

**SUPPLIER PERFORMANCE EVALUATION AND VALUE CHAIN
ANALYSIS IN KENYA AIRWAYS LIMITED**

BY

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Declaration

This is to declare that this research project is my original work and has not been presented for an award for any degree to any other University or Institution of Higher Learning.

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Dedication

This study is dedicated to my loving family, for their support, encouragement and patience during the entire period of my study and continued prayers towards successful completion of this course.

May God bless you all.

Abbreviations and Acronyms

EPP	Enterprise Resource Planning
HITS	Hazardous Inventory Tracking System
KCAA	Kenya Civil Aviation Authority
KQ	Kenya Airways Limited
NGO	Non Governmental Organization
SPE	Supplier Performance Evaluation
SHE	Safety, Health and Environment
WCO	World Class Organization

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Abstract

Companies are perceived as important actors in the drive for sustainability. Linked to this, and in response to increasing demands from various stakeholder groups, companies start to look at their supply chain to enhance their overall sustainability profile. Two major triggers can be identified: (1) focal companies are held responsible for environmental and social problems caused by their suppliers, which become more and more important (2) an increasing share of value is created at the supplier level. In response to such demands, companies have to find ways to incorporate suppliers and their performance into the aspects of supply (chain) management. Therefore, supplier performance evaluation standards are integrated into supply management by amending the purchasing processes and evaluation analysis. This paper presents an approach to integrate supplier performance evaluation into supply policy and supply management at the Kenya Airways limited, a 3-star airline projecting to become world Class Company and a 7 star airline by 2020. The objectives of the study was to determine the relationship between supplier performance and the value chain analysis Kenya Airways Limited as a best practice in procurement of as well as the challenges being faced in incorporating the practice into its value chain operations. The findings of this research were geared to establishing the situation as is. Interviews were conducted with stakeholders who are key participant in supplier prequalification and purchase decisions through competitive bidding process. Qualitative data collected was analyzed using content analysis. The results showed there is limited scope of incorporating supplier performance evaluation in purchase decision for both core and even for support products. The company has a SHE evaluation policy for its suppliers which is a key step to supplier prequalification considerations in purchasing. The study recommends consideration of the supplier performance evaluation in procurement and supply chain operation, if this scope is available early on when defining needs and specifications then early action is more likely to be successful. Additionally an array of strategies to institutionalize supplier performance purchasing in Kenya Airways into their procurement practices has been spelt out. At the end of the study are recommendations for further research in the gray area of supplier performance evaluation.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Purchasing and suppliers are of major strategic importance to most companies today. This is because a substantial amount of the resources used by a company are made available through its suppliers. Purchasing from suppliers account for more than half of total costs of operation for most companies, this position is normally substantially higher when well analyzed (Gadde and Hakansson 2001), suppliers are important to buying firms not only in financial terms but in risk management and total cost of acquisition and ownership. To an increasing extent they provide customers with new technology. Supplier's performance thus considerably impacts on the efficiency and effectiveness of the customer firm and is of vital importance.

To ensure that performance of vendors is adequate a multitude of supplier evaluation programs need to be developed. Some of these programs deal with efforts of ensuring that purchasing function in accordance with company strategies and expectations in both the short-run and long –run term development. In a survey carried out of Fortune in US of 500 companies, Krause and Ellram (1997) found that performance evaluation was deemed a vital part of the supplier development Programs. Even those companies that had no formalized development program regarded supplier Performance evaluation very important. Carr and Pearson (1999) conducted a study of 739 firms in across industry analysis and observed that firms with strategic approach to purchasing were more involved in supplier evaluation than other firms. It was shown also that this strategic approach had a positive impact on buyer seller relationship and finally supplier evaluation systems had positive effect on the buying

firms' financial performance. Value chain analysis is a concept from business management that was first described and popularized by Michael Porter in his 1985, *Competitive Advantage: Creating and Sustaining Superior Performance*. He described the activities of the value Chain and identified the support activities as follows: Firm Infrastructure, Human Resources Management, Technology and Procurement.

Procurement being a support function of the value chain involves the acquisition of goods and services, acquisition of goods implies working with suppliers and hence requires supplier performance to manage total cost of acquisition and reduce unforeseen risks in the industry and operating environment in order to add value to the Value Chain aiming at achieving Total costs of acquisition within the value chain which must be as low as possible so that a competitive price can be set for the final product.

Michael Porter (1985) described his five forces model comprising of Supplier Power: Buyer power, Competitive Rivalry, Threat of substitutes and Threat of new entry into the market. He described Buyer power as where the buyer asks themselves how easy it is for suppliers to drive prices down. Again this is driven by the number of buyers, the importance of each individual buyer to his business or organization for utility optimization, the cost of switching from one product and services to those of other providers, if the seller deals with few, powerful buyers, then they are often able to dictate terms to the seller, in all these discussions at no point is the supplier performance evaluation discussed and this study aims to evaluate what benefits can be derived by evaluating supplier performance evaluation hence limiting supplier power into the model.

Regular evaluation of supplier performance is a fundamental component of risk management and continuous improvement fully supported by buyers. Numerous metrics from multiple sources can be collected and consolidated into supplier appraisals, ratings, prequalification and selection to provide objective and quantifiable user feedback from various sections in the company. The resulting analysis becomes a strategic tool in contract negotiations and continuous improvement of the supplier's products and services.

This assessment often leads to the development of a performance improvement plan with the supplier tied to quantifiable objectives and performance indicators. This process encourages the supplier to commit to results and make their improvement efforts more transparent with the aim of developing a lasting partnership with the buying organization which will enjoy the benefits thereof, Kenya Airways limited will enjoy various benefits from the evaluation such as: Total Cost of Ownership, Assurance of Supply, Responsiveness, Environment and Safety, Technology, new product development, innovativeness and the power of substitute yet quality products.

1.1.1. Value chain Analysis

The value chain comprise of various intertwined activities for a firm operating in a specific industry. The business unit is the appropriate level for construction of a value chain and not the divisional level or corporate level. Products pass through all activities of the chain in a prescribed order and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of the independent activities values

The value chain is a concept from business management that was first described and popularized by Michael Porter in his 1985, *Competitive Advantage: Creating and Sustaining Superior Performance*. He described the activities of the value Chain where he identified the primary activities as; Inbound Logistics, Operation (production), Outbound Logistics, Marketing & sales and Service, he also identified the support activities as Firm Infrastructure, Human Resources Management, Technology, Procurement.

1.1.2. Supplier Performance Evaluation

A best practice is a technique, method, process, activity, incentive, or reward that is believed to be more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people.

The purchasing handbook expounds essential elements of an effective Purchasing program from where best practices can be drawn among others: Understanding the principles of Continuous Quality Improvement and how they can be applied to the purchasing process, Utilizing Continuous Quality Improvement tools to perfect processes and procedures to better serve customers, working cooperatively to reach consensus on major issues that impact stakeholders and familiarity with the latest forms of technology, products or services available in the marketplace and the ability to communicate this information to stakeholders.

Supplier performance evaluation is adding value to the aspects acquisition of products and services through the value chain processes and performance criteria when making purchasing decisions. Ultimate goal is to reduce environments risk which impacts sourcing/procuring practices and to increase resource efficiency. Such impacts may be associated with any stage in the value chain processes, use or disposal of a product, borrowing from this we can incorporate supplier performance evaluation and value chain analysis as a best practice in procurement.

A supplier performance evaluation process is a structured process that defines how an organization selects, engages, measures, monitors and manages the performance of its suppliers. The process should include regular reporting and problem resolution monitoring, but more importantly a proactive relationship management. An effective supplier performance management process should accomplish the following four goals: Communicate to suppliers on how their performance will be measured, Generate performance reports to measure supplier performance and identify new opportunities to improve supplier relationships and performance; Proactively identify trends and potential problem areas so that appropriate action can be taken in a timely manner, the process should also identify and address performance in critical areas to the success of the supply chain arrangements.

