors, SCM is an important business integration technique which creates a strategic advantage for the organization (Sahan and Mohan, 2011).

Poor accountability in the internal audit of many organizations in the banking sector, have hampered the essential standards of SCM services that make organizations realize their goals and objectives (Woods, 2009). The core and critical challenge mostly experienced by various banks in Kenya include application of ineffective SCM practices and procedures. Poor integration of Information and Communication Technology (ICT) among others. Richard, (2008) observed that with the increased globalization and internationalization of firms, Banks within technologically efficient countries have entered the market hence making competition levels at its peak. As such, Kenyan Banking organizations should adopt the best SCM practices identified in this study i.e. Globalization, implementation of ICT, outsourcing and strategic partnership with key investors.

Several studies have focused on SCM practices but most have failed in their quest to provide enough information on the best practices and their effects on performance of banking organizations. As Richard (2008) states, no emphasis has been made by banks in the sector in managing and creating efficiency in SCM. This justifies the existence of SC flaws and problems in the banking sector in Kenya inhibiting the achievement of a competitive advantages and the set goals. It is against this backdrop that the study thus strove to bridge the gap between SCM practices

and organizational performance by evaluating the relationship between the SCM variables and the Kenyan banking organization performance.

1.3 General Objective

To examine the impacts of supply chain management practices on the performance of banks in Kenya.

1.3.1 Specific Objectives

- i. To determine the effect of Outsourcing of services and goods to the performance of banks.
- ii. To examine the role of ICT in the SCM in the banks.
- iii. To establish the extent of strategic partnership in the banking sector.
- iv. To assess the extent of globalization of Supply Chain Management on the performance of banks.

1.4 Research Questions

- i. What effects does outsourcing of goods and services have on the performance of banks?
- ii. What is the role of ICT in the SCM in banking sector?
- iii. What is the extent of strategic partnership in the banking sector?
- iv. What is the extent of global supply chain management affect banks performance?

1.5 Justification and Significance of the Study

The study was on the impacts of the SCM practices on the performance of organizations in the Banking sector. This was premised on the realization that, supply chain is very important to the banking sector even with the little attention it is given by the players in the industry. As such, it transforms into an obstacle on performance of these organizations. Again the issue of applying

SCM practices in the banking sector is a fairly new phenomenon in Kenya; hence there is need for extensive research to unravel the various underlying dynamics of the research topic so as to be applied to increase their performance.

The rationale of the study was enabled by the need to generate new strategies and comprehensive approaches to be used by banking organizations to help them manage their Supply Chain. The study will thus seek to provide details of strategies applicable by the banks such as POSTBANK when streamlining their Supply Chain systems. This is premised on the fact that the bank lacks measures in place to strengthen the execution of SCM practices that enhance competitive advantage and organization performance. Since the bank has a higher concentration of its outlets and branches as well as its headquarters based in Nairobi city, there was therefore a justification to conduct the study of this magnitude in Nairobi County.

The findings of this study would be valuable to diverse segments of the people. The banks in Kenya would benefit from the findings of this study as they would have the knowledge of the SCM practices that enhance the performance of organizations.

Other stakeholders such as the Government would benefit from the findings of this study by getting to understand the best SCM practices and procedures that promote efficient internal audit and performance of organization. Consequently, it can accelerate the banks with resources that would aid in putting measures that will strengthen the execution of the SCM practices helpful and geared towards realizing the economic pillar of the Vision 2030. Academic institutions will use the findings of this study as a basis for further research in SCM practices. As expected, this study will open floodgates of more academic researches on the role of SCM and related topics in Kenya and the world at large thus, contribute to filling the knowledge gaps in the discipline.

Lastly, this study is important in identifying significant policy cracks as a foundation for advising the policy makers, other stakeholders on appropriate SCM policy practices, procedures and interventions that need to enhance organizational performance in the service industry.

1.6 Scope of the Study.

The study sought to examine the impacts of the adoption of SCM practices on the performance of banking organizations in Kenya within Nairobi County. This was informed by the fact that POSTBANK has its head office in Nairobi and most of its outlets and branches are also with Nairobi County. The study was conducted between January 2014 and January 2015.

1.7 Limitation of the Study.

This study was limited to examining the effects of adoption of the SCM practices on the performance of Banks in Kenya, with a special emphasis on outlets and branches of POSTBANK in Nairobi County. For more conclusive results, more outlets and branches across the country would suffice. Nevertheless, this will not be possible due to the following limitations:

The sample population selected for this study will be limited to POSTBANK outlets and branches, in Nairobi County; thus, the ability to generate confidential data from each of the respondents without encountering challenges was difficult. However, the study upheld participant's right to confidentiality and privacy in line with divulging information during the data collection.

The study strove to follow informed consent rules of research that allows for the respondents to voluntarily participate in the research. Nonetheless, the research was limited to the fear of the respondents to give information during the data collection process.

The study endeavoured to equitably sample participants randomly to allow for equal opportunity of representation and participation in the proposed study. However, it was limited to lack of

cooperation on some participants of the study during the collection of data. This might be due to ignorance, hostility, language barrier and other forms of hurdles that may hinder data collection.

The research was limited to time, resources and logistical constraints due to the expansiveness of the County and how far spread from one another the banks are. However, this was overcome by use of the research sample and use of drop and pick later questionnaires to the respondents.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of studies that have been done in the past on the effects of the Supply Chain Management (SCM) on the performance of banking organizations in Kenya. According to Mugenda and Mugenda, (2003) literature review involves locating, reading and evaluating the reports of previous studies, observations and opinions related to a planned study. It therefore leads to appreciating and understanding the research that has already been done in ones area of interest.

The specific areas covered include the theoretical review, conceptual framework and critique on existing literature, research gaps and summary.

2.2 Theoretical Framework

A theoretical framework can be defined as a collection of interrelated ideas based on theories. It is a reasoned set of prepositions which are derived and supported by data or evidence. This section provided the theoretical framework, and two key theories will be included in this study, namely systems theory and strategic choice theory (Mugenda and Mugenda, 2011).

2.2.1 The theory of Constraints

Theory of constraints is an approach to the management of operations and it was developed by Goldratt in 1984. It provides a management theory of how organizations should be run. The concept was extended to theory of constraints (TOC) with a publication in 1999 which views any manageable system as being limited in achieving more of its objectives by a very small number of constraints. There is always one constraint and the TOC uses a focusing process to identify the constraint and restructure the organization around it (Cox and Goldratt, 1986)

TOC emphasizes on the optimization of performance within a defined set of constraints of the existing process and it provides an action framework which combines the activities of the managers and the visible system elements.

This theory incorporates the idea that the goal or mission of an organization exists, and organizations can be measured and controlled by variations on three measures throughput, operational expense and inventory. Throughput is the rate at which the system generates money through sales, inventory is all the money that the system has invested in purchasing things it intends to sell. Operational expense is all the money a system spends in order to draw the the inventory into throughput.

In the context of this study one of the variables of Outsourcing will show the linkage to one of the measures operational expense used to measure the performances of organizations in the Banking sector.

2.2.2 Strategic choice theory

Strategic choice theory considers the interaction between organizational actions and events (De Rond & Thietart, 2007). The integrative approach of strategic choice theory is of importance and beneficial for strategic management, for instance, by stressing cross-functional cooperation in organizations (Jemison, 1981). Theories enhance research and practice as they help make sense of complex and dynamic environments (Chicksand & Johnston, 2012). Strategic choice theory depicts the relationship between top management's choices and firm performance and the overall interaction between environment and organizations. It is developed to underline the inadequacy of deterministic organizational views and stress the importance of managerial choice (Child, 1972), views organizations to be partially influenced by environments and primarily affected by top management choices (Miles et al., 1978). Despite the opposing views to deterministic management theories, Campling and Michelson, 1998, established the strategic choice resource dependence

model to further underline the interdependence of environment and organizations in regards of strategic choices, actions and overall firm performance. As stated before, strategic choice theory is characterized by an integrative view and thus also underlines the view of businesses as adaptive organizations, which learn over time; thereby, their strategic choices lead to actions directed by top management (Child, 1997)

