INTERNATIONAL PROCUREMENT AND OPERATIONAL EFFICIENCY IN MAJOR LOGISTICS MULTI-NATIONAL FIRMS IN MOMBASA, KENYA.

JENNIFER WACUKA MURIUKI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2015
DECLARATION

STUDENT’S DECLARATION

This project is my original work and has not been presented for the award of a degree in any other University or Examination body.

Signature: ……………………………………… Date: ………………………………………

JENNIFER WACUKA MURIUKI

D61/61376/2013

SUPERVISOR’S APPROVAL

The research project has been submitted for examination with my approval as the University of Nairobi Supervisor.

Sign………………………………………… Date…………………………………………

PROF. Z. B. AWINO

ASSOCIATE PROFESSOR,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.
ACKNOWLEDGEMENTS

I wish to thank the Almighty God for his sustenance during the period I undertook this study, the Lecturers who were always ready to help and the university’s administration assistants, without whom this project would not have come to fruition.

My college-mates for their encouragement throughout this process and to my lovely family who were ready to help anytime they were called upon.
DEDICATION

This research project is dedicated to my parents Mr. & Mrs. Muriuki and my family “team Muriuki” who have demonstrated exceptional tenacity, unconditional love and unwavering encouragement. They have been my cheerleaders from the onset!
ABSTRACT

An important challenge faced by the Multinational Logistics Firms (MLF) is to mitigate delays in the implementation of its operations. The international purchasing function is a critical element in the multinational company's (MNC's) formulation of functionally integrated international policy and strategy and the implementation of strategy. A firm should have some understanding of the markets in which it operates as a consumer or buyer, since possible changes in resource or supplier markets can affect decisions related to the firm's marketing, production, and integration strategies. The supply consideration of MNCs represents risk and opportunity and may, as a result, have a significant influence on net income flows, both in the short and long run. Davis et al. provides empirical evidence for assuming that the MNC's international procurement process influences and is influenced by its technological process, R & D, and product categories. Given the impact of procurement activities on the operation and effectiveness of the logistics industry, it is essential that these activities be performed by qualified staff with high professional and ethical standards and using sound procedures anchored in appropriate policies and regulations. The study will adopt a census survey/design to analyze the procurement process in the industry. One of the problems faced by logistics professionals over the years is that logistics has been viewed simply as a cost that needs to be reduced. This research study sought to highlight the importance of this element in trade and factors that affect it in regards to operational efficiency. This research contributes to a better understanding of logistics performance through operational efficiency, the interrelationship among procurement dimensions and its impact on the overall organizational performance. These findings provide both theoretical and managerial insights. Procurement related factors that influenced operational efficiency through causing delays are summarized as below. The study recommends methods to overcome some of the identified traditionally bureaucratic challenges ranging from setting up ad-hoc execution or management units to outsourcing project management processes. The study recommends that logistics firms should shorten the mandatory internal procurement processes in order to hasten internal administrative procedures for approvals and monitoring. In addition to the shortened internal controls, the organizations should follow incorporate an integrated information system to cover the entire cycle.
# TABLE OF CONTENTS

DECLARATION.................................................................................................................. i  
ACKNOWLEDGEMENTS..................................................................................................... ii  
DEDICATION ...................................................................................................................... iii  
ABBREVIATIONS & ACRONYMS .................................................................................... iv  
LIST OF FIGURES .......................................................................................................... viii  
LIST OF TABLES .............................................................................................................. ix  
ABSTRACT ......................................................................................................................... x  

CHAPTER ONE .................................................................................................................. 1  
INTRODUCTION .............................................................................................................. 1  
1.1 Background .................................................................................................................. 1  
   1.1.1 International Procurement ................................................................................... 3  
   1.1.2 Operational Efficiency ....................................................................................... 5  
   1.1.3 International Procurement and Operational Efficiency ..................................... 7  
   1.1.4 Multi-National Logistics firms in Mombasa County ......................................... 7  
1.2 Research Problem ..................................................................................................... 9  
1.3 Research Objective .................................................................................................. 11  
1.4 Value of the Study .................................................................................................. 11  
1.5 Chapter Summary ................................................................................................... 12  

CHAPTER TWO ................................................................................................................ 13  
LITERATURE REVIEW .................................................................................................. 13  
2.1 Introduction ............................................................................................................... 13  
2.2 Theoretical Foundation ........................................................................................... 13  
   2.2.1 Competitive Theory ......................................................................................... 13  
   2.2.2 Resource Base View/Model ............................................................................. 14  
2.3 Determinants of Operational Efficiency ................................................................. 15  
2.4 Logistics Management ............................................................................................. 18  
2.5 International Procurement Concepts ...................................................................... 19  
2.6 Procurement Performance ....................................................................................... 20
2.7 Empirical Studies and Knowledge Gaps.................................................................................. 21
2.8 Chapter Summary .................................................................................................................. 22

CHAPTER THREE......................................................................................................................... 23
RESEARCH METHODOLOGY........................................................................................................ 23
  3.1 Introduction............................................................................................................................ 23
  3.2 Research Design................................................................................................................... 23
  3.3 Population of the Study......................................................................................................... 23
  3.4 Data Collection .................................................................................................................. 24
  3.5 Data Analysis Techniques .................................................................................................. 24
  3.6 Chapter Summary ................................................................................................................ 25