This assessment often leads to the development of a performance improvement plan with the supplier, tied to quantifiable objectives and performance indicators. This process encourages the supplier to commit to results and makes their improvement efforts more transparent, with the aim of developing a lasting partnership. Evaluation categories include Reliability, Financial Stability, Quality of product or service, Competitive Pricing, On-time delivery, Customer Service and Communication,

Approach to Partnership, Innovation, Environmental Record, **Social** Accountability. Strategic Supplier performance evaluation in the value chain is the measurement of the results and efficiency of goods and services supplied through the firm's acquisition process and its value chain activities. Acquisition of goods implies working with suppliers and hence requires supplier performance to manage total cost of acquisition and reduce risks in order to add value to organization and boosts its financial its financial performances and increase its share value share value, increase productivity and set competitive price for the final product.

Besides showing excellent performance with respect to the above-mentioned aspects, suppliers are expected to participate in the various projects initiated within the purchasing department to improve products and processes through a Cost Management Programme, these projects enable continuous improvement and optimization with regards to costs, quality and functionality.

Regular evaluation of supplier performance is a fundamental component of risk management and continuous improvement fully supported by the buying organization. Numerous metrics from multiple sources can be collected and consolidated into supplier ratings, providing objective and quantifiable user feedback from anywhere in the company. The resulting analysis becomes a strategic tool in contract negotiations and continuous improvement of the supplier's products and services.

1.1.3. Performance Dimensions and Criteria

Traditionally price and cost used to be the dominating dimension in the evaluation of supplier performance (Wilson 1994). Over time a number of complementary dimensions have been proposed, but in practice the majority of supplier evaluations

for long tended to be routinely viewed as consisting of just three factors: price/cost, quality, and delivery (Hirakubo and Kublin 1998). More diversified views of supplier performance have been presented by advocates of so called 'multiple criteria models, Talluri and Sarkis (2002), Weber (1996) and Roodhooft and Konings (1996).

Tan Lyman and Wisner (2002) propose an evaluation model which provides a representative view of the nature of these multi-criteria models involving the following dimensions and aspects, firstly the Product and delivery assessment, including evaluations of quality level, on-time delivery, correct quantity, service level and price/cost of product, Capacity assessment including evaluations of willingness to change product/services to meet changing needs, flexible capacity and communication skills/systems, Information assessment including evaluations of willingness to share sensitive information and to participate in new product development, value analyses and relationship building.

The above criteria illustrate that performance can be evaluated in several dimensions. The most common measurements include cost, delivery, and product quality; focus on the output of the supplier. When companies have long-term partnership relationships with suppliers, output criteria need to be complemented with processual criteria and structural criteria (Ellram 1990). Evaluation with regard to processual criteria addresses what the supplier does, rather than achieves, and typically includes whether employees adhere to standard operating procedures or not (Scott (1995). Yuchtman and Seashore (1967) notes that structural criteria relate to the potential performance and reflect what could be done by the supplier in consideration of the resource available thereby including criteria such as employee competence and equipment capability.

1.1.4. Aviation Industry in Kenya

The aviation industry in Kenya comprises of private and commercial airlines. Privately owned aircraft are for rentals or private use. The commercial airlines ferry passengers and include Kenya Airways which is the national carrier and third largest airline in Africa others being Jet link Express, Fly 540, ALS- Aircraft Leasing Services, 748 Air Services, East African Safaris, African express, Air Kenya, Delta Connection, Safari link Aviation, Astral Aviation and CMC aviation. Kenya Civil Aviation Authority (KCAA) is a state corporation under the Ministry of transport that is responsible for regulating the aviation industry in Kenya and for providing air navigation services in Kenya flight region. KCAA is the registered regulator for the aviation industry in Kenya.

Aviation Industry in Kenya is dominated by Kenya Airways with tight competition from the low cost carriers for the local and east African destination. Aviation Industry in Kenya is expanding with passenger traffic numbers increasing over the years. At the main Airport Jomo Kenyatta International airport 5million passengers were served in the period before 2009 and the figure increased to around 6.5 million (unpublished) in 2011.

1.1.5. Kenya Airways Limited

Kenya Airways Limited is the National Carrier of the republic of Kenya and the third biggest Airline in Africa, the first being South African Airways and Ethiopian Airways coming the second. Kenya Airways was established in February 1977 following the breakup of the East African Community and subsequent disbanding of the jointly-owned East African Airways. In 1995 Kenya Airways signed a

Shareholders' Agreement and a Master Cooperation Agreement with Royal Dutch Airline KLM thereafter on an Initial Public Offer for shares issued in March 1996. Since then Kenya Airways has invested in acquisition of modern fleet which range from Boeing 737 classic series and New Generation series, Boeing 767 Long range aircraft and new generation Boeing 777 jumbo as well as Embreair E170 jets. Orders have been made for the environmentally friendly next generation airlines, the Boeing 787 commonly known as Dreamliner.

Kenya Airways has expanded by acquiring 51% of Precision Air of Tanzania and has an exhaustive network within Africa and on core hubs in Europe, Middle East and the Far East, currently flying to 59 destinations which is made seamless by being an associate member of Sky Team Alliance the second biggest airline alliance after the Star Alliance. Kenya Airways has a good safety record with only two air accidents in Abidjan and Douala and has been awarded a 3 year renewal on its IOSA (IATA Operational Safety Audit) registration. The company has also had a good profit record making revenues of up to Kshs 70billion. The main cost drivers are fuel costs, aircraft lease and maintenance then staff costs.

Kenya Airways has undertaken to be a world class organization (commonly known as WCO), this is an ongoing project that will see the company operationally aim at eliminating waste through process mapping/systems and structure development and become profitable through adopting the best practices and benchmarking against the best in the industry. World class for Kenya Airways means being able to compete with the best in the aviation industry (safety, profitability, customer service, connectivity), compliance to all the aviation industry and industrial safety requirements, customer needs first; Meeting and Exceeding Customer expectations, focusing the minds of all employees on the company's strategic objectives (safety,

profitability, customer service, connectivity) through effective communication and developing and empowering all employees to continuously improve performance. In Kenya Airways, suppliers are normally tied on contract basis which gives the company benefits of service level agreements that guarantees better prices, discounts, quality standards, timely deliveries and after sale services. Hence a case to review Supplier Performance Evaluation at the supplier prequalification stage and evaluation of tender documents. This cuts across the board on all categories of purchasing for both core and support products. As a positive step Kenya Airways in its vendor evaluation places 25% of the total marks on compliance to safety, Health and Environmental (SHE) checklist. This implies that Kenya Airways is dealing with safe suppliers and to minimize risks in the operating environment.

In order to bring the supply management to world class status Kenya airways senior management must recognize supply management critical nature and support the required transformation. One of the most visible ways is to appoint a chief supply officer (this is already in place by having Head of Supply Chain) and getting top management committed to its success. Kenya Airways must know where to benchmark (know where they are in relation to where they want to be in a stipulated period of time) and establish best practices and develop metrics to achieve world class organization.

Another way is for Kenya Airways to employ the best practices of supplier performance evaluation technique as stated in this study. This can be enforced with the TQM program currently in the firm. Kenya Airways need to set a cross functional pollution avoidance that will address questions of: where the materials are sourced from, at what cost were they sourced, time of delivery, if they meet the required

specifications/ standards, is the totals cost of ownership tracked etc. A cross functional team should be formed to follow need identification and distribution system over the internal supply chain links to the company through the supplier. The team has to determine where the goods and services are sourced and focus on internal processes that could be logistics or warehousing, consumed or purchasing requirement. Many progressive buying organizations monitor their critical supplier's performance in both a contract and aggregate level of performance, this is used to control supplier contract performance and also used during source selection for follow up on procurement to ensure that only satisfactory performers are considered.

Kenya Airways can use three to six months moving averages for aggregate evaluation of performance of supplier. This allows the supplier to start over at some point and prior misdeeds do not haunt them forever as they are motivated to improve. The length of the evaluation window is important and should be case specific; a short window may be ineffective as a supplier may get off the hook so easily while a longer window maybe punitive and self defeating. Kenya Airways can adopt evaluation plans such as Performance Dimension Criteria, Quality Performance; Delivery Performance; supplier rating and Supplier appraisal among others to enhance its value chain performance.

