SUPPLY CHAIN MANAGEMENT PRACTICES USED IN THE COSMETIC INDUSTRY IN KENYA

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DECLARATION

I declare that this project is my original work and has not been submitted to any other University for examination.

Signature……. Date……

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This project has been submitted with my approval as the University supervisor

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Finally and most importantly, I wish to thank my God and the Lord of the Universe for bringing me this far. I pride in his name because He means well for me all the times. God is good all the times and all the times God is good.

DEDICATION

This project is dedicated to my loving wife Ruth Wakasa Otieno who remained at my side and supported me throughout, sacrificing everything and asking for nothing. Without her support and help it would not have been possible. Her choice of the program and constant encouragement contributed to this piece of work. I am eternally grateful.

ABSTRACT

Although a number of studies have been done on the concept and context of supply chain, none has been done within the context of cosmetic industry in Kenya. There was need therefore for a study to be carried out focusing on the Kenya's cosmetic industry in conjunction with the main supply chain features. The purpose of the study was to determine supply chain practices used in the cosmetic industry in Kenya. The objectives of the study were to determine the supply chain practices adopted by cosmetic firms in Kenya and to establish the challenges cosmetic firms face in the process of adopting the practices. The study used descriptive design with the target population of study being all the cosmetic firms in Kenya. From the findings, one can conclude the following based on the objectives of the study; Consistent performance measures are used across the supply chain and to a very great extent key suppliers are actively involved in new product development in the cosmetic industry in Kenya. The researcher recommended that firms need to embrace Supply Chain Management practices for them to survive in a competitive and turbulent environment; firms management also need to exchange transaction data, and leap forward into valuable collaborative planning and forecasting across the supply chain. Further research should be done to determine how supply chain management can contribute to organizational financial performance and customer satisfaction.

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3PL	-	Third Party Logistics
BPR	-	Business Process Re-engineering
CRM	-	Customer Relationship Management
EDI	-	Electronic Data Interchange
ERP	-	Enterprise Resource Planning
FMCG	-	Fast Moving Consumer Goods
GDP	-	Gross Domestic Product
GSCM	-	Green Supply Chain Management
IS	-	Information Sharing
IT	-	Information Technology
JIT	-	Just In Time
KAM	-	Kenya Association of Manufacturers
SC	-	Supply Chain
SCM	-	Supply Chain Management
SMES	-	Small Medium Enterprises
SSP	-	Strategic Supplier Partnership
TQM	-	Total Quality Management

CHAPTER ONE: INTRODUCTION

1.1 Background

Today's dynamic business environment is continuously changing because of globalization, regulatory changes, increasing intensity of competition, increasingly demanding customers, new information technology, and mergers and acquisitions (Wing et al., 2006). This has resulted in markets that can be characterized as increasingly turbulent and volatile and has caused many organizations to seek competitive capabilities that enable them to exceed customers' expectations and enhance market and financial performance. Firms are increasingly adopting Supply Chain Management (SCM) to reduce costs, increase market share and sales, and build solid customer relations (Ferguson, 2000).

Many companies have recognized that individual businesses no longer compete as stand-alone entities, but rather as supply chains. A SC is a network of facilities and distribution points that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers (Ganeshan and Harrison, 1995). SCM involves the synchronized movement of inputs and outputs in the production and delivery of goods and services to the customer. In this integrative approach, a cross-functional senior management group coordinates physical and informational resources to optimize efficiency and effectiveness. It manages both the purchasing (or inputs) side of the resource stream, and the distribution (or outputs) side of the stream as a single integrated flow. This flow

typically encompasses customer service, physical distribution, materials management, information management, and their related, highly complex sub processes: order processing and order tracking, production planning and supplier management, purchasing, warehousing, transportation, and electronic supply-chain communications/payment systems. With the purpose of managing the supply chain actions for realizing improvement in enterprise performance, it is necessary to improve the planning and management of activities such as materials planning, inventory management, capacity planning, and logistics with suppliers and clients (Chandra and Kumar, 2000).

Senior executives in many industries are managing extraordinarily complex global supply chains that source raw materials from thousands of locations around the world and distribute finished products to thousands of other locations. Many of these executives have come to recognize that corporate capability in supply-chain management is an important lever of enterprise transformation. This critical coordination and value center can enable the enterprise to synchronize many simultaneously unfolding material and informational flows on a worldwide basis and help the whole enterprise to contain costs through more efficient utilization of assets and greater overall productivity. Many supply chain managers are today overwhelmed with a range of leading edge supply chain practices, strategies and new business initiatives. However, not all these initiatives, practices and strategies are appropriate for all businesses. Supply chain managers need to understand the constraints of the supply of their products and the uncertainties of demand from customers before trying to match these constraints and uncertainties with the right

supply chain practices. Top managers have recognized that building effective supply chains offers opportunities to create sustainable competitive advantage. The advantages are significant because they impact key competitive dimensions such as product availability, order to delivery cycle time, costs, and customer service. The advantages are sustainable because success requires the merging of diverse and sometimes conflicting groups within the organization and between organizations to achieve common goals (Cooper et al., 1997).

1.1.1 Supply Chain Management Practices

Supply chain management (SCM) is an integrated approach beginning with planning and control of materials, logistics, services, and information stream from suppliers to manufacturers or service providers to the end client; it represents a most important change in business management practices (Fantazy et al., 2010). SCM is one of the most effective ways for firms to improve their performance (Ou et al., 2010). SCM can be viewed as a philosophy based on the belief that each firm in the supply chain directly and indirectly affects the performance of all other supply chain members, as well as ultimately overall supply chain performance (Cooper et al., 1997). The effective use of this philosophy requires that functional and supply chain partner activities are aligned with company strategy and harmonized with organizational structure, processes, culture, incentives and people. Additionally, the chain wide deployment of SCM practices consistent with the above mentioned philosophy is needed to provide maximum benefits to its members. Despite the importance of supply chain activities in cost containment, SCM was long overlooked as a potential area for achieving sustainable competitive

advantage. SCM has seen its role shift from emphasis on passive cost control, to a proactive role in shaping competitiveness and profitability (Fawcett et al., 2008).

SCM practices are defined as the set of activities undertaken by an organization to promote effective management of its supply chain (Li et al., 2005, 2006; Koh et al., 2007); as the approaches applied in integration, managing and coordination of supply, demand and relationships in order to satisfy clients in effective way (Wong et al., 2005); as tangible activities/technologies that have a relevant role in the collaboration of a focal firm with its suppliers and/or clients (Vaart and Donk, 2008); and as the approach to involve suppliers in decision making, encouraging information, sharing and looking for new ways to integrate upstream activities. As a consequence, it involves developing customer contacts by customer feedback to integrate the downstream activities and delivering orders directly to customers (Chow et al., 2008).

Lit et al (2005) developed a measurement instrument for SCM practices. Their instrument had six empirically validated dimensions which included strategic supplier partnership, customer relationship, information sharing, information quality, internal lean practices and postponement. Koh et al. (2007) proposed SCM practices from the following perspectives: close partnership with suppliers, close partnerships with customers, just-in-time supply, strategic planning, supply chain benchmarking, few suppliers, holding safety stock and sub-contracting, e-procurement, outsourcing and many suppliers. Burgess et al. (2006) stated that SCM practices should include leadership, intra-organizational relationships, inter-organizational relationships, logistics,

process improvement orientation, business results and outcomes and IT. Tan et al. (2002) based on their surveys from senior managers in the USA, summarized SCM practices from the following aspects: supply chain integration, information sharing, supply chain characteristics, customer service management, geographical proximity and IT capability. Chong et al. (2009) studies included IT collaboration tools and supplier relationships in their study on supply chain practices. Min and Mentzer (2004) identified SCM practices as agreed vision and goals, information sharing, risks and awards sharing, cooperation, integration of process, long term relationship and agreed supply chain leadership.

1.1.2 Challenges faced in adoption of SCM Practices

Effective SCM hinges more on an understanding of the business processes that must work together. Usually, SCM projects are complex and the required outlays of time and money are great (McCormick, 2001). McCormick (2001) also noted that large companies are conglomerations of business units and acquisitions across the globe. It may take years to integrate the supply chain of such companies. It is necessary to know how the people work together and what kind of information will be exchanged in order to determine which technologies can support these exchanges and the best way to connect them. McCormick speaks of the “Tower of Babel problem” where every customer uses a different system or standard. Mid-tier companies often lack the resources for requisite technology systems. One must not overlook the human issues; workers may over-inflate forecasts or misrepresent inventory information. In addition, one of the first areas to be cut in a budget is SCM (McCormick, 2001).