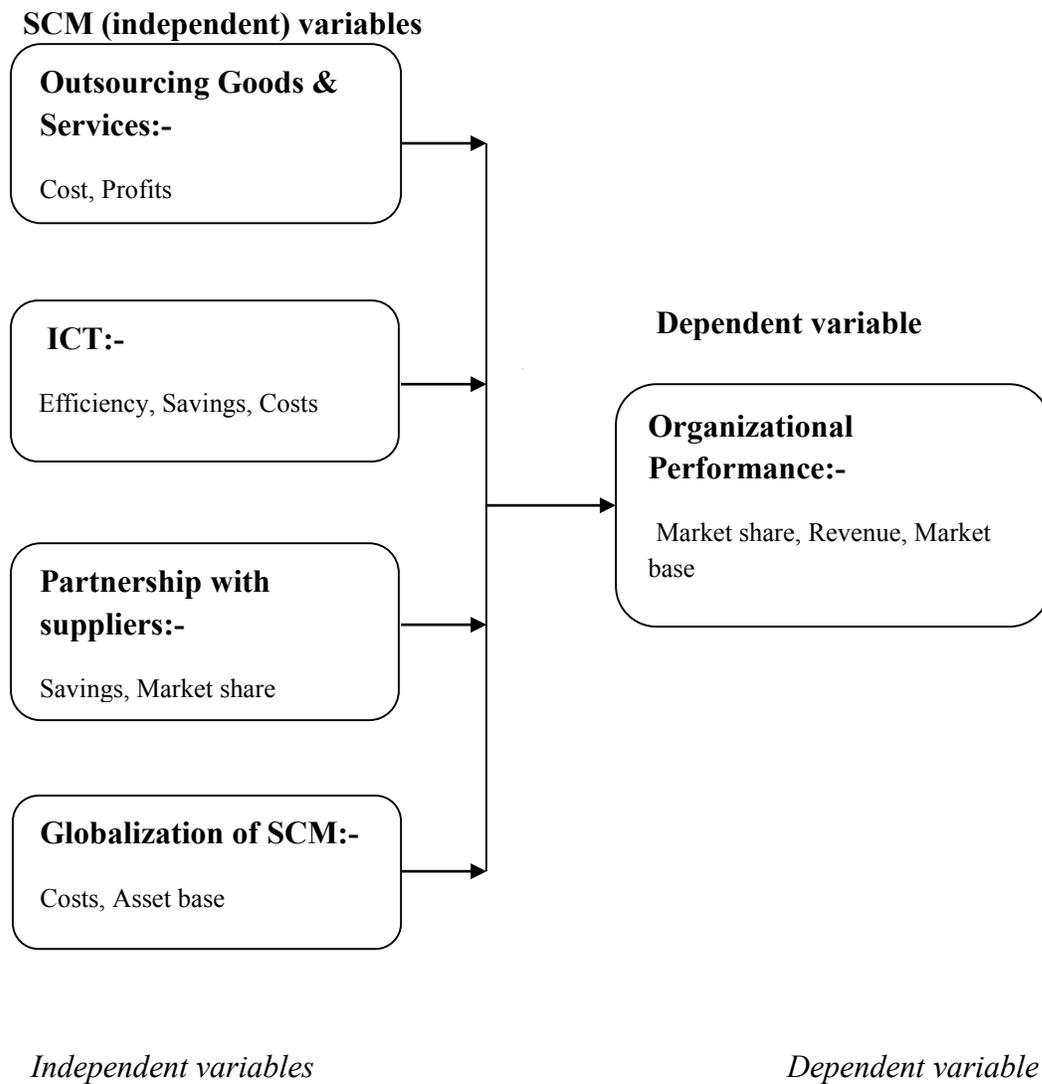
The strategic type of organizations, Analyzer, Defender or Prospector thereby influences how managers and organizations organize and operate in purchasing; according to strategic choice theory prospectors would strive to be proactive, innovative (Nollet et al., 2005) and produce internally or even change their product portfolio, whereas defenders would rather source the item from an established supplier in order to ensure efficient production and establish a stable product portfolio (Shook et al., 2009). In the make or buy decision top management should balance dependence versus value to achieve organizational goals. Regarding decision point 2, the sourcing strategies, strategic choice theory advises to minimize dependence in order to ensure the high freedom of choice for the dominant coalition. Then decision point 3, supplier strategies, can consider whether to collaborate or rather exploit suppliers.

In the context of this study, some of the variables i.e. Strategic Partnerships with Suppliers, globalization and adoption of ICT are strategic and it focuses on involving the top management critical decision to make these strategic decisions to invest on these practices to improve the performance of their organizations and achieve a competitive advantage.

2.3 Conceptual Framework

Conceptual framework below indicates the relationship between the variables postulated in this study.

Figure 1; Conceptual framework



Source: (Author 2014)

2.3.1 Outsourcing

According to Fynes and Foss, (2005), outsourcing is the sub-hiring of activities, services or product parts that are not core to the company business, usually aiming at cost reduction, quality improvement and delivery struggle especially if both organizations in supply relationship brings to an end the existing relationships.

Lysons and Gillingham (2003), states that outsourcing is the strategic use of resources to perform activities traditionally handled by internal staff and their resources. It is a management strategy by which an organization outsources major non-core functions to specialized and efficient service providers to help the organizations perform best where it is best capable. The main focus to this SCM practice in many organizations is that the company will increasingly focus on the activities which are in the value chain addition where it has a distinctive advantage. This movement has been evident particularly in the banks where the provisions of transport, warehousing and inventory control in the supply chain have been increasingly subcontracted to a specialist and experts in that field. To manage and control this network of partners and suppliers a blend of both central and local involvement is required, thus strategic decisions need to be taken centrally with the monitoring and control of suppliers performance and day to day liaison with these partners being managed well.

Susan, (2011) observed that firms in each level of the supply chain Outsourcing relationships will generate profits be squeezing margins of the firm to the tier. The path may become a recipe for stagnation of many firms in this relationship. The SCM practice has been applied in many organizations and thus it has become increasingly important over the last decade, outsourcing is a major part of business strategy practices that drives an organization to a greater success. The empirical challenge of outsourcing to many organizations is the failure to incorporate all the many

assumed extreme costs hence making close to 80% of companies practicing outsourcing fail. According to Fynes and foss, (2005), outsourcing depends on the trust firms have in an outsourcing strategy over each other. This happens when companies believe that they both will perform actions that will result in positive benefits for the development, increase of communication is considered to be a part of trust concerning the integrity, and support between both parties will increase.

Many of the studies of outsourcing have focused primarily on the motives for outsourcing. Pagnocelli (1994) has explored the main reasons for the outsourcing, such as changing one business function to make it more "centralized" in pursuit of improved efficiency (Pagnocelli, 1994). Bailey, et. al., (2002) researched the outsourcing in Edinburgh and Lothians and suggested that improving the quality of service, focusing on the core business functions, reducing operation costs and accessing advanced technology and management experience were some of the major motivations for outsourcing. Relatively speaking, the motivations such as sharing risks and forming strategic alliance were not as important as the former. What's more, outsourcing also helps the firms to gain professional technical capacities from the suppliers during the process of corporation, and it is particularly useful in the field of Information Technology (Quinn, 1999; Marshall et al, 2007). Cost reduction is usually viewed as the internal motivation for outsourcing (Smith et al. 1998), which means that using the external resources to provide the same level of services at a lower price than operating it inside (Weaver,1998) analyzed the financial characteristics of firms with outsourcing, and clearly categorized some motivations: to reduce costs; to concentrate attention on core business functions; to meet the demands for the realization of assets and; to obtain the external capacity.

Manzi (2004), states that the most common economic factor that influences the decision is the need to reduce costs. Where the benefits analysis has been carried out and has been established

that it is most economical to outsource rather than continue to operate a given function looks forward to making profits in business. Kulumba, (2005), states that, outsourcing is a popular phenomenon with managers because they believe that outsourcing vendors are inherently more efficient due to economies of scale. The outsourcing organization benefits from getting the services from the provider at a reduced cost since it are provided on a large scale and usually for a reasonable time if it is good work.

Belcourt, (2006), suggested that outsourcing is promoted as one of the most powerful trends in modern management. The rationale for outsourcing some functions and/or processes includes substantial financial economies, increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels. Outsourcing differs from alliances, partnerships or joint ventures in that the flow of resources is one-way, from the vendor to the outsourcer; typically, profit sharing or mutual contribution are not a common practice.

Farrington, (2006), also shows how important competence is, it is the core activities of the company that tell or manifest the performance of the organization. These activities need much more time so as to come out at their best and give the company competitive advantage over others. This can be achieved through outsourcing non-core activities and concentrate on its core competence.

2.3.2 Information and Communication Technology.

Information and Communication Technology involves the designing, developing, implementing, supporting or management of computer based information systems particularly software applications and computer hardware encompassing the information systems. It's the capability to electrically input, process, store, output, transport and receive data and information including text, graphs, sound, video as well as the ability to control machines of all kinds electronically (Shelly, 2009). The implementation of IT to enhance the management of SC is no longer something new. The implementation of IT technologies such as Electronic Data Interchange (EDI) has evolved to the current web technologies such as Business to Business technologies and collaborative commerce technologies (Chong and Ooi, 2008). The implementation of IT in the SC has been shown to have numerous impacts on the performance of organizations. Mabert, (2001) found the Enterprise Resource Planning (ERP) systems are able to provide a competitive advantage for the organizations that implement it. Advantages of ERP implementation include improving the decision making process via accurate information, improving planning and control of operations for the organization as well as indirectly increasing customer satisfaction. With ICT technologies companies are able to reduce issues with cost and system compatibility and are able to integrate their backend systems to have seamless SC processes. Petrovic (2007) in their study of SCM practices and organizational performances in an Australian Service industry found that IT technologies have now moved towards wireless and with technologies such as Radio Frequency Identification (RFID), 3rd generation Wi-Fi communications. These technologies have enabled the management of SC through wireless and mobile technologies. On the other hand many studies have also shown that IT implementation in SC has often been associated failures as well. Beheshti, (2004), stated that there is a high failure rates in many IT implementations and the failure might sometimes result in organizations facing bankruptcy.

According to the European Commission (2009), the importance of ICT has been in technology itself than in the ability to create greater access to information technology in the underserved populations. In the development of and the maintenance of SCM Information systems both the software and the hardware must be addressed, hardware includes computers output/input and storage modes, the software includes the entire system and the application programs used for processing transactions management control, decision making and strategic planning.