CHAPTER FOUR........................................................................................................................... 26
DATA ANALYSIS, RESULTS AND DISCUSSIONS........................................................................ 26
  4.1 Introduction............................................................................................................................ 26
  4.2 Response Rate ...................................................................................................................... 26
  4.3 Company Demographics ..................................................................................................... 27
    4.3.1 Turnover ......................................................................................................................... 28
    4.3.2 Business Type ................................................................................................................ 28
  4.4 Performance Functions ........................................................................................................ 29
  4.5 Operational Efficiency in the Logistics Industry ................................................................. 30
  4.6 International Procurement and Operational Efficiency ......................................................... 30
  4.7 Levels of International Procurement ................................................................................... 31
  4.8 Delays in Delivery ................................................................................................................ 31
  4.9 Discussions .......................................................................................................................... 32
    4.9.1 Comparison with Theory ............................................................................................... 41
    4.9.2 Comparison with Empirical Studies .............................................................................. 42
  4.10 Chapter Summary ................................................................................................................ 43
CHAPTER FIVE .............................................................................................................. 44
SUMMARY, CONCLUSION & RECOMMENDATIONS ................................................. 44
  5.1 Introduction ........................................................................................................... 44
  5.2 Summary ............................................................................................................... 44
  5.4 Recommendations and Implications of the Study .............................................. 47
  5.5 Suggestions for Further Research ...................................................................... 48

REFERENCES ............................................................................................................. 49
APPENDICES ............................................................................................................... 54
  Appendix 1: Top Global Freight Forwarders ............................................................... 54
  Appendix 2: Questionnaire ....................................................................................... 56
  Appendix 3: A List of Multi-National Logistics Firms in Mombasa .......................... 59
  Appendix 4: Letter of Introduction ........................................................................... 60
ABBREVIATIONS & ACRONYMS

MNC: Multi-National Companies
R & D: Research & Development
PPP: Public Private Partnership
RBV: Resource Based View
VRIO: Valuable, Rare, hard to Imitate and Organized
PEST: Political, Economic, Socio-cultural & Technological
KPA: Kenya Ports Authority
KRA: Kenya Revenue Authority
KMA: Kenya Maritime Authority
GLS: General Logistics Services
VAL: Value Added Logistics
MLF: Multinational Logistics Firms
LIST OF FIGURES

**Figure 1:** Years in Operation
**Figure 2:** Turnover
**Figure 3:** Business Type
**Figure 4:** Factors in Procurement-related Delays
**Figure 5:** Percentage rate of International Procurement
**Figure 6:** Delays in Delivery
LIST OF TABLES

Table 1: Response Rate
Table 2: Performance Functions on Procurement Performance
Table 3: Operational Efficiency
CHAPTER ONE

INTRODUCTION

1.1 Background

The international purchasing function is a critical element in the multinational company's (MNC's) formulation of functionally integrated international policy and strategy and the implementation of strategy. A firm should have some understanding of the markets in which it operates as a consumer or buyer, since possible changes in resource or supplier markets can affect decisions related to the firm's marketing, production, and integration strategies. The supply consideration of MNCs represents risk and opportunity and may, as a result, have a significant influence on net income flows, both in the short and long run. Davis et al provides empirical evidence for assuming that the MNC's international procurement process influences and is influenced by its technological process, R & D, and product categories. The ongoing process of greater economic interdependence among countries known as economic globalization is reflected in the increasing amount of cross-border trade in goods and services (Fischer, 2003). For service providers, it is vital to establish an efficient supply chain and make use of international resources to improve quality, and timeliness of service provision.

To achieve the organization can look into various theories to anchor their strategies and plan the way forward. According to Rothaermel, (2012) “The resource-based view (RBV) is a model that sees resources as key to superior firm performance. If a resource exhibits VRIO attributes, the resource enables the firm to gain and sustain competitive advantage.” RBV is an approach to achieving advantage that emerged in 1980s and 1990s, after the major works published by Wernerfelt, (“The Resource-Based View of the
Firm”), Prahalad and Hamel (“The Core Competence of The Corporation”), Barney, J. (“Firm resources and sustained competitive advantage”) and others. The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance. “Competitive advantage means superior performance relative to other competitors in the same industry or superior performance relative to the industry average.

It can mean anything that an organization does better compared to its competitors. “Every company must have at least one advantage to successfully compete in the market. If a company can’t identify one or just doesn’t possess it, competitors soon outperform it and force the business to leave the market. An organization that is capable of outperforming its competitors over a long period of time has sustainable competitive advantage. An organization can achieve an edge over its competitors in the following two ways: a) through external changes. When PEST (political, economic, socio-cultural and technological) factors change, many opportunities can appear that, if seized upon, could provide many benefits for an organization. A company can also gain an upper hand over its competitors when it’s capable to respond to external changes faster than other organizations. b) By developing them inside the company. A firm can achieve cost or differentiation advantage when it develops (Valuable, Rare, hard to Imitate and
Organized) VRIO resources, unique competences or through innovative processes and products.