One of the primary challenges to successful integration of the SC is securing a reliable internal operation capability. An organization's internal operation is the critical cornerstone in creating superior supply chain performance before embarking on external coordination. To gain competitive advantage over rapid change, internal processes must be flexible in responding to market changes. With SCM, a product is pulled through the plant based on customer needs. This requires the flexibility of frequent changes to accommodate mass customization and thus improve customer responsiveness (Lambert and Cooper, 2000). Perry and Sohal (2000) stated that quality and reliability of internal operations in companies will improve operational efficiency and enhance operation performance.

1.1.3 Cosmetic industry in Kenya

According to KAM, Cosmetic industry in Kenya falls under fast moving consumer goods (FMCG) industry which is an important sector that makes a substantial contribution to the country's economic development. It has the potential to generate foreign exchange earnings through exports and diversify the country's economy. This sector has grown over time both in terms of its contribution to the country's gross domestic product and employment. The cosmetic industry is a very lucrative, innovative fast paced industry. Innovation is the key to success, as product life cycles tend to be short hence companies should adopt best supply chain practices in order to remain competitive and to ensure on-time supply (short life cycle) of products. A number of cosmetic companies in Kenya and around the world are also competing against one another to capture a share of the multi-billion dollar cosmetic market. This market has been dominated by a few large multi-

national companies namely Beiersdorf International, Johnson & Johnson, Unilever and PZ Cussons for many years in Kenya (KAM, 2010).

Cosmetic companies compete in a market where rivalry is intense with a plethora of brands and sub brands occupying both the lower and upper tiers of the price continuum. Kenya, given its diverse population base, wealth of natural resources and highly marketable and exploitative factors of endowment – provides an opportunity to improve the overall value of the brands to its shareholders and equity partners. Significant economies of scale and scope can be gained in this developing country, especially where the need exists to maximize productivity and profitability (KAM, 2010).

For almost two decades, Managers have been learning to play by a new set of rules. Companies must be flexible to respond rapidly to competitive and market changes. They must benchmark continuously to achieve best practice. They must outsource aggressively to gain efficiencies. And they must nurture a few core competencies in the race to stay ahead of rivals. The quest for productivity, quality and speed has spanned a remarkable number of management tools and techniques such as total quality management, benchmarking, time-based competition, outsourcing, partnering, re-engineering and change management. Although the resulting operational improvements have been dramatic, many companies have been frustrated by their inability to translate those gains into sustainable profitability (KAM, 2010).

1.2 Research Problem

SCM is one of the most effective ways for firms to improve their performance and remain competitive (Ou et al., 2010). With the purpose of managing the SC activities for realizing improvement in enterprise performance, it is necessary to improve management of activities such as materials planning, inventory management, capacity planning, and logistics with suppliers and clients (Chandra and Kumar, 2000). According to Hu, Yang and Huang, SC practices that are essential in effective management of supply chains include: supply chain coordination, distribution and transport, inventory management, order management, planning and optimization, supply chain integration, reverse logistics, supply chain information, supplier and vendor selection, and green supply chain management (Hu et al., 2010). According to KAM (2010), cosmetic companies play a key role in the Kenyan economy. They are major employers of the Kenyan population. They also provide ready market for different products as raw materials at the different stages in the production process and as a source of revenue for the government in the form of taxes.

Manufacturers and importers of cosmetic products in Kenya face stiff competition. According to Nkirote (2004), when the Kenyan economy was liberalized in the early 1990s, several major industries that had operated as monopolies suddenly came face to face with unexplained competition. According to KAM (2010), there are twelve major players in the cosmetic market which has resulted in a reduction of market shares of older companies, their sales revenues and ultimately their profitability. Cosmetic companies must therefore improve their operational performance to remain competitive and

profitable. SCM is one of the most effective ways for firms to improve their performance (Ou et al., 2010).

While interest in SCM is increasing day-by-day, there is no consensus about the conceptual and methodological research bases of SCM, generating gaps in the state-of-the-art of this research field (Burgess et al., 2006). In addition, the lack of a comprehensive view of SCM practices and the lack of a reliable measure of the concept have constrained guidelines to the practice of SCM and further research on the topic (Li et al., 2005).

For this reason, the validation of SCM practices issue has been attracting the attention of researchers. For example, Li et al. (2005) conceptualized, developed, and validated dimensions of SCM practices. Nonetheless, there are no unanimities in determining the set of indicators that can adequately address the topic ‘‘Supply Chain Management Practices’’. Studies performed by Halley and Beaulieu (2010), Bayraktar et al. (2009), Hsu et al. (2009), Robb et al. (2008), Chow et al. (2008), Koh et al. (2007), Zhou and Benton (2007),Wong et al. (2005), Tan et al. (2002) and Tan (2002) pointed out different types of indicators and constructs used. Therefore, studying SCM practices can contribute to finding a better understanding about SCM.

A number of studies have been conducted on SCM in Kenyan companies; Mwanyota (2004) did a survey on Supermarkets in Nairobi integrating SCM and ERP systems and found out that majority of Supermarkets that took part in the study were moderately

aware of the use of SCM, Mwirigi (2007) researched on Green Supply Chain management practices by manufacturing firms in Kenya and found out that awareness of the role of GSCM practices was lacking among locally owned manufacturing firms in Kenya, Orukoh (2007) studied SCM practices at Numerical Machining Complex Ltd and found out that SCM practices were not fully embraced by players at the Numerical Machining company even though they appreciated SCM practices, Gwako (2008) researched on SC performance measurement at Kenya Airways Ltd and found out that there was a growing application of the concept of SC and it's management and that there is no single measure that can be used to effectively cover all the various functions within a supply chain. To the best of my knowledge there has been no study done in the area of SCM practices in the cosmetic industry in Kenya and this study is therefore meant to fill this gap. This study therefore tries to address the following question: What are the supply chain practices adopted in Kenya by the cosmetic sector? And what are the challenges of the implementation of these SCM practices?

1.3 Research Objectives

The objectives of the study are:

i. To determine the supply chain practices adopted by cosmetic companies in Kenya
ii. To establish the challenges faced in adopting the supply chain practices

1.4 Value of the study

Scholars can benefit from this study by expanding their knowledge in the supply chain processes. The study would also be useful to researchers as a basis for further research.

Presumably, companies, their suppliers, customers, and third parties can benefit from a more open information flow by using the information to: reduce or eliminate unnecessary inventory, improve their planning, develop active rather than reactive operations, smooth product flows, trim cost and improve service to the customers. Companies would realize the important roles played by the members in the SC; the unique situations in the suppliers' processes and how SCM can help organizations in continuous improvement of performance through continuous learning and embracing better methods in integrating suppliers with customers.

The findings of this paper will also assist corporate managers in making sound and informed management decisions and enable them to focus on their customers more efficiently. With such exposition, managers will understand how firms can perform better and add value to the shareholders under Supply Chain Management orientation. Increased performance as a result of implementing SCM practices will tend to spur economic development and attract investors in the local manufacturing industry.

The study will avail information to the Kenya's cosmetic regulatory authorities whose interest is to ensure supply of quality and safe cosmetic products to the Kenyan public, government and policy makers for improvement on their systems and better decision making.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter seeks to outline and discuss the supply chain practices in organizations with special focus on those emanating from cosmetic industry. The literature review gives the foundation of the research. The chapter discusses supply chain practices and how it enhances competitiveness and performance of a firm. It also looks at challenges of supply chain practices

2.2 Supply Chain Management

Supply Chain Management (SCM) is an integrated approach beginning with planning and control of materials, logistics, services, and information stream from suppliers to manufacturers or service providers to the end client; it represents a most important change in business management practices (Fantazy et al., 2010). SCM is one of the most effective ways for firms to improve their performance (Ou et al., 2010). SCM requires a change from managing individual functions to integrating activities into key supply chain processes. SC is a sequence of events intended to satisfy a customer and it includes procurement, manufacture, distribution and waste disposal, together with associated transportation, storage and information technology. A SC is that network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer. The three primary components of SCM are information, logistics and finance (Lysons and Farrington, 2006).