Lack of ICT application in SCM of many service organizations affects the effective execution of the SC functions and thus leads to poor interchange of information between the suppliers and other external partners hence affecting the general performance of the organization. New first software programmed for the service sector banking industry was developed by the Ross Systems Incorporation, it was called SC Planning, it was used for demand forecasting and its replenishment for accurate planning and scheduling of activities (Waystar, 2009). E-commerce is a term used to describe the wide range of tools, techniques used to conduct business in a paperless environment. It includes Electronic Fund Transfer and Electronic data interchange capabilities. Data base warehouse is also a consolidated data base maintenance tool. Most organizations have multiple databases. In banking situation database is maintained within a specific business process, data held in a data warehouse are time dependent, historical and aggregated. Many companies in the banking sector view ERP systems as a core IT infrastructures, it has a simple data model and in developing a common independent of what the shared data represent and also developed a rules and regulations of accessing the data (Kracker, 2001)

2.3.3 Strategic Partnerships.

Strategic SC Partnerships is a collaborative coalition of two or more firms in a market to facilitate joint efforts collaborations in one or more core value creating activities which include research,

product development, marketing, sales and distribution. The objective of SC partnership is to reduce costs of acquisition, possession and disposal of goods and services (Maheshwari, 2006).

It is important that all existing and potential partners have a shared vision and purpose, as these shared aims unite members in achieving common goals (Boydell, 2007). When vision and purpose are mutual, the organizations involved in partnering experience an increase in organizational capacity and therefore possess a competitive advantage. As a result, organizations increasingly rely on strategic alliances in various forms to stay ahead in today's global and local economy.

(Boydell, 2007) explains that partnering relies on the development of relationships between the parties involved and that partners not only need to connect with one another, but also begin to connect one another to networks outside the partnership. These contacts are invaluable, as they inform and connect partners with other industry leads, which enable them to function more effectively within the partnership. In the same way, partnerships provide access to complementary expertise and the support and capacity to further organizational strength (Cassidy & Paksima, 2007). Another benefit to partnering is the creation of innovative approaches to problem-solving and the opportunity for reevaluating institutional operations and practices.

Tan, (2000) pointed out that partnerships have several advantages which include, having the latest technologies and market information access, increasing the ability to provide wider range of product and services to customers, reaching to economies of scale with the joint production and research activities, risks sharing, increased knowledge assessment outside the organization boundaries.

Ellan and Cooper (1998), also stated that through partnership, organizations can collaborate and share risks and rewards in order to achieve SCM benefits, hence a long term trustworthy

partnership with parties e.g. Suppliers is necessary. Partnership is able to reduce costs and is now an increasing management tool used to reverse negative effects of adversarial relationships. In order for firms to achieve financial growth and objectives, firms need to integrate with the SC partners (Abdul Aziz, 2001)

According to Stuart (1997), strategic partnership is designed to influence the strategic and operational capabilities of an individual partnership participating organization to help them achieve certain significant strategic goals and objectives of the entity.

Supply partnership with suppliers enables organization to work more efficiently and effectively with few important suppliers who are willing to share responsibility for the success of the products. Strategic partnership has been reported to yield specific benefits, Maylee and Veeke, (2006) said that SC partnership impacts significantly on the performance of an organizational SC performance and it also acts as a tool making the organization achieve a competitive advantage over other organizations.

SC Partnership is one of the most popular hybrid organizational terms. It has been adopted by firms to manage inter-organizational collaboration in the SC. It provides both large and small firms with numerous opportunities to improve their conduct of business such as wider diffusion of the products without costly physical presence in the market risk and reward sharing, resource pooling, reduction in coordination and transaction costs, ability to concentrate on core competency and rapid response to the market need.

Kamuff et al, (1998), emphasizes that the departments and functions and many other activities in an organization will have the opportunity to reduce costs. Woods, (2001), found out that partnering carries the potential for meaningful benefits to be gained for the organization. It is designed to

leverage the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits. A strategic partnership emphasizes direct, long-term association and encourages mutual planning and problem solving efforts. Such strategic partnerships are entered into to promote shared benefits among the parties and ongoing participation in one or more key strategic areas such as technology, products, and markets. Strategic partnerships with suppliers enable organizations to work more effectively with a few important suppliers who are willing to share responsibility for the success of the products. Suppliers participating early in the product-design process can offer more cost-effective design choices, help select the best components and technologies, and help in design assessment. Strategically aligned organizations can work closely together and eliminate wasteful time and effort. An effective supplier partnership can be a critical component of a leading edge supply chain.

2.3.4 Globalization

Globalization is defined as the process of increasing social and cultural inter-connectedness, political interdependence, and economic, financial and market integrations (Eden & Lenway, 2001). Globalization of the SC operations has been the latest practice with most organizations; this is because the world is smaller and smaller and thus organizations of all kinds must engage themselves in the economic and business environmental changes. Most organizations venturing into Globalization because of the favorable exchange rates, low cost of resources and cheap labor which is available worldwide. According to Helper (2011) globalization of supply chains usually comes with a plethora of countries coming together, this vehemently comes with other difficulties that need to be dealt with accordingly.

In the past two decades, the world has gone through the process of globalization, one that causes increasing economic, financial, social, cultural, political, market, and environmental

interdependence among nations. Business, as well, is inevitably affected by this process of change towards more interdependence. Many forms of organizational restructuring (such as downsizing, reengineering, implementation of cooperative strategies) have been witnessed as responses to globalization (Jones, 2002).

According to Harvey and Novicevic (2002), various factors that drive increasing globalization can be grouped under four broad categories: 1) Macro-economic factors, 2) political factors, 3) technological factors, and 4) organizational factors. Macro-economic factors include, for example, an acceleration of technology transfer among countries; other factors refer to privatization, deregulation and trade liberalization of many nations in favor of free flows of trade and investments (Eden & Lenway, 2001). Technological forces such as advance development in communication and transportation technologies, which promote growth in international business transactions, are also key drivers of rapid globalization (Knight, 2000). Shifting organizational strategic attention towards a more global mindset is an example of organizational forces of globalization. Consequently, these forces have inevitably caused changes in the global marketplace. Such changes can be viewed as effects of globalization, which ultimately have impact on firms.

Globalization also comes with enormous challenges such as liberalization of markets, intense competition, decline of domestic job opportunities and revenues, economic volatility of the integrated markets, cyclical crises, and non-tariff barriers to trade, spread of pandemics, and new security issues. Many actors, especially in the least developed countries (LDCs) may not have the capabilities to handle challenges (Spiegel, 2007) which globalization brings with it. And above all, one major challenge will be the ability of poorer countries and the firms in them, for example, to deal with the fact that there are no leveled playing grounds.

2.4 Empirical review of Literature

Supply Chain Management is regarded as one of the most influential development in business management and it has gained significance for improving organizational performance (Lampert and Cooper, 2000). In practice supply chain management is regarded as a successful business concept and a good practice to link all stakeholders and ensure cost effective and timely movement of materials and information from inception of a product or service to its final consumption (Giannakis and Groom, 2004)

Academicians and practitioners agree that SCM practices can have a great positive impact on the firm's performance (Shin, 2000). It has been claimed that with product life cycles shortening and technologies becoming increasingly imitable effective SC can be a big source of competitive advantage for firms, where competitive advantage may be sought from practices which include outsourcing and supplier collaborations (Lysons and Farrington, 2006)

SCM practices are a set of activities undertaken by organizations to ensure effective management performance of its supply chain. Donlon, 2007 describes the latest evolution of SCM practices which include; partnership, outsourcing, information technology flow and the globalization of SC activities. Tan et al identified six aspects of SCM practices through factor analysis; SC integration, information sharing, customer focus and use of Just in Time (JIT) capabilities. Min and Mentzer identified the concept of SC as including the mission and vision, information sharing, risk and award sharing, cooperation, process integration and long term relationship and agreed supply chain leadership. Thus the above literature portrays SCM practices from different perspectives with a common goal of improving organizational performances.

One of deficiencies of existing research in SCM is Inconsistency in understanding sustainability. Carter and Rogers (2008) have demonstrated the inconsistency of defining sustainability in vast scope of organizational, operational and supply chain management literature. According to their findings, substantial body of SCM literature is restricted to specific environmental issues as green product development, logistics, waste treatment, human rights etc. and therefore provides narrow perspective on what SCM represents. Different environmental issues are addressed “in a standalone fashion, without consideration of the potential interrelationships” between environmental, social and economic issues (Carter and Rogers 2008). Seuring and Muller (2008) have also highlighted that research in SCM “is still dominated by green/environmental issues”, with “a clear deficit in supply chain management and purchasing literature on the amalgamation of all three dimensions of sustainable development”. Social issues and sustainability as integration of economic, environmental and social concerns are still rarely addressed. Interestingly, integration of three aspects of sustainability in academic literature has generally occurred since 2002 (Seuring and Muller 2008).

Practices of SCM will not only make an impact on the overall performance of the organization, but also on the competitive advantage of the organization. These practices are supposed to improve the organization’s competitive advantage using the price/cost, the quality, the delivery dependability, the time to market, and product innovation. Prior studies had identified that some of the components of SCM practices i.e. Strategic partnership with the supplier have a major impact on various forms of competitive advantage (i.e. price/cost). For example, the strategic partnership with the supplier will help in improving the supplier performance, and will help to reduce the time to the market (Ragatz, Handfield, & Scannell, 1997) and will also results in the responsiveness and satisfaction of the customer (Power, Sohal, & Rahman, 2001). Information

technology sharing will help to high level of integration of supply chain (Jarrell, 1998) by making enable the organizations for the dependable delivery, also for introducing new product in market quickly. Sharing of information and the quality of information contributes positively towards the satisfaction of the customers (Spekman, Kamauff, & Myhr, 1998) and quality of partnership (Lee & Kim, 1999; Walton, 1996). Strategy for postponement not only helps to increase the flexibility in SCM but also help to balance the global efficiency and responsiveness to the customer (Van Hoek, 1999).