Typically, a company’s procurement function is subdivided into strategic and operational processes since activities and priorities in these two areas are entirely different (Kaufmann, 2009). Decision-making and policy formation, by managers therefore, requires it to become more comprehensive to encompass those considerations. The study is motivated by the fact that several authors have utilized different approaches in their analyses of government relations, yet MNC are left behind. A concise and testable theoretical structure remains to be developed.

By 2014 there were about 1298 licensed customs agents operating in Kenya and about 828 registered logistics firms (Kenya Revenue Authority website), with DHL, Kuehne + Nagel Ltd and DB Schenker leading the market in respective order (Logistics Management and Supply Chain Management Review magazine 2013). Freight Forwarders are ranked using a combined overall average based on their individual rankings for gross revenue, ocean TEUs and Airfreight metric tons. These leading logistics companies provide services from more than 2,000 locations in over 100 countries, presence in Kenya, also included.

1.1.1 International Procurement

"Purchasing" refers to a process by which an enterprise or organization attempts to acquire materials or products in order to attain their goals. In the process of purchasing the ownership and possession of goods will be transferred from the seller to the buyer.
The activities of purchasing include enquiry, an order, tracking the order, supervising and accounting for an order, receiving goods, and making payment. International purchasing relates to a commercial purchase transaction between a buyer and a supplier located in a different country. This type of purchase is typically more complex than a domestic purchase. Organizations must contend with longer material pipelines, increased rules and regulations, currency fluctuations, customs requirements, and a host of other variables such as language and time differences (e.g., Trent & Monczka, 2003; Monczka, Trent, & Petersen, 2008).

International purchasing refers to the utilization of global resources; searching for a bargain with the highest quality from all over the world. From the aspect of supply-chain management, international purchasing requires companies to set up a global manufacturing chain in order to make a rational purchasing plan and acquire the high-quality goods with a rational price. Besides, it is an effective way to measure and supervise the efficiency of purchasing processes so that it minimizes the total cost of purchasing.

With economic globalization, the competition among companies is becoming more and more fierce, which requires all the business to enhance the level of T, Q, C, S (Time of research and development; Quality of products; Cost control; satisfaction with Service), so that they can operate their business successfully in the market.

In contrast to domestic purchasing, the international purchasing mode has the following characteristics (Fan, 2007): Increased purchasing scope: Because the scope of purchasing activities extends to the global arena and they no longer just focus on the resources available in one country, they can acquire their resources from all over the world.
Therefore, it is more possible for the companies to obtain their ideal resources and products with a rational cost because of the greater abundance of potential vendors. Increased purchasing risk: Because international purchasing always involves a series of purchases, companies usually buy the materials or goods on a larger scale, which requires greater monetary transactions. Larger scale transactions are exposed to greater risks due to currency fluctuations.

Moreover, the cross-border transaction results in complicated procedures and processes, which exposes the company to lots of additional existing potential risks. Decreased purchasing price: Because all possible resources from the whole world can be considered, the business can “shop around” to obtain the high-quality goods with a rational price through the mode of comparative cost. The need for a systematic criterion in supplier selection: Because the suppliers under the international purchasing come from different parts of the world, they hold various models, standards, and cultures. Hence, it is very significant for businesses to develop systematic and standardized criteria and conditions in order to select a dependable supplier. Stable purchasing channels: A business using global purchasing cooperates with suppliers worldwide because of the concept of supply-chain management. Therefore, the buyer and seller are developing a relationship of strategic cooperation. Hence, this business with an international purchasing strategy forms a relatively stable purchasing channel.

1.1.2 Operational Efficiency

Efficiency refers to the internal functioning of logistics and generally is considered best represented through some ratio of the normal level of inputs to the real level of outputs (Chamberlain 1968: Van der Meulen and Spijkerman, 1985). Specifically, it is the ratio
of resources utilized against the results derived (Mentzer and Konrad, 1991). It is considered the ability to provide the desired product/service mix at a level of cost that is acceptable to the customer (Langley and Holcomb, 1992). In a broader sense, it is the ability of the logistics function to manage resources wisely. Thus we adopt the definition of efficiency as the measure of how well the resources expended are utilized.

Operational efficiency is the capability of an organization to deliver products or services to its customers in the most cost-effective manner possible while still ensuring the high quality of its products, service and support. It is often achieved by streamlining a company's core processes in order to more effectively respond to continually changing market forces in a cost-effective manner. In order to attain operational efficiency an organization needs to minimize redundancy and waste while leveraging the resources that contribute most to its success and utilizing the best of its workforce, technology and business processes. The reduced internal costs that result from operational efficiency enable a company to achieve higher profit margins or be more successful in highly competitive markets.

Operational efficiency looks at an organization’s capabilities and performance. It denotes the organization’s ability to minimize waste of inputs and maximize resource utilization so as to deliver quality, cheaper products and services to their customers. It is a useful measure utilized in managing the available resources (Muhittin and Reha, 1990). Though operational efficiency is driven by operational aspects of human resource management, supply chain management, quality control management, technology deployed etc, it is also a function of both customer satisfaction and public perception (Scheraga, 2004)
1.1.3 International Procurement and Operational Efficiency

By understanding the steps involved with procurement, it is possible to get a better understanding of the real cost involved with attaining any good or service (Lardenoije et al., 2005). Only when the procurement function is well planned, it is easy to identify areas where it is performing well, and where there is need for improvement. Financial measures ignore market dynamics and increased complexity in acquisition of goods and services (Lardenoije, Van Raaij, & Van Weele, 2005). The development of the international procurement function and its effects on organization’s efficiency depend on two factors; the monetary value and the time saving opportunities. Especially when the value and urgency of the purchases is high, any opportunity to save time should be utilized.