According to Lambert and cooper (2000), operating an integrated supply chain requires continuous information flow. The success of the individual SC partners depends upon the overall success of the supply chains in which the partners participate. The theoretical proposition is that success at the SC level will result in success at the organizational level. Seamless flow of physical and non physical assets amongst companies would lead to pooling synergy and optimization of tangible and intangible assets that are potentially available to the individual companies (Upton and McAfee, 1996).

According to Hoek and Chapman (2006), bringing in creative SC designs can feed into the marketing concept of new products and position the SC not only for product availability at the launch but also for efficiency and an edge in the market. Gardner and Cooper (2003) argued that a well executed strategic SC map can enhance the strategic planning process, distribution of key information, facilitate SC redesign or modification, clarify channel dynamics, provide a common perspective, enhance communications, enable monitoring of SC strategy and provide a basis for SC analysis. The map or chart can therefore be used to identify where savings can be made or value added (Lysons and Farrington, 2006).

2.3 Supply Chain Management Practices

SCM practices are viewed from a variety of different perspectives and multi-dimensional concept. Li et al. (2006) defined SCM practices as the set of activities undertaken in an organization to promote effective management of its supply chain. Donlon (1996) described the SCM practices to include supplier partnership, outsourcing, cycle time

compression, and continuous process flow and information technology sharing. Tan et al. (1998) empirically assessed the inclusion of purchasing, quality, and customer relations dimensions to represent SCM practices. Tan (2002) also recommended that SCM practices to include the flow of materials and information and postponement strategy and mass customization.

In a similar way, Tan et al. (2002) identified six dimensions of SCM practices through factor analysis namely supply chain integration, information sharing, supply chain characteristics, customer service management, geographical proximity and just in time (JIT) capability. Chen and Paulraj (2004) used supplier base reduction, long-term relationship, communication, cross functional teams and supplier involvement to measure SCM practices. In addition, Min and Mentzer (2004) identified the concept SCM practices through system approach which includes dimensions such as agreed vision and goals, information sharing, risk and reward sharing, cooperation, process integration, long-term relationship and agreed supply chain leadership. Subsequently, realizing the importance of the SCM practices, Li et al. (2005) conceptualized, developed, and validated six dimensions (strategic supplier partnership, customer relationship, information sharing, information quality, internal lean practices, and postponement) of SCM practices and conducted a test on its relationship with the firms competitive advantage and performance (Li et al., 2006). Burgess et al. (2006) stated that SCM practices should include leadership, intra-organizational relationships, inter-organizational relationships, logistics, process improvement orientation, business results and outcomes and IT.

2.3.1 Strategic Supplier Partnership

Strategic Suppliers Partnership (SSP) is defined as the long-term relationship designed to leverage the strategic and operational capabilities of individual participating organization to achieve significant benefits to each party (Li et al., 2006). A true supplier partnership, encourages mutual planning and problem solving efforts (Gunasekaran et al., 2004), and is critical in operating a leading-edge supply chain. Azar et al. (2009) investigated the impact of supplier management on the performance and found that effective supplier management is directly related to higher level of performance and conformance. Similarly, Bordonaba and Cambra (2009) also viewed supply chain partnering (which is the broader concept of supplier strategic partnering) as crucial asserting that such strategic collaboration will definitely enhance performance among supply chain collaborative partners.

SSP is viewed as the firm's ability to coordinate and integrate resources with their respective partners. Griffith and Harvey (2001) considered the ability to coordinate inter-organizational relationships effectively as one of the important resources of the firms. Wu et al, (2006) viewed SSP as one of the key supply chain capability and refer SSP to the ability in coordinating the partner's transaction-related activities. These capabilities improve operational efficiency and performance between the partners. Similarly, supply chain leaders viewed the ability to integrate strategies in an effort to jointly execute a collective activity as an important capability (Grant, 1996). In a similar notion, SSP represents this ability. Hence, strategic partnering with suppliers will be able to enhance the supply chain efforts to better performances. Adopting early supplier involvement,

operational activities, such as product development projects, can offer more cost effective design choices, and improved product quality and reduction in lead time (Tan et al., 2002). Through strategic suppler partnerships, organizations can work closely with suppliers who can share responsibility for the success of the products (Li et al., 2005. Such strategic supplier partnerships should enable successful SCM.

A result of increasing reliance on suppliers has been that shortcomings in supplier performance and/or competency may present buying firms with problems such as missed shipping dates and inferior quality levels. For other companies however, superior supplier performance or capability may lead to superior quality and/or rapid integration of the latest technological breakthroughs into the buying firm's own products through early supplier involvement (Ragatz et al., 1997). Suppliers may also participate earlier in the product design process to render more cost-effective design choices, develop alternative conceptual solutions, select the best components and technologies, and help in design assessment (Monczka et al., 1994). Emphasizing internal competencies requires greater reliance on external suppliers to support non-core requirements, particularly in design and engineering support (Prahalad and hamel, 1990). Firms may thus find that they have replaced the need for one set of competencies with another, that of effectively managing relationships with suppliers.

2.3.2 Information Sharing in Supply Chains

The success of a company's SCM depends upon the accuracy and speed of the information provided by each business partner (Chong et al., 2009). Information Sharing

(IS) refers to the extent to which critical and proprietary information is communicated among supply chain members with regards to market, product and customer information (Mentzer et al., 2001). The Resource-Based View of the firm emphasizes on the ability of firms in generating new knowledge and ability in facilitating information sharing. Knowledge acquisition, assimilation, transformation and exploitation which are termed as absorptive capacity in literature are important dimensions of organizational capability. Therefore, information sharing with partners is considered as important elements of supply chain capability. Wu et al., (2006) conceptualized information exchange as one of the constructs representing supply chain capabilities.

The effort in providing information and making it visible to other parties in the supply chain allows for faster and accurate business decisions that translates as a source of competitive advantage (Moberg et al., 2003). As such, information sharing is regarded as the terminator of "bullwhip effect" (Fiala, 2005) that reduces the total cost of the supply chain in delivering efficient supply chain performance (Gavirneni, 2006). In other words, a successful sharing of useful information between the supply chain partners can result in a reduction in inventory and manufacturing cost, better understanding of customer needs, and faster response to market changes (Li et al., 2006).

2.3.3 IT usage in Supply Chain Management

Porter and Miller (1985) strongly advocated that IT changes industry structures and rules of competition, creates competitive advantage, and creates new business advantage. Bowersox and Daugherty (1995) outlined that IT is key in supporting companies creating

competitive advantage by enabling centralized strategic planning with day to day centralized operations. Much of the current interest in SCM is motivated by the possibilities that are introduced by the abundance of data and savings inherent in the sophisticated analysis of these data. The innovative opportunities coming to the forefront with electronic commerce (e-commerce), especially through the internet, have increased the interest in IT.

The primary goal of IT in the supply chain is to link the point of production seamlessly with the point of delivery or purchase. The idea is to have an information trail that follows the product's physical trail. This allows planning, tracking and estimating lead times based on real data. The data should be accessible in the system from a single point of contact. Managers analyze, plan activities and make decisions based on information from the entire supply chain. Clear communications and quick responses to those communications, are key elements of successful SCM. IT technologies in SCM, such as EDI, ERP and CRM systems can improve supply chain performance and enable great opportunities, ranging from direct operational benefits to the creation of strategic advantage. A common view is that IT has a profound impact on managing supply chains. Examples of IT in supply chains are providing accurate information and helping supply chain members to share information in real time, improving planning and control of operations for the organizations, as well as indirectly increasing customer satisfaction (Spathis and Constantinides, 2004).

Technologies of the internet and the web can enhance effective communication. Software that uses the internet can help members of the SC review past performance, monitor current performance and predict when and how much of certain products need to be produced. However, although IT is an enabler and integrator of SCM, organizations need performance measurements and key practices in place to have an effective system. That is, "an IT solution for SCM is only as good as the business foundation on which it is built" (Kolbusak-McGee, 1998).

2.4 Impact of SCM practices on performance

SCM and related strategies are crucially important to the success of a firm. This is because the cost and quality of goods and services sold are directly related to the cost and quality of goods and services purchased. Therefore, supply chain policies such as procurement and supplier selection have an important role in the SCM. Lean practices to improve the internal processes of an organization in line with the principles of JIT supply are other highly recognized practices in SCM. Integration of internal processes of the organization with the suppliers and customers forms the essence of the whole idea behind SCM. The importance of better tracking of products logistics, improved efficiency in information processing, improved security, reduced counterfeit, fast-tracked quotation and ordering, improved customer relationships, better control of supplies on the SCM performance has been repeatedly reported (Burgess et al., 2006).