2.5 Research Gaps

The theoretical and the empirical literature gave a comparative and a theoretical review of the major activities that have been undertaken to address the effects of SCM practices on the performance of organizations in the Banking sector in Kenya. However, the explored past studies and the theoretical issues have not addressed the major SC practices and this indicates that both the empirical and the theoretical literature are of little assistance towards providing an effective solution to embracing an effective performance of SC in the banking sector.

Application of effective SCM practices that increase performances of banking organizations remain core critical issue that should be dealt with, this will provide appropriate recommendations on challenges facing the implementations of SCM practices. While the present assessment has contributed to the understanding of these practices, further analysis in some areas is required to ensure the capacity needs of SCM addressed adequately.

2.6 Summary of the Chapter

This chapter reviewed literature on the research study with the initial section exploring the theoretical review and associated theories such as the strategic choice theory and the theory of

constraints which that acknowledged that organizations can be measured and controlled by variations on three measures; throughput, operational expenses and the inventory. In the context of this study Outsourcing is one of the variables and it will show its linkage to one of the measures which is operational expense- used to measure the performance of organizations- in this study banking organizations. The other theory is the strategic choice theory of the firm, in this study's context the variables of ICT adoption, globalization and the entering into strategic partnerships, these aims to integrate the strategic management bold decisions in making and adapting to these costly practices in order to gain a competitive advantage- in this study in the banking sector. This chapter also explores the empirical review of various authors, who have done a research on the supply chain management practices and its application in organizations. The conceptual framework is also dealt with in this chapter and it identifies the variables which are various independent variables such as Outsourcing, ICT, Partnership and globalization of operations. The chapter also critiques the existing literature and identifies the research gap the study seeks to fulfill. The next chapter deals with the research methodology and its related features.

CHAPTER THREE:RESEARCH METHODOLOGY

3.0 Introduction

This chapter introduces the research design, the research population, sample size, sampling technique, instruments, data collection procedure, pilot testing and data analysis

3.1 Research design

The study adopted descriptive research design in order to provide a framework to examine the characteristics of the independent variables (Outsourcing, Information and Communication Technology, Partnership and globalization). This was appropriate to obtain information concerning the status of the phenomenon, to describe what the current situation is with respect to the variable of the study. Ghauri and Gronhaug (2005) asserts that in descriptive design the problem is structured and well understood a fact that Mugenda and Mugenda (2003) agrees that descriptive design is most preferred because it gives a report on things as they actually are. Thus this study used this design to get clear information from the respondents with much ease.

3.2 Target Population

Mugenda and Mugenda, (2003) defines the target population as the population the researcher studies, and whose findings are used to generalize the entire population. The target population for this study comprised of all the branches of POSTBANK within the Nairobi area. According to Post bank financial statements (2013) there are 12 branches within the Nairobi region.

Table 3.2.1 Research population

Respondents	Population
Directors	4
Procurement Managers	12
Procurement Officers	34
Warehouse Officers	51
Total	101

Source: (Post bank Human Resource register)

3.3 Sample and sampling technique

This study will use stratified random sampling, to sample staff of POSBANK by cadre, because it enabled the generalization of a larger sample size of percentage of the total population. A sample size of 33 respondents will be drawn from the sample frame using simple stratified random sampling to promote the needs for efficiency and representativeness. This is justifiable by what Kothari (2004) stated that a representative sample could be 30% of target population

Table 3.2.2 Sample size

Respondents	Target population	Sample size
Directors	4	2
Procurement Managers	12	3
Procurement Officers	34	10
Warehouse officers	51	18
Total	101	33

3.4 Data Collection Instruments

The data collection instruments to be used will be questionnaire which will be designed using the variables identified as important for meeting the study objectives. A closed- ended and open - ended questionnaire will be administered to the respondents. The questionnaire will be used since it will be easy to administer and with data to be obtained will be easy to analyze, Mugenda and Mugenda (2003). Secondary data will also be used to collect data from existing sources in the organization.

3.5 Data collection procedure

The questionnaire will be administered using a drop and pick later method. The respondents in the questionnaire will be 33 employees. The primary source of data collection method to be used in the study included use of questionnaire that will be used to source for crucial information. The questionnaire is both open and closed ended questions in order to enable effective data collection filled in the questionnaire.

3.6 Pilot testing of the research instrument

Pre-testing of the instrument is undertaken prior to the main study on a group of respondents. Mugenda and Mugenda (2003) proposed that a sample size from the range of 1- 10% of the sample frame is an appropriate frame to engage in a pilot test. The sample size population for this study is 33 respondents, hence 3 respondents from the sample size was sufficient for the purpose of pilot testing to ascertain the suitability, appropriateness and clarity of the questionnaire items in addressing the variables under investigation and at the same time determine the reliability of the instrument. The selected respondents for the pilot test were not again used in the main study

3.7 Reliability and Validity of the Study

Mugenda and Mugenda (2003) asserts that, the accuracy of data to be collected largely depend on the data collection instruments in terms of validity and reliability. Validity will be achieved by having objective questions included in the questionnaire. This will be achieved by pre-testing the instrument to be used to identify and change any ambiguous, awkward or offensive questions and technique. Reliability, on the other hand, refers to a measure of the degree to which research instruments yield consistent results (Mugenda and Mugenda, 2003). In this study, reliability analysis using Cronbach Alpha to show how best the variables are best suited for the questionnaire was done.

3.8 Data analysis and presentations

Sekaram, (2003) asserts that there are three objectives in data analysis; getting a feel for the data, testing the goodness of the data, and answering the research question, establishing the goodness of data lends credibility to all subsequent analysis and findings because it measures the reliability and the validity of the measures to be used in the study. The study thus, used descriptive statistics and will integrate both qualitative and quantitative techniques in the data analysis. By the use of

pie charts and graphs or tables, the data will be presented diagrammatically. This is after the data was analyzed using SPSS. This type of presentation will be efficient in that it was easy to depict data more accurately.

CHAPTER FOUR: DATA ANALYSIS, RESEARCH FINDINGS AND DISCUSSION

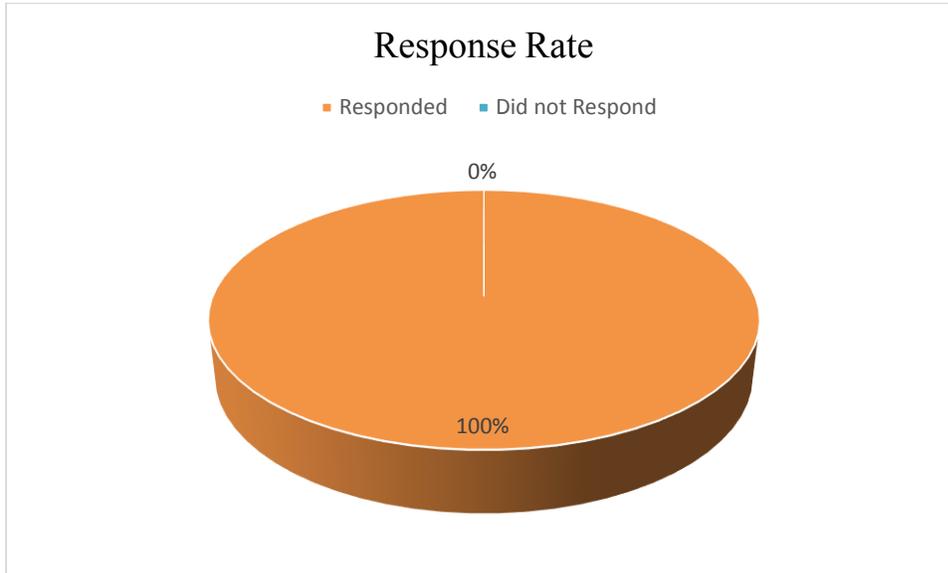
4.0 Introduction

This chapter presents the study findings on factors influencing implementation of competitive strategies in the insurance industry in Kenya. The main objective of the study was to analyze the factors influencing implementation of competitive strategies in the insurance industry in Kenya. The study was guided by the following specific objectives:-. To determine the role of communication on competitive strategy implementation in the insurance industry in Kenya, To establish the extent to which organizational culture influence implementation of competitive strategies in the insurance industry in Kenya, To determine the role of organization resources allocation on the implementation of competitive strategy.