1.2 Research Problem

Supplier performance evaluation is the measurement of the results and effectiveness and efficiency of goods and services supplied to a firm through the firm's acquisition process through the value chain processes. This process remain a gray area with little light shed by regulators and firms seeing it as an extra mile hence often ignored (Sheth and Sharma 1997). This leads to the question that need be articulated and

solutions found as regards, supplier performance evaluation practices in the value chain, to date research offers limited studies that focus on how an organization can take into consideration the Supplier Performance Evaluation issues in their Supply Chain and procurement practices. There are a few studies illustrating the actual occurrence of supplier evaluation. Simpson et al. (2002) found that about half of the purchasing managers in a survey of 299 US firms used formal supplier evaluation systems. also in a large survey with purchasing managers across the US on Purchasing Magazine showed that 61 % of the companies used formal performance measurement systems in relation to their suppliers (Morgan 2000).

Pearson and Ellram (1995) compared small and large firms in electronics industry in a national survey with regard to the utilization of supplier evaluation programs, the study showed that large companies were more involved in formal reviews than were small firms, of the large firms 58% made a formal review every year, or more frequently while the corresponding figure for small companies was 33%. Some studies have analyzed functions in the buying company that are involved in the evaluation of supplier performance.

In the study of the electronics industry it was observed that purchasing, engineering, and production/operations were the functions mostly involved in evaluation and R&D, general management, and finance played some role in this respect (Pearson and Ellram 1995). Locally many studies have researched the supplier performance but none that has linked the Supplier performance evaluation to the value chain in the aviation industry.

Therefore this study sought to investigate how supplier performance evaluation added value and affected the financial performance of Kenya Airways limited. Many studies have been carried out in relation to supplier performance evaluation, however there has never been a study that links the supplier performance evaluation and its benefits to the value chain in an organization and more so in the aviation industry.

This lack of research has been highlighted by researchers such as Stuart (1993) who notes that “empirical evidence of the benefits of partnerships is scant and primarily limited to the aviation industry similarly Heide and Stump (1995) states empirical evidence regarding performance is virtually non-existent and although recent evidence suggests that cooperation forms buyer-supplier relationship building and are becoming increasingly common, no study to date has formally examined their implication. More recently several other researchers have also commented on the lack of research regarding the performance outcome of SPE, Sheth and Sharma 1997, Cannon and Homburg 2001.

Although moves towards value analysis has been evaluated before, Barua (2010) notes that competitive advantage has to be emphasized if a firm is to thrive in both economical and competitive environment, relationships within and without the organization are a key drivers to the success of implementing any strategy, Namatsi (2008) notes the same in his research regarding implementing of restructuring strategy. There has been a lack of research of supplier performance evaluation in the aviation industry in Kenya and globally, Sirengo (2010) notes that strategies of low cost Airlines in Kenya is wanting, this lack of research has also been highlighted by researchers such as Stuart (1993) who notes that empirical evidence of the benefits of partnerships is scant and primarily limited to the aviation industry.

Looking at the best practices articulated on most purchasing books they relate to contract management, cost management in procurement and Evaluation of supplier performance which lead to relationship management. Evaluation of Supplier Performance remain a gray area with little light shed by regulators and firms seeing it as an extra mile hence often ignored. This leads to the question that need be articulated with regards to the lack of comprehensive picture of the importance of embracing Supplier Performance Evaluation in procurement as a best practice and institutional purchasing settings can yield to the company now and in the long run.

To date, research offers limited studies that focus on how an organization can take into consideration the Supplier Performance evaluation issues in their supply chain as relates procurement practices and internal structures. To my knowledge there seems to be a lack of research that attempts to quantify the outcome of collaboration between supplier and user organization in aviation industry. These deficiencies in research suggests that empirical investigation of SPE relationships and their implications for performance will make a useful contribution to both inter-organizational theory in general and understanding of SPE in Kenya Airways limited.

The research study therefore focused on how Kenya Airways can incorporate Supplier Performance Evaluation in its procurement and supply chain processes and the study sought to answer the research questions; What is the relationship between supplier performance evaluation and the value chain analysis in Kenya Airways limited?

1.3 Research Objective

The objective of the study was to determine the relationship between supplier performance and the value chain analysis in Kenya Airways Limited.

1.4 Value of the Study

The study will be useful to various groups; Policy makers in Kenya Airways will need to lay a foundation of SPE in the procurement function since the company means being able to compete with the best in the aviation industry (safety, profitability, customer service, connectivity), compliance to all the aviation industry and industrial safety requirements, customer needs first, meeting and exceeding Customer expectations, focusing the minds of all employees on the company's strategic objectives (safety, profitability, customer service, connectivity), through effective communication and developing and empowering all employees to a continuously improved performance.

The findings will raise international awareness on how to utilize SPE in the aviation industry, SPE will guide the market players on how to build/ manage relationship while gearing to optimizing the total cost of acquisition and ownership in the industry. The study will also be significant to scholars and researchers as it will provide contribution to existing body of knowledge on the Value addition of Supplier Performance Evaluation to the value chain in the aviation industry and Kenya Airways in particular.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed information from other researchers who have carried the same filled of study and pushed for supplier performance evaluation as a core concept in modern procurement. Discussed is the concept of supplier performance evaluation as best practices in purchasing and the scholarly articles on integrating this new development as a best practice and the stipulated economic benefit of supplier performance evaluation that drives the initiative to give value for money for an organization through its value chain processes

2.2 Drivers of Suppliers Performance Evaluation

There are a few studies illustrating the actual occurrence of supplier Performance evaluation. Simpson et al. (2002) found that about half of the purchasing managers in a survey of 299 US firms used formal supplier evaluation systems. Purchasing Magazine, in a large survey with purchasing managers across the US, showed that 61 % of the companies used formal Performance measurement systems in relation to their suppliers (Morgan 2000).

The size of the firm play a big role as to if a firm will adopt the Supplier performance evaluation, this is because the firm may not have a big supplier base which it aims to reduce and also the spend analysis may not support this exercise. Pearson and Ellram (1995) compared small and large firms in the electronics industry in a national survey with regard to the utilization of supplier evaluation programs.

The study showed that large companies were more involved in formal reviews than were small firms, of the large firms only 58% made a formal review every year, or at a more frequent rate. The existence of Supply Chain and Procurement function in most firms is limited to a large extent thus procuring of goods and services is carried out by other functions of the firm and it is not clear which functions in the buying company is involved in the evaluation of supplier performance.

2.3 Supplier Evaluation: Occurrence and Involvement

The benefits of supplier evaluation are expressed in various ways. Carr and Pearson (1999:457) represent one common view when arguing that supplier evaluation provides the buying firm with a better understanding of which suppliers are performing well and which suppliers are not performing well.

This type of information might be used to identify suppliers that could benefit most from supplier development efforts (Forker and Mendez 2001). Besides these expressions of general benefits supplier evaluation is advocated from the perspective of the various functions of the firm, some illustrative are found concerning product development (De Toni and Nassimbeni 2000a), logistics (Schmitz and Platts 2003), just-in-time manufacturing (Willis and Huston 1989, De Toni and Nassimbeni 2000b), and total quality management (Giunipero and Brewer 1993).

2.4 Dimensions of Supplier Performance Evaluation

There are two dimensional approaches of supplier performance evaluation; the first being the traditional dimension literature review which indicates that supplier evaluation may benefit various departments of the buying company, reaping these benefits requires that various stakeholders become involved in supplier performance evaluations, in practice performance evaluation of the majority of supplier evaluations tended to be routinely viewed as consisting of dominating dimensions and traditional criteria including price, cost and quality and delivery being the dominating variables for the evaluation of supplier performance (Wilson 1994).

Over time a number of complementary dimensions have been proposed to include factors as price/cost, quality, and environmental concerns, delivery as well as supplier involvement and relationship building (Eprakubo and Kublin 1998). The second dimension of the literatures incorporates the multidimensional view and advocates of multiple criteria models where divergent views of supplier performance encourages, Talluri and Sarkis (2002), Weber (1996), and Roodhooft and Konings (1996). Tan, Lyman and Wisner (2002) propose an evaluation model, which provides a representative view of the nature of these multi-criteria models.

2.5 Aspects of Supplier Performance Evaluation

Supplier performance evaluation can incorporate many aspects of the of assessments, this will include but not limited to: Product and delivery assessment of the quality level, on-time delivery, correct quantity, service level and price/cost of product, Capacity assessment which evaluates the willingness to change product/services to meet changing needs, flexible capacity and communication skills/systems, Information assessment where willingness to share sensitive information and to

participate in new product development. The above criteria illustrate that performance can be evaluated in several dimensions. The most common measurements including cost, delivery, and product quality, focus on the output of the supplier. When companies have long-term 'partnership' relationships with suppliers though, output criteria need to be complemented with processual criteria and structural criteria (Ellram 1990), evaluation with regard to processual criteria addresses what the supplier does, rather than achieves, and typically includes whether employees adhere to standard operating procedures or not.