A central objective of effective SCM is to create a major source of competitive advantage for the enterprise to differentiate itself in the eyes of the customers from its competitors by operating at a lower cost and hence at a greater profit (Christopher, 1992). Gunasekaran et al. (2004) developed a framework for SCM performance measures process (plan, source, make and deliver) and level of management (strategic, tactical and operational levels). The measures of the operational performance construct used in the study are flexibility, reduced lead time in production, forecasting, resource planning, cost saving and reduced inventory level.

SCM practices may enhance a firm's flexibility, which could be defined as the firm's ability to adapt to the changes in its business environment. The adaptation of the "many suppliers" practice could increase flexibility generating alternative sourcing for procurement by reducing supply chain risks. Building long partnership relations with suppliers and customers also helps to improve the flexibility of the supply chain by creating a mutual understanding among the members (Chang et al., 2005). Holding safety stock and subcontracting could dampen down supply and demand chains uncertainties through delivering from inventory and/or purchasing subcontracted resources. Outsourcing and 3PL are two of the frequently used SCM practices by firms to provide flexibility to internal capacity to ring fence their resources for the core activities.

E-procurement, delivery from stock, single sourcing and JIT delivery practices may help reduce lead time as well as increase responsiveness and thus provide competitive advantage to the firm thorough reduced lead time in production (Mangan and

Christopher, 2005). JIT supply allows minimum inventory holding through supplies delivered when they are needed. This SCM practice will not only reduce inventory level, but will also free up warehouse space and un tighten cash flow (Mistry, 2006). This is particularly important for SMEs which are in constant need for cash to run the business. With appropriate strategic planning, it may be anticipated that the utilization will be optimized leading to cost savings. For example, reduced cycle time in production could be materialized through reducing set up time/or eliminating non value added activities. With shortened cycle time, more orders could be processed, which would the result in improved efficiency and reduce ordering cost.

Although financial performance is the ultimate aim of any business organization, other indicators such as innovation performance, market share, and other non-financial performance indicators may also be equally important in evaluating the impact of SCM practices on firm performance. The short term objectives of SCM are essentially to enhance productivity and reduce inventory and lead time, while long-term objectives are to increase market share and integration of supply chain for all members of the supply chain (Tan et al., 2002). The use of e-procurement tool would assist the company to provide a more accurate costing for the product and service produced. This can be achieved through real-time evaluation and the updated information in key accounts of buyers and suppliers. Working with "few suppliers" helps reduce the number of transactions for procurement. "JIT supply" reduces the holding cost, which is hard to predict. The cost of goods and services outsourced to subcontractors and 3PL companies may be calculated more accurately than producing them in-house.

Strategic planning could increase integration between various departments of an organization through information retrieval and sharing. This SCM practice helps to reduce the departmental barriers and generate an organization-wide plan. “JIT supply” and “few suppliers” practices are the consequences of JIT philosophy which traditionally relies on tight collaboration in every levels of organization. The benefits of close relationship with suppliers and customers are only realized in a well coordinated organization. The use of few suppliers, forming close partnerships with suppliers and practice of e-procurement could increase coordination with suppliers. The practice of using few suppliers helps to build more effective supplier relationships. Through establishing close relationships with suppliers, product, process and technology innovations could be achieved, e.g. joint development of new product, joint effort in reducing purchased lead time, and cross training workforce. This partnership will not only benefit the supplier and the customer, but will also improve the coordination with the suppliers due to a closer “control” of the supply chain (Helo and Szekely, 2005).

2.5 Challenges faced in adoption of SC practices

Effective SCM probably hinges more on an understanding of the business processes that must work together than on the choice of technology. Usually, SCM projects are complex and the required outlays of time and money are great (McCormick, 2001). Many large companies are conglomerations of business units and acquisitions across the globe. It may take years to integrate the supply chain of such companies. It is necessary to know how the people work together and what kind of information will be exchanged in order to determine which technologies can support these exchanges and the best way to connect

them. One must not overlook the human issues; workers may over-inflate forecasts or misrepresent inventory information. In addition, one of the first areas to be cut in a budget is SCM (McCormick, 2001).

One of the primary challenges to successful integration of the SC is securing a reliable internal operation capability. An organization's internal operation is the critical cornerstone in creating superior supply chain performance before embarking on external coordination. To gain competitive advantage over rapid change, internal processes must be flexible in responding to market changes. With SCM, a product is pulled through the plant based on customer needs. This requires the flexibility of frequent changes to accommodate mass customization and thus improve customer responsiveness (Lambert and Cooper, 2000).

Despite these challenges, the literature offers suggestions for effective implementation of SCM. McCormick (2001) suggests slowly integrating various segments of a company into SCM system in the presence of limited resources. The internet can lower the cost of SCM for mid-tier companies as well as allow direct connection to companies' main suppliers if the suppliers are online Companies desiring to enhance the effectiveness of SCM efforts must look at the whole supply chain during the planning process and be sure to carefully assess the cooperation that can be expected from other supply chain members. It is not likely that one vendor will be able to offer a complete package to meet an organization's needs which means that management will most likely need to coordinate technology from multiple vendors (McCormick, 2001).

Gaining benefits of SCM investments requires true integration among supply chain

members. Integration may lead to overhauling the way work gets done in the organization. For example, firms may find that installation of manufacturing and production planning software can require that its plants begin processing to a demand-based schedule instead of making whatever they can each day. Such reengineering of business processes can take years and cost millions of dollars including the investment in new technologies (Stedman, 2000). When large expenditures are undertaken, it is essential to ensure that the expenditures result in the ultimate goal of management, i.e. maximization of firm value.

2.6 Chapter Summary

A supply chain is composed of all the companies involved in the design, production, and delivery of a product to market. Supply chain management is the coordination of production, inventory, location, and transportation among the participants in a supply chain to achieve the best mix of responsiveness and efficiency for the market being served. The goal of supply chain management is to increase sales of goods and services to the final, end use customer while at the same time reducing both inventory and operating expenses. Each company focuses on its core competencies and capabilities for the design and delivery of products to market. Companies must focus on improvements in their core competencies in order to keep up with the fast pace of market and technological change in today's economy.

To succeed in the competitive markets that make up today's economy, companies must learn to align their supply chains with the demands of the markets they serve. Supply chain performance is now a distinct competitive advantage for companies who excel in this area. In regard to this, the researcher seeked to determine the various supply chain practices adopted by the cosmetic industry in Kenya, that is, which are the SCM best practices used by these firms? and further highlight the challenges that affect the adoption of those practices. It should be noted that, Supply chain management is an evolving process. Supply chain management can provide great payoffs in cost and efficiency to the organization. Enabled with improving technology and a broader view of the organization, supply chain management addresses the issues of complexity and competition by exploiting and enhancing the chain to provide strategic, financial, and competitive advantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology that was used in the study and had the following structure: research design, target population, data collection procedures and instruments and the data analysis methods to be applied.

3.2 Research Design

The study was a descriptive design. According to Uma Sekaran (2003), a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest. Some empirical studies have employed the use of descriptive design in survey studies. Wairegi (2009) used descriptive design in a survey of the influence of competitive strategies on performance of oil firms in Kenya, while Wamiori (2009) used the design to study Survey of pricing studies adopted by manufacturers of Fast Moving Consumer Goods in Mombasa District and its environs. This study aimed at determining supply chain management practices used by cosmetic companies in Kenya and the challenges firms face in adopting the practices.

3.3 Population

The target population of study was all the cosmetic firms in Kenya. However, the population of study was limited to cosmetic companies dealing with skin care products which are located in Nairobi's industrial area (See Appendix 2). The subjects of the study were limited to Supply Chain Managers, Procurement Managers, Logistics Managers, and Manufacturing Managers working in the various cosmetics firms, as the study was

based on the assumption that these were the officers with past and present knowledge of the supply chain management practices and would thus best placed to offer valuable information to the study.

3.4 Data Collection

Both the primary data and the secondary data were collected. Primary data involved first hand information from the representative sample. Primary data was collected using a semi-structured questionnaire from 4 Managers (Supply Chain, Procurement, Manufacturing, and Logistics) in the cosmetic firms in appendix 2, personally delivered to them. This enabled the researcher to get clarifications where necessary. Based on the above a sample of 48 respondents was considered for the study. This conforms to the rule of thumb that to be representative, a sample should have 30 or more test units (Wayne and Terrell, 1995).