4.1 Response Rate

The questionnaires were given to a sample of 33 respondents from the PostBank branches in Nairobi in Kenya. All the 33 out of 33 questionnaires were received from the respondents. This indicates that this research had a response rate of about 100% thereby demonstrating a willingness of the respondents to participate in the study. This is shown in the figure 4.1 below

Figure 4.1 showing response rate of the participants



Source: Research data, (2015)

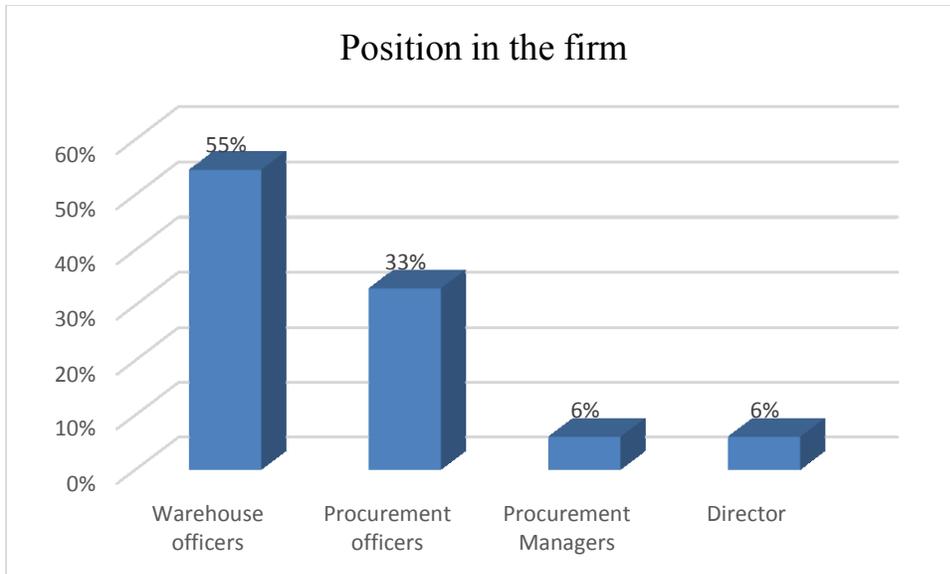
4.2 Biographical Information of the Respondents

4.2.1 Position of employees

Thirty three respondents took part in the study. The participants were all Postbank employees as per the day of undertaking the research and held different positions as below.

Figure 4.2.1 showing employees' position in the firm

Additionally, to further enhance and achieve the objectives of this study, the study kept under consideration other departments owned by the bank. These departments included warehouses among other sections in the bank and are dispersed throughout the country.



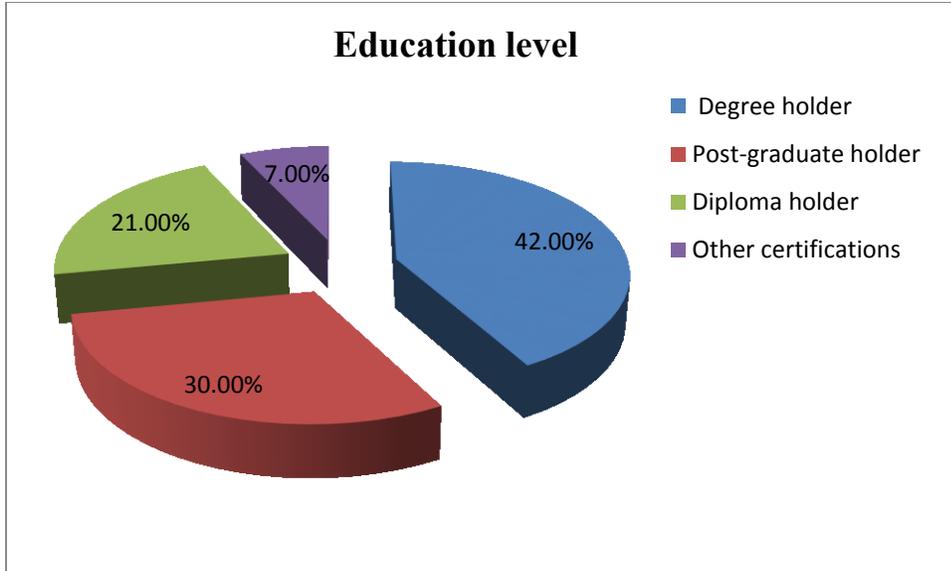
Source: Research data, (2015)

From the data above, the study indicated that 55% of the respondents were warehouse officers, 33% procurement officers, whereas 6% of the total respondents were managers in procurement. Directors also formed 6% of the total proportion of the respondents. This clearly showed that warehouse had the highest number of employees.

Figure 4.2.2 showing highest level of education of the employees

The study sought to find out the employees' highest level of education in the banking institution.

The respondents were selected using simple random sampling and the participants were from varied educational backgrounds as shown in the figure below.



Source: Research data, (2015)

The study revealed that 42% of the employees in PostBank were University graduates with various degrees. They closely followed by 30% of employees who had post-graduate degree, whilst 21% of the respondents had diploma certificates that qualified them to be employees of the bank. The remaining 7% had other education levels. This is an indicator to how the bank has a bigger pool of highly educated employees.

Table 4.1 showing work experience of the employees

The study sought to establish the work experience of the employees in the bank. This was then tabulated below.

Statistics

work experience

N	Valid	33
	Missing	0
Mean		2.42
Std. Error of Mean		.169
Median		2.00
Std. Deviation		.969
Variance		.939
Minimum		1
Maximum		4

Source: Research data, (2015)

The average working experience for the respondents was 2.42years. This was realized by the study by looking at the minimum and the maximum years that the employees have worked. The study realized that the maximum years worked by any employee is 4 years whereas the minimum worked was 1 year.

4.3 Effects of outsourcing on bank performance

The Findings of Pen and Littleton (2001) show that effective communication is a key requirement for effective strategy implementation. In this study outsourcing of goods and services was measured using indicators such as expertise and quality of services.

Table 4.2 showing outsourcing of goods and services

reasons to outsource					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	lack of expertise in the firm	15	45.5	45.5	45.5
	it was more effective	6	18.2	18.2	63.6
	improve quality of services	5	15.2	15.2	78.8
	strict timeline	5	15.2	15.2	93.9
	others	2	6.1	6.1	100.0
	Total	33	100.0	100.0	

Source: Research data, (2015)

According to the data presented, Post bank employees are of the opinion that the company's major reason for outsourcing is when they lack the right expertise in the company. 45.5% (15) respondents thought that the company outsources only when they lack the expertise 'in-house' 18.2% (6) were of the opinion that they outsourced when it was cost effective whilst 15.2% (5) were of the opinion that they outsourced either because they needed to improve quality of services or strict timelines.

Table 4.3 showing drawbacks of outsourcing

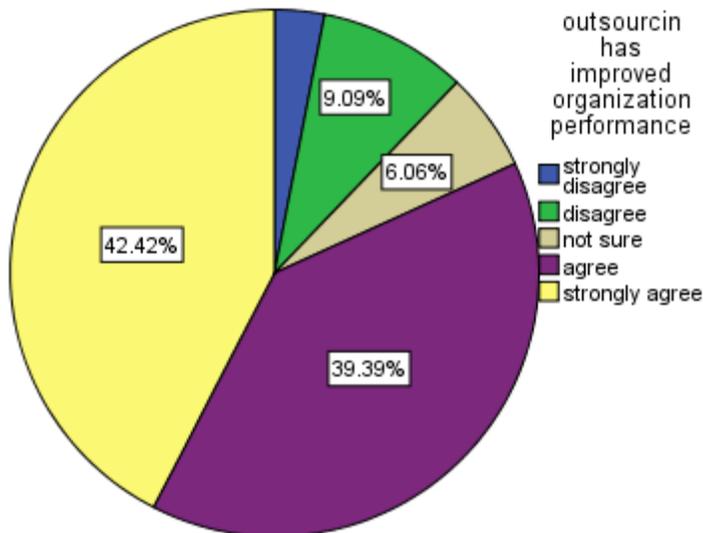
outsourcing is disadvantageous					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	strongly disagree	13	39.4	39.4	39.4
	disagree	13	39.4	39.4	78.8
	not sure	5	15.2	15.2	93.9
	agree	2	6.1	6.1	100.0
	Total	33	100.0	100.0	

Source: Research data, (2015)

However, only 78.8% thought outsourcing as disadvantageous whilst 21.9 were either not sure whether it was disadvantageous or either agreed with the statement that outsourcing was disadvantageous.

We further conducted a descriptive analysis test, to establish the effect outsourcing has had on organization performance. The results were as follows:

Figure 4.3.1 showing effects of outsourcing



Source: Research data, (2015)

Slightly 42.42% strongly agreed as they said that outsourcing has greatly improved organization performance. 39.39% of the respondents agreed that outsourcing has had great effect on organization performance while only 9.09% of the respondents saying they did not agree that outsourcing has in anyway affected organization performance. 6.06% of the respondents were indifferent to the fact that outsourcing improved organization performance. We therefore note that a majority of the respondents agreed that outsourcing has greatly positively affected performance.

4.4 ICT and its role in SCM

The distinctive competencies of any firm arises from two sources, that are its resources(man, machine, materials, land, state of art, methods) and capabilities. A differentiating competency a bility that allows banking institutions to achieve superior efficiency, quality, innovation or customer responsiveness through. ICT and thereby attain a competitive advantage (Nguyen, 2008). The primary objective of any firm is sustain competitive advantage by maintaining strong growth rate and high profitability. In this Study, indicators such as adoption of ICT was used to realize this specific objective.

4.4.1 To examine the role of ICT in the SCM in the banks.

Postbank has not only adopted but also incorporated the use of information technology into their operations.

Crosstab

Count		does your org have proper ICT implementation		Total
		no	yes	
adoption of ICT in the firm	very small extent	1	11	12
	small extent	1	7	8
	moderate extent	1	7	8
	very great extent	0	5	5
Total		3	30	33

Further we conducted a one ample t-test to prove whether or not the above statement is true. Having the null hypothesis being that they have adopted modern technology and the alternative hypothesis being that post bank have not adopted modern technology.

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
adoption of ICT in the firm	11.366	32	.000	2.182	1.79	2.57

The results show that at 95% confidence interval with $P < .05$, $df = 32$, post bank has adopted the use of modern technology into their operations.