Structural criteria relate to the potential performance and reflect what could be done by the supplier in consideration of the resource body available, thereby including criteria such as employee competence and equipment capability. Processual and structural criteria for performance evaluation in general are suggested by Scott (1995) and can be traced further back to Yuchtman and Seashore (1967), Supplier /Buyer Relationship, Lamming et al. (1995) presents a relationship model and suggests criteria for the evaluation of the supplier, the customer, and the relationship.

2.6 Best Practices in Procurement

According to Drucker (2005) a best practice is a technique, method, process, activity, incentive, or reward that is believed to be more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance, with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and in effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people. Ansoff (1990)

argued given best practice is only applicable to particular condition or circumstance and may have to be modified or adapted for similar circumstances. In addition, a "best" practice can evolve to become better as improvements are discovered. Despite the need to improve on processes as the environment changes, best-practice is considered by some as a business used to describe the process of developing and following a standard way of doing things that multiple organizations can use for management policy.

2.7 Supplier Performance in the Public and Private Sector

The government of Kenya has a procurement and disposal act (2005) which aims to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public entities to maximize economy and efficiency, promote competition and ensure that competitors are treated fairly, promote the integrity and fairness of those procedures, increase transparency and accountability in those procedures and to increase public confidence in those procedures and facilitate the promotion of local industry and economic development, private companies have borrowed a leaf from this policy and are coming up with their own to support fair and competitive supplier engagement.

Public Procurement in the EU European Commission (2000) contracting authorities and contracting entities may be called upon to implement various aspects of social policy when awarding contracts, as public procurement is a tool that can be used to influence significantly the behavior of economic operators. Clarkson (1995) wanted private organizations to use relationship building to reach a competitive advantage, secure market shares, extend the customer base, and create an improved performance in the supply chain and increase competitiveness on the market.

2.8 Barriers to Supplier Performance Evaluation

So far as put by Krause and Ellram (1997) lack of resources and tools to measure supplier performance poses a big challenge to the evaluation of the supplier performances, there are few practitioners who practice in this category, the organizations also do not value the contribution and benefits that can be derived from this exercise ; some studies indicate that some of the barriers are relevant for both public and private sectors, while others are more specific for certain types of organizations.

A recent study by European Commission, (2004a; IEFE, 2005) has identified six main barriers for public organizations. The first barrier pertains to the availability of information for developing criteria for supplier performance evaluation, which is relevant for both public organizations and private companies. It has been demonstrated that there is still lack of clear and comprehensive information sources, such as databases, which can be used by various purchasers for setting up the right criteria in tender documents.

Another barrier related to availability of information concerns lack of information and consequently insufficient awareness of the benefits of supplier performance evaluation on different products and service categories. In contracting procurement, Falk (2001) buyers require significant amount of information in order to make informed purchasing choices. They need to know what environment impacts to focus on, how to translate them into purchasing criteria, what product alternatives exist on the market and what is their environmental profile and how to compare these product or service alternatives.

In addition they need to know suppliers and their best practices and be aware about general operation issues relevant in the society, and have access to operational procurement procedures and tools. The third barrier as per (European Commission, 2004a; IEFÉ, 2005) is linked to the low general awareness of both buyers and sellers about the benefits of supplier performance evaluation, benign products and services stems from lacking understanding of life cycle cost of products and services. This is a significant barrier, especially considering the existing perception in society that green products are more expensive than traditional products.

Taking into consideration life cycle cost, value chain processes often become less expensive, contrary to if they are judged only on purchasing price. Evaluation criteria in tender documents have been identified as yet another important barrier. There has been a number of Directives and other policy documents at the EU and national levels aiming to clarify the legal boundaries. Still a lot of uncertainty remains at the operational level, CIPS (2003) touched on the language and culture as a big barrier to the supplier relationship management and hence performance evaluation, this is more so to firms that deal with global acquisition, Michael Porter (1995) identified culture and language to Haber business transaction and advocated for globalization embracement to overcome this challenge.

There is also lack of coordination and dissemination of best practices in various organizations and levels: national governmental procurement, local municipal procurement practices, Handfield et al (2002) noted some companies report that performance evaluation process may lead to decreased lead-times and decreased flexibility. Allocation of responsibilities within the company may also pose a certain problem since different departments in the company usually make purchases for different purposes.

The diversity of products and services bought by private companies varies greatly depending on the type of their activity. Christensen & Staalgaard (2004) found for many public and private organizations, one of the main challenges is the lack of knowledge and expertise for evaluating different alternatives in terms of their performance aspects and impacts. This may lead to that purchasers feel reluctant to priorities performance evaluation because they need concrete knowledge of which evaluation requirements are relevant for a particular product group.

Handfield et al (2002) noted challenges related to the evaluation include the uncertainty on how to define supplier performance evaluation and how to weight the relative importance of different life-cycle performance indicators. In addition, there is a perception of lack of knowhow or resources for possible verification and follow up of the performance evaluation information and insufficient individual capacity is another information-related challenges.

The capacity aspect can be related to knowledge, insights on performance issues as education can have a bearing on the usefulness of a particular type of information. The feeling of inability or inadequacy can also stem from a lack of enthusiasm or intellectual understanding. Russell (1998) advises managers including purchasing managers can have a variety of attitudes toward supplier relationship issues, and sometimes also have an ambivalent perception regarding the potential and immediate costs and gains of purchasing initiatives.

Bowen (2001) Compared to single criteria considerations, the life cycle perspective adds to the complexity of supplier performance evaluation in that the number and scope of purchasing criteria is increased and need to cover various stages of a product life cycle. The scope is extended to include not only the characteristics of the product

per se, but also how it has been produced and distributed, as well as its environmental impact during use and disposal stages. In addition to lacking awareness, cost issues and lack of clarity in regulation, business companies mention poor supplier commitment and industry specific barriers.

Walker (2008) identifies lacking of managerial support and practical tools, as well as training. Bouwer et al (2006) however saw the largest barrier for private companies to implement supplier relationships practices as lacking regulatory demands and clear regulatory framework for criteria development, evaluation and incorporation, as well as for comparing alternatives and for following up the supplier performance. Change management need to also start from the stop and not bottom up kind of scenario.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter represents the research design and methodology that was used to carry out the research; it gives a brief description of the methodology that was used to carry out the study being a case study of Kenya Airways limited.

3.2 Research Design

The case study adopts descriptive research design. A descriptive research design determines and reports the way things are (Mugenda and Mugenda, 2003). Creswell (2003) observes that a descriptive research design is used when data are collected to describe persons, organizations, settings or phenomena.

According to Creswell (1994), research design provides answers for all questions such as; what techniques will be used to gather data, what kind of sampling strategies, tools used and how will time and constraints be dealt with.

3.3 Data Collection

The case study was based on a rich utilization of primary and secondary sources of information. The primary data focused on interviews to Procurement officers, Procurement Managers, Head of Supply Chain and the Commercial Director. These were the key participant in supplier qualification and purchase decisions through competitive bidding process.

The research made use of interview guide to collect primary data which was administered through personal interview to all respondents; the secondary data was gathered through use of organizational strategic plan and journals/magazines and any other written material within the organization.

3.4 Data Analysis

Content analysis method was used to analyze the data. This entailed analyzing the qualitative statements to identify themes and patterns in decisions, actions and changes. Secondary data was both qualitative and quantitative in nature and was important to collaborate it with evidence qualitative form.

Since only a small number of people were interviewed and the objective of the study was restricted to the nature of information required, content analysis was the right tool for this analysis. This descriptive analysis technique has been used in the past by Jungman (2007), Oboya (2007) and Namatsi (2008).