The questionnaire consisted of both open and close ended questions relevant to the study. The questionnaire was divided into three sections. Section A contained aspects of bio data of the company, section B contained questions on supply chain practices adopted by cosmetic companies in Kenya, and Section C contained questions on challenges that influence their adoption of SCM practices (Appendix 3). The researcher undertook a pilot survey to pre test the validity and credibility of the questionnaire. This was done by administering the question to three employees who were not part of the sample population. The questionnaires were then adjusted accordingly for consistency, clarity and relevance.

3.5 Data analysis

Responses in the questionnaires were tabulated, coded and processed by use of a computer. The data was edited for consistency and completeness, coded and classified so as to present the results of the data analysis in a systematic and clear way. Data was analyzed with the help of the Statistical Package for Social Sciences (SPSS) programme. Data analysis was based on research questions designed at the beginning of the research. Descriptive statistics used to analyze the data included measures of central tendency, frequency tables, percentages, and means. According to Mugenda and Mugenda (1999) descriptive statistics enable meaningful description of a distribution of scores or measures using a few indices or statistics. The results of the study were compared with literature review to establish the supply chain management practices used in the cosmetic industry in Kenya.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the study which sought to determine the supply chain practices adopted by cosmetic companies in Kenya and further establish the challenges faced in adopting the supply chain practices. Data was collected from thirty-five (35) managers involved in supply chain management roles in cosmetic companies in Kenya. Out of the fourty-eight (48) managers who were sampled and the questionnaire administered, only thirty-five (35) responded. This gave a response rate of 73% which is a good representation of the study population. The collected data was presented in form of tables and charts; the analysis was based on the objectives of the study namely, to determine supply chain management practices adopted by cosmetic companies in Kenya; and to establish the challenges cosmetic firms face in adopting these supply chain management practices.

4.2 General Information

In order to capture the general information of the respondents' issues such as gender, age, education qualification and duration of work was captured in the first section of the questionnaire. This was important because it enhanced reliability and gave the basic understanding of the respondents.

4.2.1 Respondents Name of Company

Table 4.1 Name of company

Companies Name	Frequency	Percent
Unilever Kenya Ltd	4	11.4
Sara Lee ltd	3	8.6
Beiersdorf East Africa Ltd	3	8.6
Flame Tree (zoe) Brands Ltd	2	5.7
Buyline Industries Ltd	3	8.6
Haco Industries Ltd	3	8.6
Oasis Ltd	2	5.7
Inter-Consumer Products Ltd	4	11.4
Tri – Clover Industries Ltd	2	5.7
PZ Cussons EA Ltd	4	11.4
European Perfumes & Cosmetics	3	8.6
United Chemical Industries Ltd	2	5.7
Total	**35**	**100.0**

Source: Research Data

The study shows that 11.4% of the respondents were from Unilever Kenya Ltd, Inter-Consumer Products Ltd and PZ Cussons EA Ltd respectively while 8.6% of the respondents were from Sara Lee ltd, Beiersdorf East Africa Ltd, Buyline Industries Ltd, Haco Industries Ltd and European Perfumes & Cosmetics. On the other hand, 5.7% of the respondents were from Flame Tree (zoe) Brands Ltd, Oasis Ltd, Tri – Clover Industries Ltd and United Chemical Industries Ltd. It was noted from the relatively low response rates from smaller organizations that one manager in these organizations cover a wider role of supply chain management activities, and hence the few number of response rates.

4.2.2 Respondents Department

Table 4.2 Respondents Department

Department	Frequency	Percent
Procurement	15	42.9
Logistics	11	31.4
Manufacturing	9	25.7
Total	**35**	**100.0**

Source: Research Data

The study shows that most respondents (42.9%) were in procurement department, 31.4% were in logistics department while 25.7% were in manufacturing department. Manufacturing respondents were largely from larger organizations since in smaller organizations, managers in charge of procurement and Logistics are also responsible for manufacturing roles with supervisors being directly involved in doing day to day management of manufacturing processes.

4.2.3 Department

Figure 4.1 Gender of the Respondents

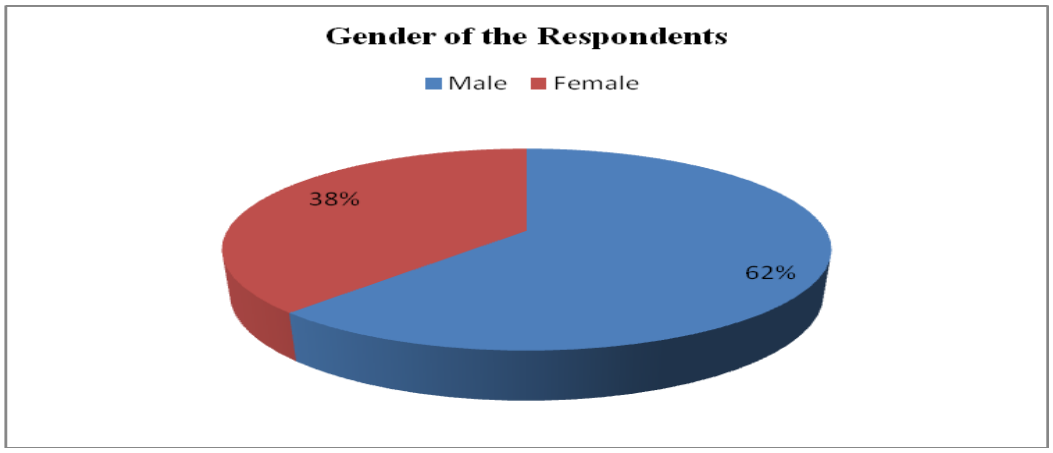


Figure 4.1 shows that majority of the respondents (62%) were males while 38% were females. Majority of the respondents were males because, males occupy much of supply chain management roles in manufacturing organizations in the cosmetic industry in Kenya.

4.2.4 Age of the Respondents

Table 4.3 Age of the Respondents

Age Bracket	Frequency	Percent
20 – 25	-	-
26 – 35	6	17.1
36 – 45	17	48.6
46 – 55	10	28.6
Above 55	2	5.7
Total	**35**	**100.0**

Source: Research Data

The study shows that most of the respondents (48.6%) were between 36-45 years of age while 25.7% were between 46 – 55 years of age. On the other hand, 17.1% of the respondents were 46-55 years of age while 5.7% were over 55 years of age. Most managers in supply chain within the cosmetic industry fall under the 46-55 years age bracket.

4.2.5 Ownership of the Company

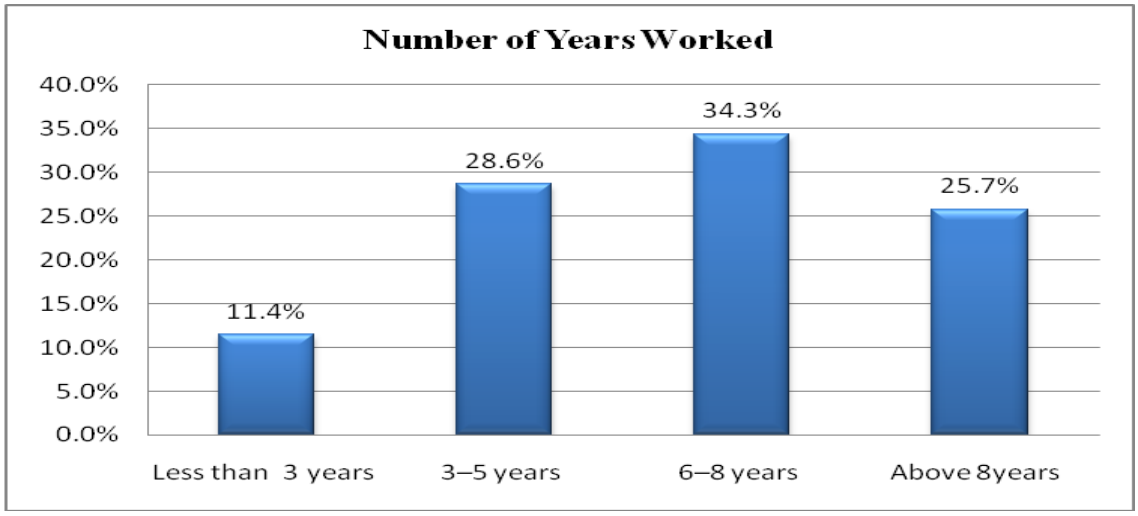
	Frequency	Percent
Local	21	60.0
Foreign	14	40.0
Total	**35**	**100.0**

Source: Research Data

Majority of the respondents (60%) revealed that their organizations were locally owned while 40% indicated that they were foreign owned. Most cosmetic firms in Kenya are locally owned.