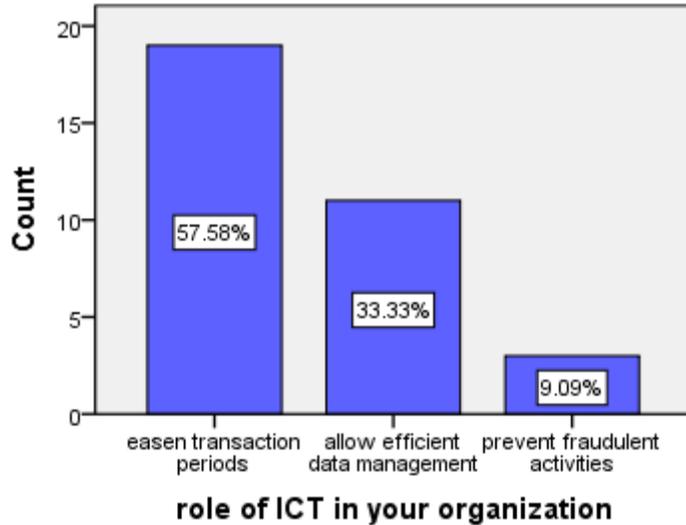
Table 4.4.1 showing adoption of ICT in the firm

	Frequency	Percent	Valid Percent	Cumulative Percent
very small extent	1	3.0	3.0	3.0
small extent	4	12.1	12.1	15.2
Valid moderate extent	12	36.4	36.4	51.5
very great extent	16	48.5	48.5	100.0
Total	33	100.0	100.0	

This result is in tandem with the opinions of the employees when asked whether they taught the company used technology. 16 of the respondents (48.5%) were of the opinion that the company well adopted technology, 12 of the respondents (36.4%) thought technology was adopted to a moderate extent by the company procedures 4 (12.1%) thought the company adopted technology to only a small extent whilst only 1 (3.0%) thought the adoption of technology to company operations was only to a very small extent.

Figure 4.4.1 showing role of ICT in the firm

The use of ICT in banks has several roles, a descriptive study of the main roles of the Use of ICT revealed that



Majority of the respondents (over 57%) said that the main role of ICT in Postbank was to facilitate the faster processing of transactions in the bank, slightly over 33% of the respondents averred that the major role of ICT was to enhance efficient data management of client information, whereas 9.09% said that ICT was intended to prevent fraudulent activities in the banks.

This clearly shows that ICT plays a major role in enhancing and entrenching the SCM practices in the bank.

4.5 Strategic Partnership and its extent

Supply Chain Management has been defined to explicitly recognize the strategic nature of coordination between trading partners and to explain the dual purpose of Supply Chain Management: to improve the performance of an individual organization and to improve the performance of the whole supply chain (Li et al, 2006). Okumu (2001) contends that strategy implementation must be owned by everyone, and to achieve this staff meetings are very necessary. Aosa (2002) notes that lack of compatibility of strategy and culture can lead to resistance to change and frustrate strategy implementation efforts. In this study, indicators such as partnership, practices, were used to realize this desired objective.

Table 4.5.1 showing importance of partnership in the banking sector.

importance of partnership to an organization				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	not important	1	3.0	3.0
	don't know	6	18.2	21.2
	important	8	24.2	45.5
	very important	9	27.3	72.7
	extremely important	9	27.3	100.0
	Total	33	100.0	100.0

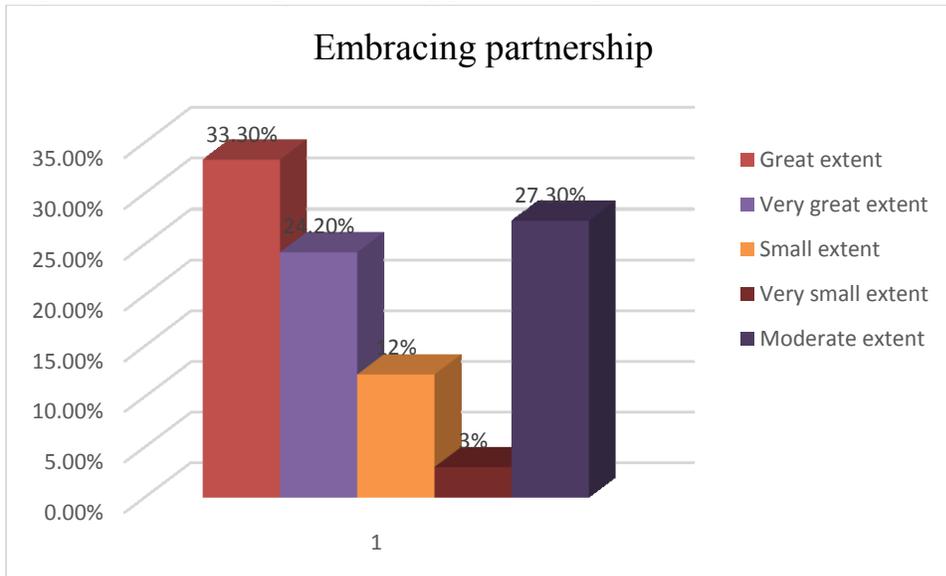
Majority of the respondents were of the opinion that partnerships were important to the organization in fact 26 (78.8%) of the respondents said that partnerships were either important, very important or extremely important. The remaining 6 (21.2%) were either non-committal or cited the unimportance of the partnership to organizations.

Table 4.5.2 showing partnership embrace

embracing of partnership				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very small extent	1	3.0	3.0
	small extent	4	12.2	15.2
	moderate extent	9	27.3	42.5
	great extent	11	33.3	75.8
	very great extent	8	24.2	100.0
	Total	33	100.0	100.0

Source: Research data, (2015)

Figure 4.5.1 showing embracing partnership



Source: Research data, (2015)

Additionally, the employees said that Postbank has actively embraced partnership as the next key to business success and improved performance and productivity as evidenced by the 33.3% who thought embraced partnership improved business to a great extent, 24.2% very great extent and 27.3% moderate extent respectively. Of the respondents that responded only 15.2% thought that the organization has embraced partnership to a very small extent.

Table 4.5.3 showing influence of procurement practices

procurement practices affect your org performance				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	33	100.0	100.0	100.0

All the respondents (100%) thought that procurement positively affected business performance.

However on to what extent they thought supply chain management affected business performance they gave varied information with majority of them being of the opinion that it affected performance to a great extent whilst only 15.1% thinking it only affected performance to a small extent as shown below.

Table 4.5.4 showing extent of SCM practices

what extent has scm practices increased ur org performance					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	very small extent	1	3.0	3.0	3.0
	small extent	4	12.1	12.1	15.2
	moderate extent	9	27.3	27.3	42.4
	great extent	14	42.4	42.4	84.8
	very great extent	5	15.2	15.2	100.0
	Total	33	100.0	100.0	

4.5.1 Organization performance and Supply Chain management practices.

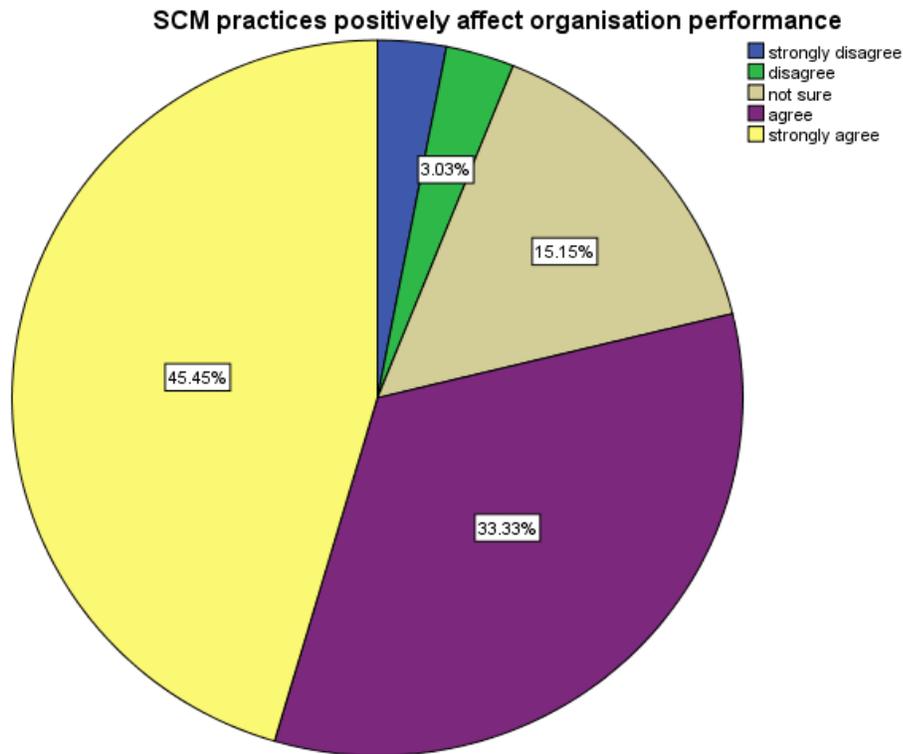
We further conducted a study to try establishing whether there is any relationship between the performance of the organization and their supply chain management practices. In the study we asked every person whether they agreed with the statement. And evaluated how the company has performed ever since they started actively implementing the supply chain management practices included in the study. The results obtained are as below

Table 4.5.5 showing SCM practices on organization performance

SCM practices positively affect organisation performance				
	Frequency	Percent	Valid Percent	Cumulative Percent
	strongly disagree	1	2.9	3.0
	disagree	1	2.9	6.1
Valid	not sure	5	14.7	21.2
	agree	11	32.4	54.5
	strongly agree	15	44.1	100.0
	Total	33	97.1	100.0
Missing	System	1	2.9	
Total		34	100.0	

Source: Research data, (2015)

Figure 4.5.2 showing positive effects of SCM practices



Source: Research data, (2015)

From the findings above, 45.5% (15) of the respondents strongly agreed with the statement, 33.3% (11) respondents agreed with the statement whilst 15.15% (5) respondents were not sure whether there was any positive relationship between organization performance and the supply chain management practices only 6% (2) of the respondents disagreed with the statement that there was any positive relationship between organization performance and supply chain management practices.