Organizational structure and division of work modify the effectiveness of procurement function which in turn affects operation efficiency. The procurement processes and procedures have a close relation to other functions on the organization and on their efficiency as well. As an example, improvements in quality issues and on the delivery times reflect to the total costs on the logistics and production side. Reducing the total costs can be perceived as reduced quality of products. Cost efficient procurement doesn’t imply that the quality of products would decrease (Javier, Lorenzo & Inked, 2010).

1.1.4 Multi-National Logistics firms in Mombasa County

Mombasa as a city is blessed with quite a number of logistics firms domiciled herein. This is due to the fact that it hosts the Mombasa Port which is the principal Kenyan
seaport that also acts as the gateway to connect the East African hinterland (KPA’s website). Therefore presence of logistics firms is not only welcomed but also needed because of trade.

A Logistics Company is a firm that provides service to its customers of outsourced or logistics services for part, or all of their supply chain management functions. Logistics providers typically specialize in integrated operations, warehousing and transportation services that can be scaled and customized to customers' needs based on market conditions, such as the demands and delivery service requirements for their products and materials. The logistics discipline and/or industry is multi-faceted in the sense that it is affected by different elements. Globalization has transformed the world’s economy. The steady growth in world economies has tremendously increased industry’s demand for the rapid and timely delivery of goods (Kenya shipper’s website). The existing logistics operations are regulated by different bodies. Namely: Kenya Ports Authority-for port operations, Kenya Maritime Authority-for maritime transport, Kenya Revenue Authority-for customs clearance, National Transport & Safety Authority-for inland road haulage, Rift Valley Railways—a concession put in place for delivery of cargo using rail.

There are a number of logistics’ multi-national companies located in Mombasa. To name just but a few are: DB SCHENKER, KUENE + NAGEL, DHL, BOLLORE GROUP, DAMCO Logistics. These major logistics firms take the largest share of the market. They provide logistics solutions to their clients in terms of port clearance, railage, road transport and warehousing. These organizations have adopted logistics innovation and the benefits that accrue by implementing the logistics innovations. In the 21st century
businesses compete greatly to impress and attract customers. The growth of Kenya’s economy hinges to a large extent on the road transport sector operating more efficiently and effectively in moving freight and goods.

1.2 Research Problem

The purchasing function is the most value-enhancing functions in the organization, including services. Thus, as a firm strives to continuously improve its products and processes, purchasing can also gauge its success in improving its value-enhancing contribution to the firm and its varied supply chain. The ultimate goal is to create value for the end customer as well as the firms in their network. Procurement departments of almost each and every organization must take on ever more challenging projects in order to overcome deficiencies in other areas of the business. Optimizing supply structures and processes, connecting from the customers’ demands through all the tiers of the supply chain and finding reliable suppliers in low cost countries contribute to compensate diminishing returns on assets and on revenue.

A business or an organization is a vulnerable entity that is affected by both external and internal forces. With the increasing awareness of the strategic implications of logistics (Cheng and Grimm 2006; Stank, Davis, and Fugate 2005) and the growing awareness of the benefits of leveraging logistics to increase customer value (Mentzer and Williams 2001; Stank et al. 2003) measuring the performance of logistics has become a high priority (Griffis et al. 2007). Fleming and Baird (1999) also consider that the lack of a "competitive community spirit" among different port actors (e.g. customs authorities) is largely behind the difficulty of managing activities from a logistics perspective. In this
regard, therefore because of its nodal role in Kenya the public has been advocating for the future of the port as an intermodal transport hub. The multi-national logistics firms would therefore need an integrated logistics framework of customer service, total costs or trade-off analysis.

Several studies have been conducted locally, but their main concentration has been in parastatals with emphasis being given to the energy and telecommunication sectors. Athman (2012) researched on the Effect of Government Regulations on Supply Chain Performance of Oil Marketing companies in Kenya and found that unlike in the private sector, stringent procurement policies are adopted by government agencies and this slows down the speed of procuring services in the government sector. Dajissa (2011) researched on impact of Outsourcing of Training Services on Supply Chain Performance in Government Parastatals; A Case Study of KPLC Ltd and found out that the performance of supply chain was being influenced by quality of service, supplier management, supplier relationship, supplier selection, time service delivered and the internal assessment of criticality of business activities. Kingori (2013) researched on the effect of e-procurement on supply chain performance at teachers’ service commission.