4.2.6 Duration Worked in the Organization

Figure 4.2 Number of Years worked in the Organization



The study shows that most of the respondents (34.3%) had worked in their organization for a period of 6-8 years while 28.6% had worked fore a duration 3-5 years. On the other hand, 25.7% of the respondents revealed that they had worked in their organization for over 8 years while 11.4% had worked in the organization for less than 3 years. The findings show that most managers working within the supply chain functions in cosmetic firms in Kenya are appointed to these roles after working with the same firm for over three (3) years.

4.3 Supply Chain Practices

In this section, the study sought to determine the supply chain integration practices in the organizations under study. The results of the findings are as shown below.

Table 4.4 Supply Chain Practices Integrated in the Organizations

	Mean	Std. Deviation
Consistent performance measures are used across the supply chain	1.4196	1.13820
Suppliers are involved in production planning	1.7140	1.03529
Common set of operating policies are shared by members of the supply chain	1.7680	1.09204
Response times are regularly reduced across the supply chain	2.0998	1.10254
Information systems are highly integrated throughout the supply chain	2.5476	1.05739
Customers are involved in production planning	2.5568	1.00505
Frequent contact with supply chain members is established	3.1573	1.02952
Customers are involved in demand forecasting	3.1647	1.37359
Suppliers are involved in demand forecasting	3.2854	1.15728
The organization regularly improves the integration of activities across the supply chain	3.4058	1.72071
Customers are involved in product development	3.4767	1.58612
The organization searches for new ways to integrate supply chain activities	3.5661	1.25926

Source: Research Data

The study shows that majority of the respondents agreed that consistent performance measures were used across the supply chain; suppliers were involved in production planning and that common set of operating policies were shared by members of the supply chain; this is shown by mean scores of 1.4196, 1.7140 and 1.7680 respectively on the continuous likert scale. Respondents were however neutral on whether customers were involved in demand forecasting (3.1647), product development (3.4767); and on whether suppliers were involved in demand forecasting (3.2854). The respondents were also neutral on whether their organizations regularly improved the integration of supply chain activities across the supply chain as shown by a mean score of 3.4058 on the likert scale.

Table 4.5 Strategic Supplier Partnership Practices in the organization

In this section, the study sought to determine the strategic supplier partnership practices in the organizations under study. The results of the findings are as shown below.

	Mean	**Std. Deviation**
Key suppliers are actively involved in New Product Development	1.5082	0.50616
Supplier performance is closely monitored and is the basis for future business	1.6780	1.02904
Long – term contracts are negotiated with key Suppliers	1.7317	0.55424
Greater level of trust with key suppliers is created by the organization	1.7832	0.63052
The organization takes advantage of supplier – provided technical support capabilities	1.9326	0.85913
The organization has created compatible information system with key suppliers	2.3072	0.72347
Key Suppliers are carefully screened and assessed before they are selected	2.3809	1.07932
Supply chain activities are extended beyond immediate suppliers	3.5013	0.84726
Key suppliers are included in planning and goal setting activities	3.5058	1.72071
Problems are regularly solved jointly with Suppliers	3.5211	1.25926
Key suppliers are included in continuous improvement programs	3.5256	1.04582
Supplier alliances operate under principles of shared rewards and risks	3.6023	1.22236

Source: Research Data

Table 4.5 shows that majority of the respondents agreed that key suppliers were actively involved in new product development and that supplier performance was closely monitored and was the basis for future business; this is shown by mean scores of 1.5082 and 1.6780 respectively. It was also found out that long – term contracts were negotiated with key suppliers and greater level of trust with key suppliers was created by the organization; this is shown by mean scores of 1.7317 and 1.7832 respectively on the continuous likert scale. The respondents further agreed that the organization had created compatible information system with key suppliers and that key suppliers were carefully screened and assessed before they were selected; this is shown mean scores of 2.3072 and 2.3809 respectively. However, the respondents were neutral on whether supply chain activities were extended beyond immediate suppliers and on whether key suppliers were included in planning and goal setting activities as shown by mean scores of 3.5013 and 3.5058 respectively.

Table 4.6 Information sharing practices in the organization

In this section, the study sought to determine the information sharing practices in the organizations under study. The results of the findings are as shown below.

	Mean	**Std. Deviation**
Trading partners keep the organization fully informed about issues that affect the organization business	1.52	0.506
Current skill level of supply chain employees in their jobs in the organization is adequate	1.60	0.709
The organization participates in the customer's marketing efforts	1.70	0.608
Trading partners share information with the organization that helps establishment of business planning	1.90	0.744
Trading partners share proprietary information with the organization	2.45	0.504
Formal information sharing about new product launches with key suppliers	2.58	0.501
Customer future needs are determined	2.60	0.744
Customer feedback is obtained on services adequacy	2.67	0.474
Trading partners are informed in advance of changing needs	2.75	0.783
Trading partners share business knowledge of core business processes with the organization	3.93	0.917

Source: Research Data

Majority of the respondents agreed that trading partners keep the organization fully informed about issues that affect the organization business and that current skill level of supply chain employees in the organization was adequate; this shown by bean scores of 1.52 and 1.60 respectively. It was found out that the organizations participated in the customer's marketing efforts (1.70) and trading partners shared information with the

organization that helped establishment of business planning (1.90). The respondents were neutral on whether customer future needs were determined (2.60); customer feedback was obtained on services adequacy (2.67) and on whether trading partners were informed in advance of changing needs (2.75). However the respondents disagreed that trading partners shared business knowledge of core business processes with the organization as shown by a mean score of 3.93 on the continuous likert scale.

Table 4.7 IT Usage in the Organization Supply Chain.

In this section, the study sought to determine the information technology practices in the organizations under study. The results of the findings are as shown below.

	Mean	**Std. Deviation**
IT used throughout the organization is up to date	1.7658	.75461
Significant investments are being made in enterprise wide information systems	2.2204	1.02306
IT- based automated ordering is used to send purchase orders to major suppliers	2.2552	1.05866
IT system throughout the supply chain is automated	2.3958	1.15444
Information applications are integrated within the firm	2.6288	1.34216
The production/service process is automated	3.3466	.94534
Ordering system from major customer is IT enabled and automated	3.4070	.98447
The organization is flexible in terms of accommodating customers' special IT – based information system requests	3.4342	0.98738

Source: Research Data

On information technology in the management of the organization's supply chain; majority of the respondents agreed that IT used throughout the organization was up to date and that significant investments were being made in enterprise wide information systems; this is shown by mean scores of 1.7658 and 2.2204 respectively. The respondents further agreed that IT- based automated ordering was used to send purchase orders to major suppliers (2.2552) and that IT system throughout the supply chain was automated (2.3958). The respondents were however neutral on whether: the production/service process was automated (3.3466); ordering system from major customer was IT enabled and automated (3.4070) and on whether the organization was flexible in terms of accommodating customers' special IT i.e. based information system requests (3.4342).

4.4 Supply Chain Challenges

Table 4.8 Challenges in SCM implementation

In this section, the study sought to determine the challenges organizations under study face in adopting supply chain management practices. The results of the findings are as shown below.