4.6 Globalization of SCM

Globalization has dramatically changed how manufacturers operate, offering an opportunity to reach new customers in new markets while at the same time exposing firms to greater competition. Meanwhile, raw materials and supplier relationships must now be managed on a global scale. Just as there are benefits and costs of globalization, there are similar pros and cons of a global supply

chain (Chan & Lee, 2005). In particular, companies need to manage the related risks. With the onset of globalization, managing supply chains has become more complex and business critical than ever before thus the need for effective risk management along the supply chain for manufacturers to minimize disruptions and resume normal business conditions quickly in the event of an outage.

In this study, such indicators as competition and consumer demand were used to help realize the desired objective.

Table 4.6.1 showing assess the extent of globalization of Supply Chain Management on the performance of banks.

globalization has been advantageous to you					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	strongly disagree	2	6.1	6.1	6.1
	Disagree	5	15.2	15.2	21.2
	not sure	7	21.2	21.2	42.4
	Agree	9	27.3	27.3	69.7
	strongly agree	10	30.3	30.3	100.0
	Total	33	100.0	100.0	

Additionally on the objective of globalization, 10 respondents (30.3%) strongly agreed that globalization has been advantageous to the company, 9 (27.3%) agreed with the statement that globalization has been advantageous to the company whilst only 2 (6.1%) strongly disagreed with the statement.

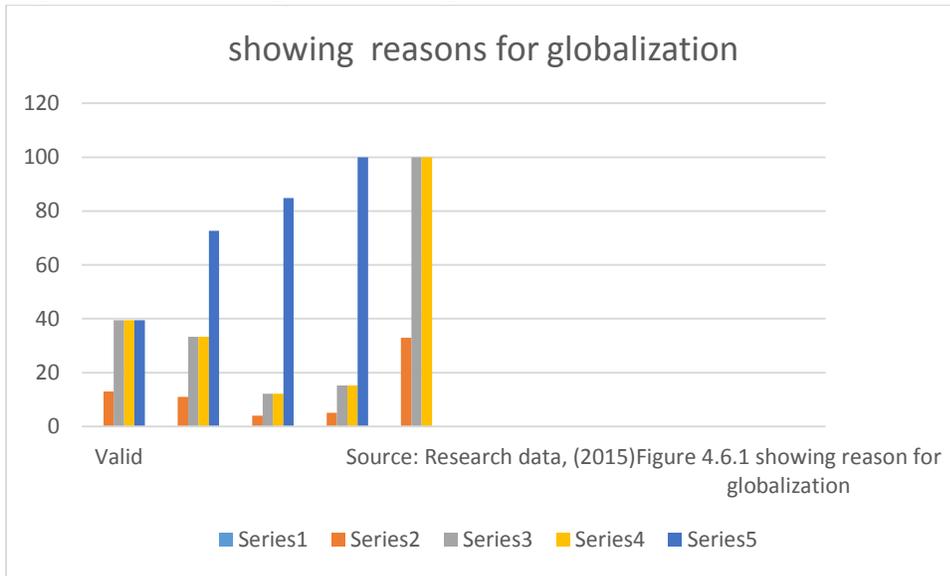
Table 4.6.2 showing reasons for globalization

Which of the following do you consider main reason for globalization?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
increase global competition between countries in the sector	13	39.4	39.4	39.4
take advantage of foreign growth in the countries in the developed world	11	33.3	33.3	72.7
to increase the rising consumer demand and diversify consumer needs	4	12.1	12.1	84.8
development of govt assistance in developing treaties and better global environment	5	15.2	15.2	100.0
Total	33	100.0	100.0	

Source: Research data, (2015)

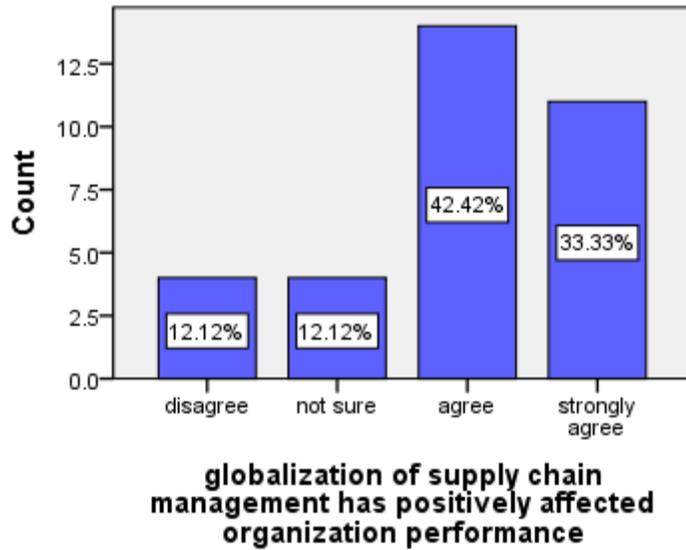
Figure 4.6.1 showing reason for globalization



Source: Research data, (2015)

Another interestingly important fact noted were that majority of the employees thought that the main reason for globalization was it was meant to increase global competition in the sector. More specifically 39.4% whilst only 5 (15.2%) were of the opinion that the main reason for globalization was development of government assistance in developing treaties and better global environment. Additionally, to determine the extent of globalization of supply chain management on the performance of the institution, we undertook a descriptive analysis study, the results showed that:

Figure 4.6.2 showing globalization of SCM



A majority of the respondents are of the opinion that globalization of the supply chain management has positively affected organization performance, 12% of the respondents disagreed with the statement that globalization of the supply chain management positively affects organization performance. Only 12.12% of the respondents were indifferent of the statement. Therefore we note that globalization of the supply chain management positively affects organization performance.

4.7 Summary of the Chapter

This chapter dealt with analysis and discussion of the research findings. The study used one sample t-test and correlation analysis to evaluate the impacts of supply chain management practices on performance of the banks. The next chapter deals with summary, conclusion and recommendations.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter presents the summary of the study's findings, conclusions, recommendations, and suggestions for further studies

5.1 Summary of Findings

The concept of supply chain measurement created by Holmberg (2000) is based on systems thinking. Instead of treating performance measurement systems of each organization, Holmberg recommends to design one system that covers the whole supply chain. Performance measurement needs to be treated as one inter-organizational system, not fragmented and split between each organization.

Competitive strategies are very important for survival of an organization in a competitive environment; it is therefore important for an organization to formulate and implement competitive strategies. The main purpose of the study was to analyze the factors influencing implementation of competitive strategies in the insurance industry in Kenya. The study was conducted through a descriptive design with a target population of 33 respondents from the selected Postbank branches in Nairobi County. Data was collected using a structured questionnaire. The summary of findings on each objective were as follows

5.1.1 Effects of outsourcing on bank performance

The study sought to examine the effects of outsourcing on bank's performance. It was established that 45.5% of the respondents said that the company outsources only when they lack the expertise within, as 18.2% thought that organizations such as banks did outsourcing when they felt it was to

cut costs. Lastly, 15.2% of the respondents thought that banks outsourced because they needed to improve quality of services or when they work on strict deadlines.

However, it was noted by the respondents that the banks complained of the downside of outsourcing. The respondents were categorical that outsourcing was disadvantageous as evidenced by 78.8% of the responses. In view to establish whether outsourcing improved banking institutions, 42.42%, which was the majority of the respondents strongly agreed while on the other side 9.09% totally disagreed with this view.

5.1.2 ICT and its role in SCM

The study wanted to evaluate the role of ICT in the performance of banking institutions. On adoption of technology, 48.5% of the respondents confirmed that banks adopted technology. This was the majority proportion, while 3% thought the adoption of technology was to very insignificant extent. On the role that ICT plays on management and performance of the banks, most of the respondents 57% said that the main role was to facilitate the faster processing of transactions in the bank. The least proportion 9.09% of the respondents cited the need to curb cases of fraud in the banks as the main role of ICT.

5.1.3 Strategic Partnership and its extent

The reviewed the extent of strategic partnership on the performance of banks. The study findings on the importance of strategic partnership showed that 78.8% of the respondents agreed that partnership was important to the success of the banks, as 21.2% gave a contrary view by saying that strategic partnership was not important. In addition, a fair proportion 33.3% of the respondents said that banks embraced partnership to improve business and productivity. On SCM practices, 84.8% thought that these practices increase the performance of the banks. The respondents 45.5%

further said that there was a positive relationship between banks performance and supply chain management practices.

5.1.4 Globalization of SCM

The study examined the influence globalization of SCM had on banks. 30.3% of the respondents said that globalization has been advantageous to the banks. On increasing competition, 39.4% said that globalization increased competition as 15.2% said that it was meant to develop government assistance in treaties and environment. Supply management positively affected organizations such as banks 75.88% asserted that globalization positively affected performance of banks.