Even with extensive research above, very little research has been done on major multinational logistics firms in Mombasa. There is a gap in research on the factors affecting the international procurement and operational efficiency in major multinational logistics firms in Mombasa Kenya. Hence, this research expects to fill the knowledge gap that has left little understanding on the establishment of clear procurement procedures, on the spot mitigation measures and operational efficiency standards. Understanding of the barriers that could affect the successful adoption and implementation of strategies is of
paramount importance to stakeholders involved in the process, their customers and overall economic development. The research question for this study therefore: is to investigate how international procurement could affect operational efficiency for major logistics multi-nationals companies in Kenya

1.3 Research Objective

The objective of this study is: To determine how international procurement influence operational efficiency of the logistics multi-national firms in Mombasa County.

1.4 Value of the Study

Infrastructure and multimodality is the vehicle for broad economic development and to facilitate Trade; other sectors such as horticulture and oil & gas depend on infrastructure, transport and logistics. Economic growth puts existing infrastructure under pressure: In many African countries, including Kenya, (dry) infrastructure is not well-developed. Economic growth results in significant pressure on the existing man-made and natural infrastructure. Infrastructure is one of the key focus areas for governments and institutions worldwide. African governments have placed infrastructural development high on their political agendas.

This research makes several important contributions towards the objective of enhancing our understanding of top factors affecting international procurement and their influence on operational efficiency. First it draws from research in supply chain and strategic management to develop theoretically based conceptualizations of logistics efficiency.
Further it introduces the logistics discipline to an audience which might not have previously had any knowledge of the same.

This research contributes to the current literature as follows: According to the previous studies, this paper takes a forward looking at firm’s operating efficiency through linking it to relative competitive position in the market. As far as the author’s knowledge is concerned, this paper is the first paper that examines the relationship between logistics firms’ operating efficiency, financial performance and the relative competitive position.

This study also aims to stimulate further research within the area of operational efficiency in Logistics.

1.5 Chapter Summary
This chapter looked at the concepts of international procurement and operational efficiency. Procurement strategies in a supply network must above all aim at stable and long-term partnerships, standardization, consolidation of the procurement volume, assurance of supplies based on re-positioning after disruptions and well-balanced procurement procedures. Determinants will be procurement market complexity and the strategies influence on product success. Total cost orientation, functional integration and a harmonized and reliable flow of information are the prime ingredients. Improving corporate financial performance is certainly not the only strategic role for supply chain organizations, but it is inarguably a very important one. Most corporate supply chain organizations have the ability to impact 50 to 70 percent of their corporation's total cost structure, so creating a model that can optimize this lever is critical to any supply chain organization's success.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature focusing on related efficiency studies, as well as issues and factors that may impact logistics firms’ operational efficiency.

2.2 Theoretical Foundation

Pine (1993) and Day (1999) both infer the need for collaboration and cooperation (even competition) in the new economy market place. If international procurement is to play a major role in the strategic direction of the organization it should consider where best the company can maximize its returns. Various theories in international business/trade have been advanced to provide explanations for the pattern of international trade and the distribution of the gains from trade.

2.2.1 Competitive Theory

International business (IB) as a discipline has captured multiple insights and theoretical contributions from a wide array of other fields, ranging from strategic management (Lu, 2003; Doh, 2005; Brannen&Doz, 2010; Vapola, Paukku&Gabrielsson, 2010), economics (Ietto-Gillies, 2010; Beaudry, Dupaigne&Portier, 2011), entrepreneurship (Dimitratos, Lioukas& Carter, 2004; Jones, Coviello& Tang, 2011), sociology (Sinkovics). In the end, building a competitive advantage will involve understanding the needs of the market (customers), and devising a strategy to make use of the resources that are available (or can be obtained) to set the business apart from the competition. The strategy will need to
take into account the target market, the business’ strengths and weaknesses, the business’ goals, the product/service the business has developed, and the strategies of the competition (Penz, 2009), organization theory, and so forth.

A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices. Essentially a competitive advantage answers the question, “Why should the customer purchase from this operation rather than the competition?” In the end, building a competitive advantage will involve understanding the needs of the market (customers), and devising a strategy to make use of the resources that are available (or can be obtained) to set the business apart from the competition. The strategy will need to take into account the target market, the business’ strengths and weaknesses, the business’ goals, the product/service the business has developed, and the strategies of the competition.

2.2.2 Resource Base View/Model

The central premise of RBV addresses the fundamental question of why firms are different and how firms achieve and sustain competitive advantage by deploying their resources. For example, Selznick’s (1957) idea of an organization’s ‘distinctive competence’ is directed related to the RBV. Also, Chandler’s (1962) notion of ‘structure follows strategy’, as well as Andrews’ (1971) proposal of an internal appraisal of strengths and weaknesses, led to the identification of distinctive competencies. The central proposition of the resource-based research is that firms are heterogeneous in terms of the strategic resources they own and control. It is generally suggested that this heterogeneity is an outcome of resource-market imperfections (Barney, 1991), resource immobility
Capabilities, in contrast, refer to a firm’s capacity to deploy and coordinate different resources, usually in combination, using organizational processes, to affect a desired end (Amit & Shoemaker, 1993; Grant, 1996; Prahalad & Hamel, 1990).