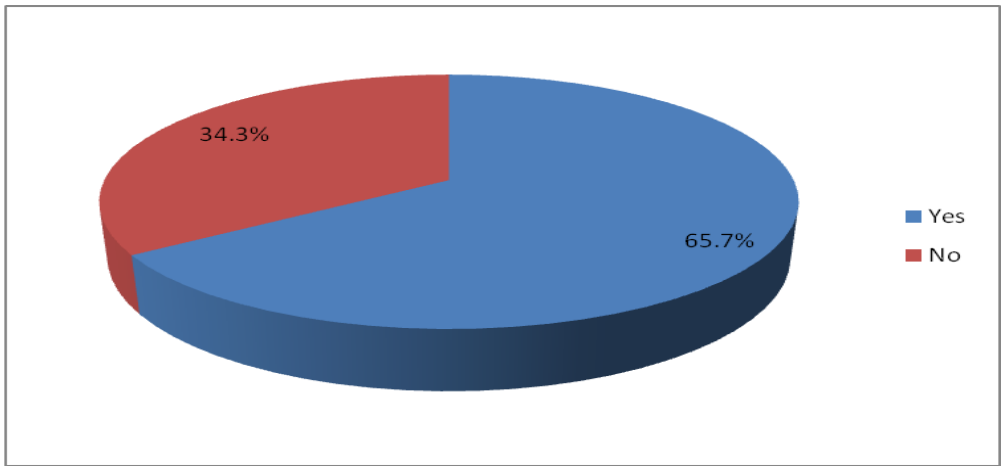
	Mean	Std. Deviation
Suppliers' geographical distance	1.10	1.165
Supply chain disruptions	1.60	1.501
Resistance to supply chain management changes	1.70	1.129
Lack of adequate resources to implement supply chain initiatives sufficiently	1.85	1.268
Customers' geographical distance	1.90	1.518
Dealing with counterfeit goods	2.05	1.100
Complexities in the supply chain	2.16	.958
Competition from other supply chains	2.21	1.134
Major customer pressures	2.21	1.134
Short product life cycles	2.35	1.050
Inadequate supply chain performance measures	2.41	1.188
Lack of leverage within the organization's supply chain	2.65	1.348
Lack of interest among supply chain members	2.74	1.284
Lack of supply chain management knowledge	2.80	1.322
Poor sales and operations planning process	3.15	1.348
Ethical responsibility problems in the supply chain	3.20	1.196
Inadequate information systems linkages exist within the supply chain	3.35	1.182
There is lack of trust among supply chain members	3.40	1.095
Inconsistent quality supplies	3.50	1.000
There is lack of cooperation among supply chain members	3.55	1.234
Conflicts among supply chain members	3.60	1.231
Political/Government influence	3.65	1.309
Lack of top management support	3.70	.801
Poor visibility of demand	3.74	.872

Source: Research Data

The study found out that there were challenges affecting effective adoption of supply chain. Majority of the respondents agreed that effective adoption was hampered by suppliers' geographical distance (1.10); supply chain disruptions (1.60); resistance to

supply chain management changes (1.70); lack of adequate resources to implement supply chain initiatives sufficiently (1.85); customers' geographical distance (1.90). Other challenges agreed upon by the respondents were complexities in the supply chain (2.16); competition from other supply chains (2.21); short product life cycles (2.35); and inadequate supply chain performance measures (2.41). On the other hand, the respondents neutral on whether lack of leverage within the organization's supply chain; lack of interest among supply chain members; lack of supply chain management knowledge and inadequate information systems linkages within the supply chain hampered adoption of effective supply chain management; this is shown by mean scores of 2.65, 2.74, 2.80 and 3.35 respectively on the continuous likert scale.

Figure 4.3 Challenges in enhancing effective supply chain management



Majority of the respondents (65.7%) indicated that their organizations had faced challenges in trying to enhance an effective supply chain management. Only 34.3% revealed that their organizations had not faced challenges. The respondents stated that there were challenges in integration of the supply chain especially in securing a reliable internal operation capability.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings; the conclusion and the recommendations of the study which sought to determine the supply chain practices adopted by cosmetic companies in Kenya and further establish the challenges faced in adopting the supply chain practices.

5.2 Summary of Findings

This section of the study sought to show the summary of the findings in relation to the objectives.

On integration of supply chain practices, majority of the respondents agreed that consistent performance measures were used across the supply chain; suppliers were involved in production planning and that common set of operating policies were shared by members of the supply chain. The respondents agreed to a neutral extent that customers were involved in demand forecasting, product development; and that suppliers were involved in demand forecasting. The respondents were also neutral on whether organization regularly improved the integration of activities across the supply chain.

Majority of the respondents agreed that key suppliers were actively involved in new product development and that supplier performance was closely monitored and was the basis for future business. It was also found out that long – term contracts were negotiated with key suppliers and greater level of trust with key suppliers was created by the organization. The respondents further agreed that the organization had created

compatible information system with key suppliers and that key suppliers were carefully screened and assessed before they were selected. However, the respondents were neutral on whether supply chain activities were extended beyond immediate suppliers and on whether key suppliers were included in planning and goal setting activities.

Majority of the respondents agreed that trading partners keep the organization fully informed about issues that affect the organization business and that current skill level of supply chain employees in the organization was adequate. It was found out that the organizations participated in the customer's marketing efforts and trading partners shared information with the organization that helped establishment of business planning. The respondents were neutral on whether customer future needs were determined; customer feedback was obtained on services adequacy and on whether trading partners were informed in advance of changing needs. However the respondents disagreed that trading partners shared business knowledge of core business processes with the organization.

On information technology in the management of the organization's supply chain; majority of the respondents agreed that IT used throughout the organization was up to date and that significant investments were being made in enterprise wide information systems. The respondents further agreed that IT- based automated ordering was used to send purchase orders to major suppliers and that IT system throughout the supply chain was automated. The respondents were however neutral on whether: the service process was automated; ordering system from major customer was IT enabled and automated and on whether the organization was flexible in terms of accommodating customers' special IT i.e. based information system requests.

The study found out that there were challenges affecting effective adoption of supply chain. Majority of the respondents agreed that effective adoption was hampered by suppliers' geographical distance; supply chain disruptions; resistance to supply chain management changes; lack of adequate resources to implement supply chain initiatives sufficiently; customers' geographical distance. The respondents further agreed that there were complexities in the supply chain; competition from other supply chains; short product life cycles; and inadequate supply chain performance measures. On the other hand, the respondents neutral on whether lack of leverage within the organization's supply chain; lack of interest among supply chain members; lack of supply chain management knowledge and inadequate information systems linkages within the supply chain hampered adoption of effective supply chain management.

5.3 Discussions and Conclusions

5.3.1 Supply Chain integration practices

According to Lambert and Cooper (2000), the success of the individual supply chain partners depends upon the overall success of the supply chains in which the partners participate. They further stated that operating an integrated supply chain requires continuous information flow. This was found to be consistent with the findings of this study which showed that common set of operating policies are shared by members of the supply chain.

5.3.2 Strategic Supplier partnership practices

Griffin and Harvey (2001) considered the ability to coordinate interorganisational

relationships effectively as one of the important resources of firms. The study found out that key suppliers are actively involved in supply chain activities of firms and supplier performance is the basis for future business.

5.3.3 IT usage practices

Bowersox and Daugherty (1995) outlined that IT is key in supporting companies creating competitive advantage by enabling centralized strategic planning with day to day centralized operations. This was consistent with the findings of this study which found out that significant investments are being made in enterprise wide information system.

5.3.4 Information sharing practices

Li et al. (2006) found out that successful sharing of useful information between the supply chain partners can result in a reduction in inventory and manufacturing cost, better understanding of customer needs, and faster response to market changes. The study however found out that supply chain partners are not keen on sharing business knowledge of core business processes, although planning information is being shared adequately.

5.3.5 Supply chain challenges

According to McCormick (2001), supply chain projects are complex and require great outlays of time and money. This was consistent with the findings of this study which found out that the implementation of supply chain institutions is hampered by lack of adequate resources to implement them sufficiently.

5.3.6 Conclusions

The following conclusions were made based on the findings of the study.

The researcher concludes that there is consistent performance measures used across the supply chain in the cosmetic companies and suppliers are involved in production planning. Members of the supply chain also share common set of operating policies. However customers are rarely involved in production planning, in demand forecasting and in product development. The integration of activities across the supply chain is not regularly improved by the organization.

Suppliers are actively involved in new product development and that supplier performance is closely monitored and is the basis for future business. Long – term contracts are negotiated with key suppliers and greater level of trust with key suppliers is created by the organization. The organizations have created compatible information system with key suppliers and key suppliers are carefully screened and assessed before they are selected.

The researcher also concludes that there are challenges affecting effective adoption of supply chain. Majority of the respondents agreed that effective adoption was hampered by suppliers' geographical distance; supply chain disruptions; resistance to supply chain management changes; lack of adequate resources to implement supply chain initiatives sufficiently; customers' geographical distance. Other challenges include lack of supply chain management knowledge and inadequate information systems linkages within the

supply chain.