Content analysis was used to analyze the in-depth qualitative data that was gathered through the use of interview guide to achieve the objective of the study through descriptive responses received from the respondents, this entailed thorough check up of all information, systematically and objectively identify specific and common information that related to the occurring trend.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

This chapter sought to document the findings for incorporating supplier performance evaluation as a procurement best practice for Kenya airways limited. The data was collected through interviews with Buyers, Procurement Managers and the Head of Supply Chain. The data was analyzed to capture the situation as is on factors that lay a platform for supplier performance evaluation, the avenues for incorporating supplier performance as a best practice, Challenges faced and ways of dealing with the challenges.

4.1.Response Rate

The focused interview was conducted to Buyers, Procurement managers and head of supply chain. The below matrix represents the response rate:

Position	Total Numbers in KQ	Total Interviewed as per Data collection Plan	Response Rate as per data collection plan
Procurement Officers (Buyers)	11	7	67%
Procurement Managers	4	2	100%
Head of Supply Chain	1	1	100%
Overall Response rate based on data collection plan			87.56%

4.2.Current Trend

Procurement in Kenya Airways is a function of supply chain under the finance department and Purchases are classified ranging from aircraft acquisition, technical spares, Fuel sourcing, service outsourcing, In-flight products, IT infrastructure hardware and software, uniform, stationery, Staff transport, Office services and Furniture.

For all various categories, there are users who provide specifications and raise requisition and buyers who source for the products or services from suppliers either by Open tendering, Restrictive Tendering, Selective Tendering, Request for Proposals or Request for Quotation depending on the need at hand. The users will raise their needs with procurement and provide specification of their requirements then sourcing begins.

4.3.Incorporation of Supplier Performance Evaluation

In the discussions from the interview, education and awareness was a key component of developing a sustainable purchasing process. Employees and suppliers must be aware of the organization's sustainable purchasing goals and objectives. Training needs on procurement best practices have been performed but limited knowledge is shed on supplier performance practices.

The procurement officers are generally not aware of sustainable procurement supplier performance evaluation, the tendering processes does not take into consideration supplier performance evaluation and a supplier who has been a non-performer can easily submit bids for new tenders and find his/her way back to supplying Kenya airways with new products, formal guidelines to supplier evaluation exist in KQ

manual but are never practiced to a certain extent. A SHE policy as a formal guideline to safety related matters has been structured and is more often adhered to, procurement manual exists which guides the supply chain operation, however some gaps exist and is currently being reviewed. A new structure that incorporates vendor management has also been put in place and resources are being deployed to implement SPE in operations.

4.4. Supplier Selection

Suppliers and contractors play an increasingly important role as they become more integrated into the supply chain process. Elements to consider include development of qualifications, supplier appraisal and ratings, audit of operations, evaluation of systems and monitoring of performance. Among the suppliers there are no standard or generic evaluation systems. Internal audits of some suppliers have been done as per the regulatory requirements but not out of Kenya Airways initiative hence a gap exists to this regard.

4.5. Monitoring and Evaluation

Materials and services bought from suppliers expose Kenya Airways to many risks within the operating environment with regards to safety and health, fraud etc, an exposure that can be reduced by monitoring and evaluating the supplier performances through the supply chain processes. Buyers are often requested to be careful while purchasing for the organization, but this is followed to a limited extent.

Post supplier evaluation process will be practiced once the new structure is implemented; the top management is keen on this as it seeks to embrace the benefits that come with this noble practice as it aims to be a benchmark for other airlines.

4.5.1. Avenues for Supplier Performance Valuation

The multi dimensional avenues of supplier performance including but not limited to Cost performance, Delivery performance, conformance to quality and supplier selection process, appraisal and ratings form a basis of the minimum levels of supplier performance evaluation in purchasing, a practice that has remained limited. It is clear that in Kenya Airways, purchasers practiced supplier evaluation to a limited extent with major emphasis pitched on cost performance and delivery performance hence supplier performance evaluation activities are mainly fragmented and ad hoc.

It can be inferred that the structure, routines, targets and formality of the supplier performance evaluation task for the purchasers have an important bearing, however the workload of the supplier evaluation in purchasing weigh down the buyers due to its intensity. A system tool for supplier evaluation for all suppliers would enable information to be used in the decision making process. \

From the current researches done, it seems that currently there is a risk that the social information that purchasers ask for is not used even if it is dutifully given by the suppliers. Based on this, Kenya Airways Limited can improve the preconditions for the purchasers so as to allow for more effective incentives, better structures, as well as clear targets and action plans, corporate leadership can facilitate the possibilities not only for top-down initiated supplier performance evaluation activities to take place, but also for the bottom-up initiatives to be spurred and well received. KQ has already started the process of incorporating SPE in its operation by setting up a vendor management section in its operation.

Handfeild (2005) stated for corporate management can clarify the goals for all the green purchasing practices and best practices in procurement, the supplier performance evaluation strategies and approaches undertaken in the purchasing department need to be more integrated in the overall business strategy, just like purchasing must adopt a strategic orientation in order to be included in a business-level strategy, the corporate management can assist by placing agenda to coordinate the different environmental initiatives that take place in the organization.

4.5.2. Use of Informational Tools Supplier Performance

From the research on supplier performance practices in Kenya Airways Limited, it was clear that there is opportunity to improve the use of information tools among purchasers. Several types of information could be provided by suppliers to assist with supplier performance evaluation. Information tools exist that either promote good performance or cut-off the laggards. In both types, they could originate either from the supplier (product specific) or from a party outside of the purchaser-supplier relation. The findings from this research demonstrated the use of information tools was limited. One explanation to the general low use of tools could be that in supplier performance evaluation practices, it seemed that a rather limited number of supplier evaluation activities actually targeted products. Instead, more focus was given to supplier qualifications, cost performance and delivery performance.

The role of information tools in the supplier-focused was likely to be lower. One plausible explanation was that there is simply less information tools available that focus on supplier performance. From the findings presented in this thesis, it is possible to conclude that some purchasers seem to view information as “nice to have” while other purchasers saw it as “need to have”. However Premkumar et al. (2005)

decision-making performance is a result of both the information processing needs, and the information processing capability, from the findings of the study, the purchasers do not seem to be aware of all the types of information tools that are available and were not aware about the potential benefits that can be harnessed with supplier performance evaluation. The research found that suppliers are oftentimes bombarded with different information requests which are a waste of time and resources for them.

4.6. Challenges Faced in Incorporating Supplier Performance Evaluation

Towards the end of the interviews, participants were asked to describe the greatest challenges their organizations face in trying to institutionalize supplier performance evaluation. Responses varied, but the most commonly cited challenges were as: Lack of Resources where almost everyone interviewed said a lack of resources poses a major challenge to the institutionalization of supplier performance evaluation.

The respondents cited that inadequate funding prevents Kenya Airways from hiring more qualified staff who can assist with workload, perform product-specific research, monitoring vendor compliance with contract specifications, tracking the impacts of purchasing activities and/or conducting outreach and education efforts such as purchaser training and pilot programs, workload also contributed as the head count is less with the increasing service requirement and the airlines expansion programme.

Decentralized Purchasing also poses a challenge where large number of participants believes that decentralized purchasing hinders the institutionalization of supplier performance and other tools of evaluation. Kenya Airways will have problems convincing dozens of purchasers at individual departments that supplier performance evaluation is a worthwhile endeavor. Some representatives tied these problems to a

lack of resources for supplier performance evaluation and education, particularly purchaser training programs. Others, however, blamed a “stubborn” purchasing community, saying that with or without supplier performance evaluation training, a large number of purchasers are still reluctant or unwilling to integrate supplier evaluation or sustainability considerations into their procurement practices. Resistance to change poses a challenge for majority of those interviewed as behavior change is one of the most challenging aspects of supplier performance evaluation. One commonly cited reason for this was that purchasers tended to become very comfortable with a particular set of purchasing procedures, so they are often resistant to the introduction of new, unfamiliar procedures which may add more time to complete the purchase transaction.

A more frequently cited reason was negative perceptions of evaluation process usually seen as tedious and time wasting and expensive, because they still tend to focus on the initial cost or the purchase price of a product, rather than its life cycle costs. Quality Criteria also posed a challenge in the specificity and the environmental stringency of the requirements.

Purchasers need to know if the requirements they use are strict enough to bring an economical gain. However too strict product requirements led to difficulties in finding products that correspond to the demands. An overly demanding requirement can put the user’s confidence at risk when it turns out too difficult to verify producer’s claims. One challenge for the purchasers is to know what types of information a supplier is able to provide.