The resource-based research on innovation is based on the fundamental premise that organizational resources and capabilities are those that underlie and determine a firm’s capacity for operational efficiency. Within this perspective, organizational resources (tangible and intangible) are taken to provide the input that in turn is combined and transformed by capabilities to produce efficient forms of competitive advantage. The availability of financial resources can expand a firm’s capacity to support its innovative activities (Lee et al., 2001; Delcanto & Gonzalez 1999; Harris & Trainor 1995), whereas the lack of financial funds may limit firm level innovation (Baysinger & Hoskisson, 1989; Teece & Pisano, 1994; Helfat, 1997). According to Transaction-costs Economics and Agency literature, internally (firm) generated funds are more conductive to R&D activities and investments than external funds primary because there exist information asymmetries between the firm and the external capital market (e.g., competitors get information on R&D projects, firm lose total control over their innovations).

2.3 Determinants of Operational Efficiency

This section will be investigating the determinants of operational efficiency in logistics firms. These factors all have ramifications for procurement, from price negotiation to trade and supplier management.

Intermodal logistics capabilities of the companies: The European railway network is directly connected to the terminals in Hamburg and therefore is a very flexible instrument for transports leaving Hamburg and arriving at the terminals from the hinterland. Companies
in Hamburg have their own locomotives and railway inside their terminals. As a result, the amount handled by railway is more than seaborne transports.

The training systems for staff: All staff need to be well trained by internal and also external trainers as well. According to the international and national rules, all of the staff should be trained in specific issues like IMDG Code, ISPS Code, Fire Fighting and First Aid. These trainings are generally given by licensed internal trainer. Many logistics firms also train its staff about “Emergency Response against Marine Pollution”. Additionally these trainings, simulators are used in some terminals for training the participants especially to build up their visual memories.

The financial environment: The financial environment - which includes economic performance - has a major effect on how buyers conduct their procurement operations. One of the main challenges the financial environment poses to businesses is currency fluctuation. Buy at the right time and return on investment can be huge; invest at the wrong time and you may see yourself losing money. The lending activity of banks can constrain procurement activity and put a greater emphasis on cost cutting if it becomes difficult to secure finance. Similarly, a credit squeeze can often make smaller suppliers vulnerable thereby increasing buyer risk.

Political change: A change in government, policy or international politics can massively influence who buyers do business with and how. At a domestic level, changes in government and policy can see regulatory reform and changes in business support packages and representation. This impacts upon how companies structure supply chains, how they comply with employment, tax, health and safety, ethics and quality control
regulations, and how they grow. Internationally, cessation of relations with supplier nations can massively affect trade dynamics, while the opening up of a country to the free market can create new opportunities and challenges. Similarly, changes in government or policy in foreign countries, regions and territories create compliance, financial and supplier management challenges for businesses, not to mention supply chain disruption in instances of political collapse, disjoint or revolt. Procurement departments need to keep abreast of political events globally and act swiftly in order to minimise risk and make the most of opportunities.

Technological advances: The technological landscape is constantly changing and customers have come to expect businesses to operate faster, be more connected and offer them the latest advances because of it. Organisations need to keep on top of changes in the technological environment and how this affects their business. From the products and services offered, to the way buyers collaborate with suppliers, technology has a massive impact on procurement.

Socio-cultural change: KPMG claims that businesses that ignore socio-cultural external factors will do so at their peril. Procurement departments need to understand how social and cultural factors affect customer behaviours and expectations.

Environmental fluctuations: The environment is one of the greatest challenges for supply chains. Whether its resource scarcity or natural disasters, procurement departments are at the mercy of the environment. In 2013 the Carbon Disclosure Project found that 70 per cent of businesses believe climate change has the potential to affect their revenue significantly. Organisations are aware of the threats and recent natural disasters have
served as a testament to how freak incidents can devastate the supply chain. Procurement departments need to plan ahead to manage resource scarcity and spread out their suppliers to minimise the disruption in the event of a natural disaster. Avoiding high risk zones is also advised. The 2014 FM Global Resilience Index recently identified the Dominican Republic, Bolivia and Venezuela as three of the riskiest countries for supply chains, due to their exposure to natural hazards, political risk and economic instability.

2.4 Logistics Management

Logistics can be defined as providing the right type of products and/or services at the right price, at place, time and in the right condition. It can also be defined as the overall management of the way resources are obtained, stored and moved to the locations where they are required. The birth of Logistics can be traced back to ancient war times of Greek and Roman empires when military officers titled as 'Logistikas' were assigned the duties of providing services related to supply and distribution of resources. This was done to enable the soldiers to move from their base position to a new forward position efficiently, which could be a crucial factor in determining the outcome of wars. This also involved inflicting damage to the supply locations of the enemy and safeguarding one's own supply locations. Thus, this lead to the development of a system which can be related to the current day system of logistics management.

Harding and Juhel (1997) distinguish between general logistics services (GLS) and value added activities of logistics. According to Rutner and Langley (2000) the logistics function has long been under pressure to perform to demonstrate its contribution to organizational performance. Consequently, research in logistics has examined the
influence on organizational performance of high-performance logistics practices and capabilities. For instance, previous research has shown that excellence in performing logistics activities and capabilities is associated with superior organizational performance (Lambert and Burduglo 2000; Lynch, Keller and Ozment 2000).