5.4 Recommendations

Firms need to embrace Supply Chain Management (SCM) practices for them to survive in a competitive and turbulent environment; business organizations need to develop better and long lasting relationships with their customers and suppliers and involve them in their production planning, in demand forecasting and in product development. Companies also need to share information among supply chain members; providing information and making it visible to other parties in the supply chain allows for faster and accurate business decisions that translate as a source of competitive advantage.

Senior management must focus attention on cultivating relationships across the supply chain, exchanging transaction data, and leaping forward into valuable collaborative planning and forecasting across the chain. They should address the challenges such as inadequate resources by providing the necessary resources to implement supply chain initiatives, inadequate supply chain management knowledge by providing training on key supply chain topics or recruiting skilled supply chain staffs, and inadequate information systems linkages which have been affecting effective adoption of supply chain by engaging appropriate collaborative systems linkages with key supply chain partners.

5.5 Limitation of the study

The research work was mainly focused on managers handling supply chain roles.

Cosmetic companies have several other functional departments hence the response obtained from only supply chain related managers may not be representative of an entire organization.

Moreover, staffs that are involved in the day to day supply chain activities and are not managers were not considered for the study, and hence the findings can only be used as a guide and can also provide a basis for future research. The research work was also accomplished with a lot of time constraints

5.6 Suggestions for Further Research

This study focused on identifying supply chain management practices used in the cosmetic industry in Kenya. Areas of further research that were identified include a similar study to be carried out on other sectors of the fast moving consumer goods industry, A study of supply chain management practices used in other sectors of the fast moving consumer goods industry; and the challenges faced in supply chain implementation in other sectors of the fast moving consumer goods industry. Further research should be done to determine how supply chain management can contribute to organizational financial performance and customer satisfaction and to what extent can the benefits if any be quantified by the organization.

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APPENDICES

APPENDIX 1: COMPLIMENTARY LETTER TO THE RESPONDENTS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 13/10/2011

TO WHOM IT MAY CONCERN

The bearer of this letter GORDON OTIENO OTILA

Registration No D61/8914/2005

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

JUSTINE MAGUTU
ASSISTANT REGISTRAR
MBA OFFICE, AMBANK HOUSE

APPENDIX 2: LIST OF MAIN COSMETIC COMPANIES IN KENYA

1. Unilever Kenya Ltd	7. Oasis Ltd
2. Sara Lee ltd	8. Inter-Consumer Products Ltd
3. Beiersdorf East Africa Ltd	9. Tri – Clover Industries Ltd
4. Flame Tree (zoe) Brands Ltd	10. PZ Cussons EA Ltd
5. Buyline Industries Ltd	11. European Perfumes & Cosmetics
6. Haco Industries Ltd	12. United Chemical Industries Ltd

Source: Kenya Association of Manufacturers report (2010)

APPENDIX 3: QUESTIONNAIRE

Instructions: Please answer questions by putting a tick [√] in the appropriate box or by writing in the space provided.

Section A: General Information

1) Name of company _____

2) Title of respondent _____

3) Division/Department _____

4) Gender of respondent

a) Male ( )

b) Female ( )

5) Age in yours

a) 20 – 25 ( )

b) 26 – 35 ( )

c) 36 – 45 ( )

d) 46 – 55 ( )

e) Above 55 ( )

6) Indicate the answer that best represents the ownership of the company

a) Local ( )

b) Foreign ( )

c) Government ( )

d) Others (Specify)_____

7) How many years have you worked in your organisation?

a) Less than 3 years ( )

b) 3 – 5 years ( )

c) 6 – 7 years ( )

d) Above 8years ( )

Section B: Supply Chain Practices

8) Using a scale of 1 – 5 where 1 is strongly agree, 2 – agree, 3 – Neutral, 4- Disagree and 5 – strongly disagree, respond to the following statements that describe supply chain integration practices in your organisation.

		1	2	3	4	5
a)	Customers are involved in product development					
b)	Consistent performance measures are used across the supply chain					
c)	Suppliers are involved in demand forecasting					
d)	Customers are involved in demand forecasting					
e)	Suppliers are involved in production planning					
f)	Customers are involved in production planning					
g)	Information systems are highly integrated throughout the supply chain					
h)	Common set of operating policies are shared by members of the supply chain					
i)	Frequent contact with supply chain members is established					
j)	The organization regularly improves the integration of activities across the supply chain					
k)	The organization searches for new ways to integrate supply chain activities					
l)	Response times are regularly reduced across the supply chain					

9) To what extent do you agree with the following statements on strategic supplier partnership practices in your organisation? Use a scale of 1-5 where 1 – Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree, 5 – Strongly disagree

		1	2	3	4	5
a)	Key suppliers are included in planning and goal setting activities					
b)	The organization takes advantage of supplier – provided technical support capabilities					
c)	Long – term contracts are negotiated with key Suppliers					
d)	Key suppliers are included in continuous improvement programs					
e)	Problems are regularly solved jointly with Suppliers					
f)	Key suppliers are actively involved in New Product Development					
g)	Greater level of trust with key suppliers is created by the organization					
h)	The organization has created compatible information system with key suppliers					
i)	Supply chain activities are extended beyond immediate suppliers					
j)	Key Suppliers are carefully screened and assessed before they are selected					
k)	Supplier performance is closely monitored and is the basis for future business					
l)	Supplier alliances operate under principles of shared rewards and risks					

10) Using a scale of 1- 5 where is 1 – Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree, 5 – Strongly disagree, respond to the following statements that describe information sharing practices in your organisation.

		1	2	3	4	5
a)	Trading partners share business knowledge of core business processes with the organisation					
b)	Trading partners share proprietary information with the organisation					
c)	Trading partners share information with the organization that helps establishment of business planning					
d)	Trading partners keep the organisation fully informed about issues that affect the organization business					
e)	Trading partners are informed in advance of changing needs					
f)	Current skill level of supply chain employees in their jobs in the organization is adequate					
g)	Formal information sharing about new product launches with key suppliers					
h)	The organization participates in the customer's marketing efforts					
i)	Customer feedback is obtained on services adequacy					
j)	Customer future needs are determined					

11) In a scale of 1- 5 where is 1 – Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree, 5 – Strongly disagree, respond to the following statements that describe information technology in the management of your organisation's supply chain.

		1	2	3	4	5
a)	IT used throughout the organisation is upto date					
b)	Ordering system from major customer is IT enabled and automated					
c)	IT- based automated ordering is used to send purchase orders to major suppliers					
d)	IT system throughout the supply chain is automated					
e)	The production/service process is automated					
f)	Significant investments are being made in enterprise wide information systems					
g)	Information applications are integrated within the firm					
h)	The organization is flexible in terms of accommodating customers' special IT – based information system requests					

SECTION C: SUPPLY CHAIN CHALLENGES

12) Using a scale of 1- 5 where is 1 – Strongly agree, 2 – Agree, 3 – Neutral, 4 – Disagree, 5 – Strongly disagree, respond to the following statements on the challenges facing your organisation in adoption of effective supply chain management

		1	2	3	4	5
a)	Lack of supply chain management knowledge					
b)	Lack of adequate resources to implement supply chain initiatives sufficiently					
c)	Poor sales and operations planning process					
d)	Ethical responsibility problems in the supply chain					
e)	Inadequate supply chain performance measures					
f)	There is lack of trust among supply chain members					
g)	There is lack of cooperation among supply chain members					
h)	Competition from other supply chains					
i)	Lack of interest among supply chain members					
J)	Customers' geographical distance					
k)	Suppliers' geographical distance					
l)	Inadequate information systems linkages exist within the supply chain					
m)	Conflicts among supply chain members					
n)	Lack of top management support					
o)	Resistance to supply chain management changes					
p)	Poor visibility of demand					
q)	Major customer pressures					
r)	Complexities in the supply chain					
s)	Inconsistent quality supplies					
t)	Lack of leverage within the organization's supply chain					

u)	Short product life cycles					
v)	Dealing with counterfeit goods					
w)	Supply chain disruptions					
x)	Political/Government influence					
y)	Working with smaller pack sizes (customers buy in small quantities several times)					
z)	Poor Infrastructure					

13) Has your organization faced other challenges in trying to enhance an effective supply chain management other than the ones mentioned above in question 12?

Yes ( )

No ( )

If yes, what are these challenges?

_____

_____

THANK YOU FOR YOUR PARTICIPATION