4.7. Dealing with Challenges

Cited are a few remedies for dealing with challenges among them being Selection of Product Categories and attributes that promote supplier performance evaluation in purchasing, using information tools to track purchases e.g. a hazardous Inventory Tracking System (HITS), a computer database that allows the tracking hazardous material from its entry onto the installation through the material use, to its end-of-life disposition.

Internal training has also been emphasized so that systems can be put into better use, develop supplier evaluation tools and as well educate the staff on optimization of SPE. Systems are also be set up so that utilization of the tools is practiced by all, the workload is also being reviewed and redistribution of the same is being worked on

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings, conclusions made from the data analysis, results and discussions. The chapter also highlights recommendations made by the researcher, including recommendations for further research in the area of study; at the end pointed out is how the study will contribute to the target audience by looking at implication on policy and practices.

5.2 Summary and Conclusions of the Study

The study was conducted by use of focused interviews with questions of exploratory nature to establish the situation as is for supplier performance evaluation in Kenya Airways Limited. The interviews were to key stakeholders in supplier performance evaluation and content analysis was used to analyze the data with regards to the extent to which Kenya Airways supplier performance evaluation and supply chain Analysis as a best practice in procurement.

The results showed there is limited scope to incorporate supplier performance evaluation in purchase decision of core products and even less for support products. The company has a SHE evaluation policy for its suppliers and this is a key step to safety considerations in purchasing. Also the involvement of the Industrial safety team in supplier pre qualification points to the increased step towards best practices and this is a platform to advancing supplier performance evaluation practices into supply chain.

The study concludes a low level practice of supplier performance evaluation in purchasing activity of both support and core products and the difficulty in implementing supplier performance evaluation with every employee who makes purchasing decisions, it can also be explained by the fact that the purchasers only take the initiatives themselves and then anchor the costs and delivery schedules with the managers in charge.

5.3 Limitation of the Study

This study was not without limitations. Its purpose was merely to provide information on Kenya Airways extent of supplier performance evaluation implementation. The respondents were not easily available due to the nature of their jobs. The researcher had to contend with four postponed appointments. It took one month to obtain information from the ten respondents.

The middle level and top team managers were not available, a limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected, also some respondents did not respond to the interview request or did not fully go through the interview questions. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate.

The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations. Most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide

the required information, Time due to official duties time was a major concern. The study required a lot of input from top executives who are involved with making decisions on the procurement practices and setting up of structures, however their availability was very limited due to the nature of their work. This provided a lot of challenges in the study since I had to rely on a few top executives and middle level managers to complete the study.

5.4 Suggestion for Further Research

The study focused on the establishing the strategic incorporation of supplier performance evaluation and supply chain analysis and establish gaps that exist in Kenya Airways limited, the gaps have been identified and would be prudent if another study can be carried out to establish the extent to which these gaps will have been closed.

A similar study could be done in a different organization or as a follow up of this study and assess the extent to which Kenya Airways will have incorporated supplier performance evaluation as a new structure has already been initiated that encourages supplier performance management, a follow up study can be done to verify if the goals of SPE have been closed.

5.5 Recommendations

Evaluation of the performance of suppliers is an onerous task. As the study of Kenya Airways and its suppliers shows a huge disparity of evaluation criteria, scopes, time horizons and methods, tools of evaluation and systems are not used simultaneously. An implementation of appropriate measures to reap the benefits that come with supplier performance evaluation and other cost saving opportunities requires fine-

tuned balancing of all variables, for example, too much emphasis on the price and delivery schedule might hamper the development of the supplier's product and process quality. As the study shows, supplier evaluation is not concerned with a single set of homogenous activities. Instead, the evaluation of a supplier and its performance involves several activities representing various perspectives that lead to complex results and require different skills. Therefore, Kenya Airways need to further explore the relationship among the various combinations of evaluation procedures.

To make sure that the performance of vendors is sufficient, a multitude of supplier evaluation programs has to be developed. Some of these programs deal with efforts of ensuring that suppliers function in accordance with expectations in the short-run, while others focus on the long –run term development of suppliers and its connection to performance. In a survey of Fortune – 500 companies Krause and Ellram (1997) found that performance evaluation was deemed a vital part of the supplier development Programs. Even those companies that had no formalized development program regarded supplier Performance evaluation very important.

Carr and Pearson (1999) conducted a study of 739 firms in across industry analysis and observed that firms with strategic approach to purchasing were more involved in supplier evaluation than other firms. It was shown also that this strategic approach had a positive impact on buyer seller relationship and finally supplier evaluation systems had positive effect on the buying firms' financial performance.

Finally discussed is the implications for the customer and the suppliers, Implications for the customer - Various evaluation procedures provide complementary and/or overlapping perspectives on supplier performance. Complementary perspectives evaluate one and the same performance dimension by using different criteria. For

example, the performance dimension delivery precision can be evaluated by using the two different criteria right from supplier prequalification through Procure to pay processes and various time horizons used for evaluating supplier's different performance dimension, e.g. module cost, supplier's internal processes, equipment capability, are used for evaluating both quality and delivery performance.

Implications for suppliers is that evaluation, controlling and improving a supplier and its performance sums up to complex task. Different supplier evaluation perspectives are complementary and overlapping and sometimes lead to contradictory results. As a consequence, people in the buying company representing different departments and perspectives may provide contradictory feedback. It goes without saying that these conditions make it difficult for the supplier to priorities among alternative opportunities for performance enhancement. However, giving uniform control signals to a supplier based on a single and aggregated evaluation grade is not a suitable approach since multiple perspectives reveal a variety of performance development potentials. Solving this dilemma requires that customer and supplier together assess the evaluation outcomes. These discussions should preferably involve representatives from the departments of customer and supplier that are concerned.

Customer-supplier interaction in this respect might solve another problem observed in studies of supplier evaluation. Purdy et al. (1994) found that suppliers are often dissatisfied with the performance evaluations conducted by their customers. More than 60 per cent of the suppliers interviewed commented that the evaluations did not accurately reflect their actual performance and this may send mixed signal. Kenya Airways in this scenario need to develop strategies and incorporate all stakeholders and develop evaluation criteria to be fair to all.

Some of the strategies may include: 1) Enhance supplier evaluation criteria to include aspects that promote green purchasing. This is by enriching the current SHE form (see appendix) to include variables that measure environmental compliance. 2) Awarding contracts based on a best value approach, rather than a low bid approach. 3) Instituting purchaser incentive programs for that that are environmentally proactive. 4) Mandating the purchase of environmentally preferable alternatives in certain product categories. 5) Establishing price preferences for certain environmentally preferable products. 6) Developing preferred supplier programs based on environmental criteria. This can be borrowed from the purchasing handbook 2007 (see table in appendix). 7) Engaging in outreach and education to suppliers, purchasers and stakeholders. 8) Lastly but most important the role to ensure Green Purchasing should lie with the procurement section and not a KPI for environment and industrial safety as currently is with Kenya Airways.

The budget and time permitting Kenya Airways Limited can establish an supplier performance evaluation Task Force that shall research opportunities to (a) expand the purchase of environmentally preferable products; (b) identify environmentally preferable alternatives; (c) recommend goals, where practicable, to practice alternative processes within (jurisdiction) operations that will reduce the use/disposal of hazardous substances and will promote resource conservation; and (d) collect and maintain up-to-date information regarding manufacturers, vendors, and other sources for locating/ordering environmentally preferable products. The Task Force and/or Coordinator(s) shall provide applicable information to departments.

5.6 Implication on Policy and Practices

The main target audience of the study is Kenya Airways Limited but borrowings from this research can be extended to other sectors of the economy to include researchers, practitioner, policy makers and governmental agencies. For Kenya Airways limited the study can add value to policy and procedures by having set evaluation criteria for acquiring important and objectivity of supplier performance evaluation, a benchmark as well as minimum threshold as a best practice in supplier qualification and review. This can be in the purchasing manuals for the airline and need consultative efforts among all actors.

For researchers, the study that I have conducted can help to expand the body of knowledge on green purchasing in regards to measuring the green purchasing activity level in the private sector and researcher can compare with public sector, for practitioners the research can guide in the implementation of new green supplier performance evaluation practices. The findings in this research should allow for practitioners to do less of the “re-inventing of the wheel”. For policy makers and governmental agencies this research provides a preliminary guide to the role of information tools for the practitioners on supplier performance evaluation.