2.5 International Procurement Concepts

In a global economy, international procurement is a term used to describe the process of allowing firms around the world to bid on contracts for goods and services. The concept has gained popularity as shipping and transportation costs have decreased due to an influx of cheap, readily available fuel. There are three primary benefits to international procurement: lower costs, stimulation of a global economy, and increased consumer base. The lower costs that can be achieved through purchasing services or goods from other countries are derived from currency valuation and the effects of product specialization.

In international procurement, industrialized nations purchase goods from countries with a lower dollar, gaining in the currency exchange. This rate varies over time, but the multiplying factor remains fairly static. The ability to purchase more with a dollar in another nation is one of the primary driving factors behind the appeal of this type of procurement. Product specialization is the basic concept that some items have a lower cost of production, based on the natural or human resources available in different locations. Specializing in this area allows a particular national economy to offer that product or service at a lower cost that other economies, resulting in increased customers and more economic opportunities.

The hidden benefit of international procurement is the increased customer base. As more goods and services are purchased from other countries, the wealth of those economies
increases. This creates the capacity for increased spending, allowing customers and businesses to purchase goods and services. Effectively increasing the customer base then encourages more spending and growth, fueling the economic cycle.

2.6 Procurement Performance
Procurement performance is a measure of identifying the extent to which the procurement function is able to reach the objectives and goals with minimum costs (Van Weele, 2002). Van Weele (2002) noted that there are two main aspects of the procurement performance: effectiveness and efficiency. Procurement effectiveness as defined by Van Weele (2002) is the extent to which the previously stated goals and objectives are being met. It refers to the relationship between actual and planned performance of any human activity.

Additionally, he explains that procurement efficiency is the relationship between planned and actual resources required to realize the established goals and objectives and their related activities, referring to the planned and actual costs. As a result, supplier performance is the most important procurement performance driver. For any organization to change its focus and become more competitive, Amaratunga and Baldry (2002) suggest that procurement performance is a key driver to improving quality of services while its absence or use of inappropriate means can act as a barrier to change and may lead to deterioration of the purchasing function. None the less, most developing countries are facing a problem of rapid changes in procurement requirements. The changes are impacting pressure on how the procurement function performs its internal and external processes and procedures in order to achieve its objectives. Procurement performance provides a basis for effective control and stewardship of resources and
demonstrates the value of the procurement function. Most organizations have no performance measures in place for assessing procurement efficiency and effectiveness. Of the few that did have measures, many were qualitative statements rather than specific targets to achieve (Anvuur & Kumaraswamy, 2006).

2.7 Empirical Studies and Knowledge Gaps

Primarily in political economy [Gilpin, 1975], but also in business fields [Moran, 1974; Gladwin and Walter, 1980; Behrman and Grosse, 1990], the theory of inter-organization bargaining has been used to characterize and analyze business and government negotiation, policy-making and behaviour. That theory in broad terms focuses on the relative bargaining resources and the stakes of each participant in a bargaining situation, drawing both political and economic/commercial conclusions from the analysis. The focus is on the constellation of assets, interests and abilities that the bargaining parties bring to the table; thus, economic, political and social goals and issues are involved. Since any enterprise is involved in power relationships with rival firms, theories should include in MNC/ government negotiations the potential response of other MNCs or even domestic enterprises [for example, Evans, 1979; Robinson, 1981; Weiss, 1990].

It appears that during the past few years purchasing has begun to play an ever more important role in the strategy of the firm (Ellram, 1994; Carter and Narasimhan, 1996. In order to survive, managers have begun to rethink their competitive priorities and their value chain. Increasing numbers of organizations have recognized that effective purchasing holds the potential to transform their competitive performance for the better. It is generally agreed that purchasing has evolved from a clerical buying function into a
strategic business function that contributes to the competitive position of companies (Ellram, 1994; Carter and Narasimhan, 1996). Empirical evidence indicates that firms can indeed obtain competitive advantage by managing supplier relations (Paulraj et al, 1997).

The research gap therefore brought forth by previous researches is being able to capture important phenomena such as the obsolescing bargain, trade restrictions and performance requirements. In principle, bargaining concepts could be used to examine relations between any competitors or negotiators, and several empirical studies do so, but the theory has not been extended for use in explaining the purposes of government intervention in foreign business activities and MNC responses.

2.8 Chapter Summary
This chapter looked at the various theories the study was anchored on. Modern companies are choosing to outsource functions that are outside their core competencies (Prahalad & Hamel, 1990) and perform only functions that confer competitive advantage. To deal with powerful suppliers, companies can implement their own versions of the "reverse marketing" strategy recommended by Leenders & Blenkhorn (1988) in the late 1980s. They become proactive in their supplier relationships and work to become "interesting customers" despite their small revenue impact. Companies of all sizes now recognize the need for alliances with suppliers who have leading-edge capabilities (Stuart, 2000). According to Ellinger & Olavarrieta (1997), RBV suggests that companies should develop core competencies, capabilities and other resources which are knowledge-based, important to customers and hard to imitate (Prahalad & Hamel, 1990). The relationships developed here appear to be good examples.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter provides a discussion of the outline of the methodology that was used in this study.