5.2 Conclusion

From the study findings, it is concluded that outsourcing, ICT, strategic partnership and globalization affected performance of the banks in the banking sector. In terms of outsourcing; lack of expertise, improved quality services and strict timelines influenced performance in great extent; lack of expertise in the banking institutions affected performance of banks in mobilization to executing competitive strategies. The role of ICT therefore influenced the implementation of competitive strategies in the banks as it determined the adoption and the appropriate roles that improved performance of the banks. Proper strategic partnership affected performance of banks. Finally, globalization affected performance through its advantages and its roles.

5.3 Recommendations

Based on the research findings, it is recommended that the institutions should improve on the mode of outsourcing. They should choose a mode that is appropriate and will maximize the goals and objectives of the organization so as to enable execution of the competitive strategies in place that enhance performance.

Further, it is recommended that using technology that does not support crucial realization of objectives should be sidestepped by first ensuring that all employees are well inducted into their roles and space in service delivery by using the appropriate technology.

5.4 Suggestions for further study

The study recommends that further study be done on Integrated ICT tools as most of the existing supply chain packages have a Performance Measurement module as part of it. Future performance measurement systems will have enterprise wide, integrated ICT tools that will extract, collect and elaborate data characterizing their business in the bank as future performance management systems in the SCM will be more ICT dependent.

It is recommended that further studies be conducted on Integration of Operation Research since there have been attempts to integrate multi criteria decision making tools like Analytical Hierarchical Process (AHP) and Data Envelopment Analysis (DEA) with existing PMS frameworks to enhance effectiveness of future SCM.

Additionally, it is recommended that further studies is done on emerging themes in supply chain performance management systems such as: Measure and manage risk in extended supply networks; Aligning performance measures to achieve strategic objectives; Recognizing and incorporating the varying cultural elements in the supply network; and Response to a volatile demand led environment that may include lean and agile elements.

Lastly, further studies should be conducted in the area of Soft Issues as there is a need to develop deeper understanding of the soft issues that make or ruin supply network management and development. There will be more focus on the central relationship between culture and performance measurement and how this varies in different countries in a global context.

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APPENDICES

APPENDIX 1; QUESTIONNAIRE

Complimentary letter to the respondents

School of Human Resource Development

Tel; +254 0202602263

P.O Box 62000-00200

Fax +254 67 2164

NAIROBI

E-mail; info@jkuat.ac.ke

Dear sir/madam,

RE; Master in Science; Procurement and Logistics

I am a postgraduate student undertaking a Masters in Science; Procurement and Logistics at Jomo Kenyatta University of Agriculture and Technology. I am currently carrying out a research on the impacts of the application of the Supply Chain Management (SCM) Practices on the Performance of Banking organizations in Kenya.

This study will seek to collect data from organizations that have or are in the process of implementing the supply chain management practices in the banking industry operations in Kenya. The findings of this study will provide these organizations with information on the framework on the application of the SCM practices in their operations.

I kindly request you to provide the requested by filling out the attached questionnaire. The information I seek is strictly for academic research purposes and in no way shall your name or that

of your firm will be implicated in the research findings. Your assistance will be highly appreciated.

This questionnaire shall take only 15 minutes of your time.

If you have any queries or would like further information about the exercise please contact me on +254 725 641 995 or vkipmechwa@yahoo.co.uk or ropvincento@gmail.com

Yours sincerely,

Vincent K. Kiprop.

QUESTIONNAIRE TOOL

Part A; Demographic information

Please tick where appropriate

Name (optional).....

What is your highest level of education?

Diploma ()

Degree ()

Postgraduate degree ()

Others.....

Please indicate your work experience

Below 1 year

2 to 5 years

5 to 15 years

Above 15 years

Name of the firm and the department.....

Part B; Assessment of Supply Chain Management Practices

Section A; Information and communication technology adoption.

To what extent have the following aspects of the adoption of ICT in the supply chain have been put in place in your department?

Information technology adoption:

Very small extent []

Small extent []

Moderate extent []

Great extent []

Very great extent []

Organization invest resources heavily on the infrastructure of an information system

Organization trains employees on information system future maintenance support

Organization uses information to aid business decision making

Organization provides training for employees to utilize information system effectively

In your own view what do you think the organization should do in order to ensure adoption of ICT is effective and efficient?

.....
.....
.....

8. What is your level of agreement with the following statements relating to the types of ICT technologies in your organization?

Type of technology:

Strongly Agree []

Agree []

Section B; Globalization.

11. Globalization has been considered to be advantageous to organizations. To what extent have the following advantages accrued to your organization?

Advantages of Globalization:

Strongly Agree []

Agree []

Not Sure []

Disagree []

Strongly disagree []

Globalization has increased firms' opportunities to develop customer markets worldwide

Globalization has increased my firms' opportunity for trade and investments

Globalization has increased my firm's market potential

Globalization has increased my firm's profit base

In your own opinion why do you think globalization should be embraced in organizations?.....

.....

12. Which of the following factors do you consider as the main reason organizations should globalize its operations

Reason for Globalization:

Increase in global completion between countries in the sector

To take advantage of the foreign growth in the countries in the developed world

To increase the rising consumer demand and to diversify consumer needs

Development of infrastructure and government assistance in developing treaties and better global environment

Make general comments on the above

.....
.....

Section C; Partnership

13. How important do you think partnership is to an organization? Tick where possible

Extremely important ()

Very important ()

Don't know ()

Not important ()

14. To what extent does your organization embrace the following initiatives of ensuring independent strategic supplier partnerships are implemented?

Partnership initiatives:

Very great extent []

Great extent []

Moderate extent []

Small extent []

Very small extent []

Organization creates and maintains good relationship with their partners such as suppliers, distributors and customers.

Organization has precise information about its partners

Organization cooperates with its partners in implementing business activities

Organization joins the overall business operations e.g. joint marketing, procurement and human resource management.

Organization shares their resources with its partners for business success e.g. financial information, human resource, customer base and competitors.

17. What does the organization mostly outsource from the international markets? (Tick where appropriate)

Fast moving consumer goods. ()

Slow moving consumer goods. ()

Services ()

18. In your opinion what do you consider the disadvantages of outsourcing to be? Please tick all the statements you agree with.

Disadvantages of outsourcing:

Strongly Agree []

Agree []

Not Sure []

Disagree []

Strongly Disagree []

Quality is compromised since the company could only outsource to undertake the profit

We no longer full control of the business process - quality is likely to suffer

The company that could take on our outsourced work do not understand our business and this could cause problems

It is not cost effective

The risk of outsourcing contract going wrong and being too costly to reverse the decision is too high.

19. In your opinion, what do you consider the advantages of outsourcing to be?

Please tick all that apply.

Advantages of outsourcing:

Strongly Agree []

Agree []

Not Sure []

Disagree []

Strongly Disagree []

It is more cost effective

The quality of business process increases as experts are undertaking the tasks

The work is carried out quicker and more effectively

It reduces the costs such as payroll cost since we do not have to own employees

Management does not oversee the day to day running of the business process thus reducing the burden on the management.

Part C; Assessment of Organizational performance

20. Do procurement practices affect the performance of your organization?

YES ()

NO ()

21. If YES, to what extent have the following practices of SC have increased organizational performance?

SCM Practices:

Very great extent []

Great extent []

Moderate extent []

Small extent []

Very small extent []

Outsourcing

Adoption of ICT

Globalization of its activities

Strategic partnership with its stakeholders e.g. suppliers

22. What is your level of agreement that due to application of the Supply Chain Management practices organization have achieved the following

Achievement due to SC practices application:

Strongly Agree []

Agree []

Not sure []

Disagree []

Strongly disagree []

Greater competitive advantage as compared to other organizations

Reduction of costs

Better resource management and performance

Optimization of business processes

In your view what other advantages do you think will the organization achieve due to the application and adoption of the SCM practices?

.....
.....
.....

23. Do you get top management support in ensuring the conformity to the stated SCM practices in your organization?

YES ()

NO ()

24. Below are the benefits of the implementation of SCM practices to the performance of banking organizations in Kenya.

Putting the organization into a global perspective

Ensuring the fulfillment and conformance of the organization to the requirements of the customers

Rendering valuable information and and sharing of data between departments and partners.

Moving along with the technological order in the global scenes through ICT application.

Any other? State

.....
.....
.....

Of the above benefits, which one do you think has put your organization at a strategic competitive edge?

.....
.....

Give reasons

.....
.....

APPENDIX II; WORK PLAN

ACTIVITY	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	JAN
	'14	'14	'14	'14	'14	'14	'14	'14	'14	'15'
Literature Review										
Proposal writing										
Presentation										
Piloting										
Data collection										
Data Analysis										
Report writing										
Project submission										
Project defense										

APPENDIX III; RESEARCH BUDGET

Items	Unit cost	Quantity	Amount	Total amount
			(Kshs)	
Printing the research proposal	Item	6 Copies	@500	3000
Binding the research Proposal	Item	6 Copies	@50	300
Printing the Pre-Test questionnaire	Item	6Pages	@10	60
Printing the improved questionnaires	Item	20Copies	@50	1000
Printing of the research paper	Item	6Copies	500	3000
Binding the research paper	Item	6Copies	300	1800
Stationary	Item			300
Transport	Item	15Days	@200	3000
Contingency	Item			1500
Total				23,110

Source: (Author, 2015)