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APPENDICES

Appendix I: Interview Guide

1. Demographic Information

Please provide responses to the questions below. (Optional)

a.	Sex:	Male []	Female []
b.	Age bracket	18-30 yrs []	31-40yrs []
		41-50yrs []	Above 50 yrs[]
c.	Designation in the organization:		
d.	Work duration:	Less than 1 yr []	1-5 yrs []
		5-10yrs []	Above 10 years []

2. Open Ended Questions:

2.1 Incorporation of Supplier performance evaluation

- Has the business embraced Supplier performance evaluation in its value chain operation?
- Are professional employees recruited to carry out this exercise?
- Are employees knowledgeable concerning supplier performance sustainability?
- Is supplier performance e valuation considered in purchasing decisions?
- Do tender specifications include opportunities for supplier performance evaluation Purchasing?
- Is there a clear guideline of supplier performance evaluation?

- Has an assessment been conducted to identify barriers to supplier performance evaluation?

3. Establishment of purchasing requirement

- Do purchasing procedures incorporate sustainability aspects and support the supplier performance evaluation Statement?
- Has supplier performance checklist been developed?
- Is preference given to the multidimensional methods of supplier performance evaluation or the traditional method?
- Is preference given to green products within the price guidelines?

4. Supplier Selection

- Is there a supplier evaluation criteria in place for each category?
- Does the supplier meet performance evaluation criteria?
- Have criteria been established for selecting SPE responsible suppliers?
- Are suppliers able to participate during product design/service delivery discussions?

5. Monitoring and Evaluation

- Is post supplier performance evaluated?
- Are life-cycle evaluations performed and documented to demonstrate continuous improvement?
- Are steps implemented to educate stakeholders concerning supplier performance evaluation in purchasing opportunities?

Appendix II: Kenya Airways SHE Policy

SAFETY, HEALTH & ENVIRONMENTAL QUESTIONNAIRE

Notice!

This questionnaire forms part of Kenya Airways Tender evaluation process and is to be completed by Tenderers and submitted with their tender offer. The objective of the Questionnaire is to provide an overview of the status of the Tenderers Safety, Health, & Environmental Management system. Tenderers will be required to verify their responses noted in their questionnaire by providing evidence of their ability and capacity in relevant matters.

TENDOR NO:	:	<input type="text"/>
CONTRACT DESCRIPTION	:	<input type="text"/>
RESPONSIBLE PERSON	:	<input type="text"/>
CONTRACTOR	:	<input type="text"/>
DATE	:	<input type="text"/>

Tenderer Safety, Health, & Environmental Questionnaire		YES	NO
Qn	Aspects.		

1.0	SHE Policy & Management		
1.1	Is there a written company Safety, Health, & Environmental Policy		
1.2	If yes provide a copy of this Policy.		
2.0	Does the company have a SHE Management system certified by recognized independent authority(ISO 18001, ISO 14001)		
2.1	If yes provide details.		
3.0	Is there a company SHE Management System manual or plan?		
3.1	If yes provide a copy of the content page(s)		
4.0	Are Safety, Health & Environmental responsibilities clearly identified for all levels of Management and staff?		
4.1	If yes provide details		
5.0	Are there documented Safe Work Practices and Procedures for the normal work done by the company?		
6.0	Has the company prepared safe operating procedures or specific safety instructions relevant to its operations?		
6.1	If yes provide a summary listing of procedures or instructions		
7.0	Is there a register of injury document?		
7.1	If yes provide a copy		
Tenderer Safety Health & Environmental Questionnaire		YES	NO
8.0	Is there a documented incident investigation procedure?		

8.1	If yes provide a copy of a standard incident report form		
9.0	Are there procedures for maintaining, inspecting and assessing the hazards of plant operated/owned by the company?		
9.1	If yes provide details		
10.0	Are there procedures for storing and handling hazardous substances?		
10.1	If yes provide details		
11.0	Are there procedures for identifying, assessing and controlling risks associated with manual handling?		
11.1	If yes provide details		
12.0	SHE Training		
12.1	Describe how Safety, Health & Environmental training is conducted in your company		
12.2	Is a record maintained of all training and induction programs undertaken for employees in your company?		
12.3	If yes provide examples of safety training records		
13.0	Safety, Health & Environmental Workplace Inspection		
13.1	Are regular Safety, Health & Environmental inspections at worksites undertaken?		
13.2	If yes provide details		
13.3	Is there a procedure by which employees can report hazards at workplaces?		

	If yes provide details		
14.0	Safety, Health & Environmental Consultations		
14.1	Is there a workplace Safety, Health & Environmental committee?		
14.2	Are there employees involved in decision making over SHE matters?		
14.3	If yes provide details		
14.4	Are there employee elected Safety, Health & Environmental representatives?		
15.0	SHE Performance Monitoring		
15.1	Is there a system of recording and analyzing Safety, Health & Environmental performance statistics including number and type of injuries and incidents?		
15.2	If yes provide details		
15.3	Are employees regularly provided with information on company Safety, Health & Environmental performance?		
15.4	If yes provide details		
15.5	Has the company ever been convicted of an occupational Safety, Health & Environmental offence? If yes provide details		
16.0	Company Reference		
16.1	Provide the following information for the three (3) most recent contracts completed by the company.		
Other Comments:			
Signed: _____ Name: _____ Designation: _____			

Source: KQ SHE Policy Handbook, 2010

Appendix III: Supply Chain Organization Structure



Source: Purchase Manual, 2007

Appendix IV: Product Categories Purchased in Kenya Airways

Category	Buying Section
In-flight Product and Entertainment	Commercial Procurement
Stationery	Commercial Procurement
Aircraft and spare-parts	Technical Procurement / Fleet development / Commercial Procurement.
GSE Products	Commercial Procurement
Staff Uniform and safety wear	Commercial Procurement
Rotables	Technical Procurement
Marketing Products and CSR	Commercial Procurement
Office Services	Technical Procurement
Training and Development	

Source: Purchase Manual, 2011

Appendix V: Process Map Manual

Sample Measures and Targets for functional outcomes

Performance Area	Performance Indicators	Targets	Comments
Customer satisfaction(Internal &External)			
Users (Internal/External	1. % of surveyed customers expressing very High or High (Vs average or Low overall level of Satisfaction 2. Number of Customer complaints concerning Services (by memo e-mail, phone,)	Min 90% (From 80%)	Survey conducted once per year. Minimum response required of 75% of customers. This measure could be segregated by different customer group. It requires system for recording complaints
Availability			
Supply range, quality and flexibility	1.% of requisitions that were satisfied in full from stock at first request (within 24 Hours)	Min.80%	These measures apply only to items held in stock. If an item requested originally was not available in stock, it is necessary to find out if replacement items supplied to the user have been accepted and considered satisfactory or not.
	2. % of individual items in requisition that were satisfied from stock at first request (i.e., within 24 hours)	Min.90%	
	2.% of items in which random stock checks confirmed that there were sufficient stocks at hand to meet expected requirements	Min.95%	
	3 % of Stock Replenishment periods that area satisfied as planned.	Min .98%	

Performance Area	Performance Indicators	Targets	Comments
Lead Time /Delivery			
Lead Time Reduction	% Reduction in the average lead time for supply of items categorized as High Risks and or High Expenditure (Critical, bottle neck of Leverage)	Min.30% reduction from 16%)	Lead Time from Requisition to delivery to user. Reducing lead times from high –expenditure items minimizes tying up of working capital in stock. For High risk items, this applies to where flexible supply is needed to meet changing requirements. This is critical too for perishable items
	Average lead time for delivery to customer of items from stock	Max.36 hours from 48 hours)	This measure is linked to Availability Measure referred to above. The same considerations apply regarding replacement items.
Lead Time Flexibility	% of times in which Commercial Stores and NAS have been willing to deliver at least 30% below their stated normal lead time against urgent requests	Min.40% from 35%	Planning and In-flight Assurance Unit should nevertheless minimize its urgent requests through better planning. However cases of unpredicted demands do arise.
Reliability (Delays, etc)	Average % of on-time deliveries against replenishment requisitions -Calculated as follows: <u>No of Deliveries Arriving On-Time</u> No of Deliveries (or Issued)	Min.95% from 83)	In case of JIT replenishment, this would be measured in hours or less.

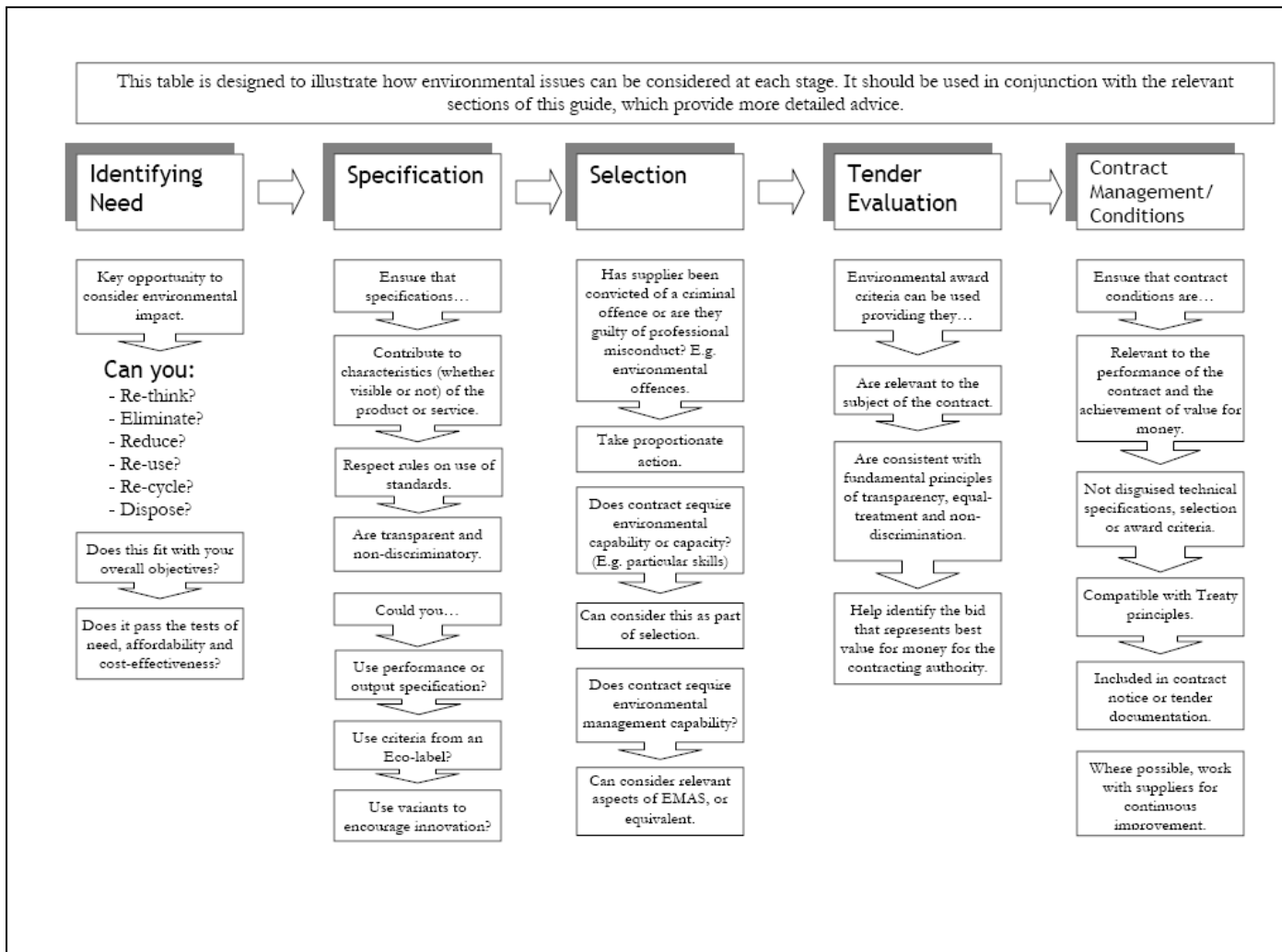
Performance Area	Performance Indicators	Targets	Comments
Quality			
Appropriateness of Requirements	No of Complaints from users on quality of standards stoked items	25 from 67)	These specifications would normally be prepared and updated by Procurement Unit by checking with Users
Avoidance of Deviations in Quality	% of rejected deliveries from PIA calculated as follows: <u>No of Deliveries rejected</u> No of Deliveries made	3% (from 4.5%)	Also possible to calculate based on number of individual items rejected. Analysis to establish causes such as poor specs ,inadequate testing .etc.
	% of value of rejected deliveries calculated as follows: <u>Value of Deliveries rejected</u> Value of Deliveries made	2.5 % (From 3.5%)	As compared to the previous measures, this whets quality problems by value if corresponding deliveries .This allows focusing on high value items. Can be calculated based on individual items rejected rather tan on whole deliveries

Performance Area	Performance Indicators	Targets	Comments
Customer Service			
Technical Support & Problem solving	Average No of working Hours required for answering queries or solving complaints to the customers' satisfaction.	20(from 37)	This could be father segmented to type of queries or complainants (e.g. Simple, Complex) and by different customer Group.

	% of Customer complaints or queries resolved in 48Hours	75 %(from 63%)	
Cost			
Cost Reduction/Avoidance in total cost of Ownership	<p>Documented savings (cost reductions/avoidance) in following areas:</p> <ul style="list-style-type: none"> • Stock-Out Costs (Stoppages of Service Delivery .Opportunity Cost due to lost sales, etc • Inventory obsolescence costs • Disposal of Used Items • Other Costs. 	Ksh One 1 Million	<p>Priority will be given to targeting savings on high expenditure items .Cost figures should be credible.</p> <p>Savings can also be measured in relation to specific supply strategies and process actions being implemented e.g.,</p> <p>Savings resulting from consolidation of requirements</p> <p>;e-procurement; use of purchasing cards; reduced No of Supplier default (By Procurement Unit)</p>

Source: Purchase Manual, 2011

Appendix VI: Supplier Performance Evaluation in Supply Chain Operations



Source: Purchase Handbook 2007

Appendix VII: Data Collection Introduction Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telcx: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 30/08/2012

TO WHOM IT MAY CONCERN

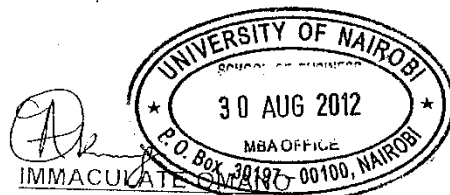
The bearer of this letter... MARGARET OSAKI MALONZA
Registration No... D61/73380/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

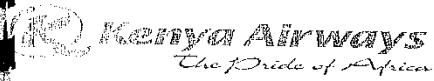
The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



IMMACULATE
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

Appendix VIII: Acknowledgement of Data Collection from KQ



3rd October 2010

The University of Nairobi,

To whom it may Concern;

Dear Sir/Madam

REF: DATA COLLECTION ON SUPPLIER PERFORMANCE EVALUATION AND SUPPLY CHAIN ANALYSIS IN KENYA AIRWAYS LIMITED.

This is to confirm that Margaret Oslah Malonza, an MBA student from the University of Nairobi, Registration No DG1/73330/2009 was allowed to collect data on the above subject from Kenya Airways Limited as required for the completion of her studies.

Yours Faithfully,

For Kenya Airways Limited

Head of Supply Chain
Eng. Chris Oanda

Head of Supply Chain

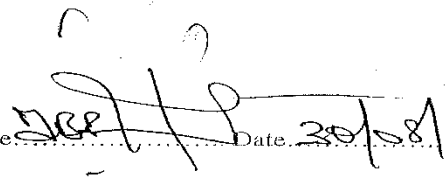
Appendix IX: Proposal Correction Form

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name.. MALONZA, MARGARET..... OSLAH.....
Registration Number.. D.61.73330/2009.....
Department... BUSINESS ADMINISTRATION.....
Specialization... STRATEGIC MANAGEMENT.....
Title of Project Proposal. SUPPLIER PERFORMANCE EVALUATION
AND VALUE CHAIN ANALYSIS IN KENYA AIRWAYS LTD

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor DR. ZBARIWA Signature  Date 30/08/2012