3.2 Research Design
The study employed a census design. A census is the procedure of systematically acquiring and recording information about the members of a given population. This study is about establishing the relationship between operational efficiency and international procurement in the multi-national logistics firms in Mombasa. It is therefore justified that a census survey is most suited in this study. Additionally, high reliability is easy to obtain by presenting all subjects with a standardized stimulus which ensures that observer subjectivity is greatly eliminated (Mugenda and Mugenda, 2004). In this type of research study, either the entire population or a subset thereof is selected, and from these individuals, data are collected to help answer research questions of interest (Robson, 2002).

3.3 Population of the Study
Target population in statistics is the specific population about which information is desired (Mugenda & Mugenda, 2004). The population of interest will be ten players in the logistics industry in Mombasa, Kenya see appendix IV. The ideal scenario is to test all the individuals to obtain reliable, valid and accurate results. Unlike a sample survey, in which only a subset of the elements is selected for inclusion and enumeration, a census generally does not suffer from sampling error.
3.4 Data Collection

This study collected both primary data and secondary data. Secondary data was collected from the firm’s purchasing reports. Both open-ended and closed questions were used depending on the type of information required. The targeted respondents were the firm’s mid and top-level logistics professionals, because they are believed to have a higher degree of knowledge of virtually all the logistics areas within the organization and thus, logistics and operational performance. The respondents gave insightful information regarding the international procurement challenges the companies face and the impact it has on its operational efficiency as a multinational logistics firm with operations in Mombasa Kenya.

The preference for a questionnaire was based on the fact that respondents would be able to complete it without help, anonymously, and it would be cheaper and quicker than other methods (Robson, 2002). The respondents included the operations manager and the procurement manager who are responsible for the implementation of strategies and are aware of the implications if performance is under par.

3.5 Data Analysis Techniques

Before processing the responses, the completed questionnaires were sorted, checked and edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Descriptive statistics will be used to analyze the quantitative data. Coding was done in SPSS, analyzed and the output interpreted in frequencies, percentages, mean scores and standard deviation. The findings was presented using tables. This was enhanced by an explanation and interpretation of the data.
3.6 Chapter Summary

In this chapter we have discussed the methodology used in the study, target population as well as the data collection techniques that were used. However, the study also faced various challenges. The limitations of this study are related to the challenge of generalizing from only ten firms. No inference can be made about the universality of the patterns of behavior observed. Instead, a case study allows making theoretical propositions which contribute to theory construction (Eisenhardt and Graebner 2007; Timmermans and Tavory 2012). Time constraints were also faced in the course of this study because of the tight schedule of the researcher and her assistants.

The targeted respondents were the firm's mid and top-level logistics professionals, because they are believed to have a higher degree of knowledge of virtually all the logistics areas within the organization and thus, logistics and operational performance. The respondents gave insightful information regarding the international procurement challenges the companies face and the impact it has on its operational efficiency as a multinational logistics firm with operations in Mombasa Kenya.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results are presented on the international procurement and operational efficiency in logistics industry in Kenya. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objective of the study. To enhance quality of data obtained, Likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point Likert's scale.

4.2 Response Rate

The study targeted to sample 50 respondents in collecting data with regard to the international procurement and operational efficiency in multinational logistics firms in Mombasa County. From the study, 40 out of 50 sampled respondents filled in and returned the questionnaire contributing to 80%. This commendable response rate is attributable to the careful selection of participants showing a direct interest in the subject of inquiry. Repeated telephone calls and emails helped to raise the response rate.

Table 1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Not responded</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.3 Company Demographics

The study sought to determine the number of years the respondents in the organizations had been operating. 29% who were the majority indicated that they had been operating for a period between 2 to 4 years, 18% was the most common having been indicated by employees who have worked for 1 to 2 years, 6 to 10 years and above 10 years, 12% indicated that they had been operating for a period of 4 to 6 years, whereas 6% indicated that they had been operating for a period below one year.

Source: The Researcher

Figure 1: Years in Operation

The study sought to determine the number of years the respondents in the organizations had been operating, 29% who were the majority indicated that they had been operating for a period between 2 to 4 years, 18% was the most common having been indicated by employees who have worked for 1 to 2 years, 6 to 10 years and above 10 years, 12% indicated that they had been operating for a period of 4 to 6 years, whereas 6% indicated that they had been operating for a period below one year.
4.3.1 Turnover

Source: The Researcher

Figure 2: Turnover

The study sought to determine the turnover in the respondents' organizations, 70.50% who were the majority indicated that the turnover was between 1 to 500 million, 23.50% indicated that the turnover was between 501 to 1 billion, 5.88% indicated that the turnover was below 1 million Kenya shillings.

4.3.2 Business Type

The study sought to determine the respondents’ business type; 70.59% who were the majority indicated that their business was a Corporation, 11.76% indicated that their business was a Partnership, whereas 17.65% indicated that their business was in other business types.
4.4 Performance Functions

On accessing performance functions during procurement, the study found that quality ensured procurement performance to a great extent as shown by a mean score of 3.88, flexibility ensured procurement performance to a great extent as shown by a mean score of 3.82, time ensured procurement performance to a great extent as shown by a mean score of 3.64 and time ensured procurement performance to a great extent as shown by a mean score of 3.47.

Table 2: Performance functions on Procurement Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>3.4706</td>
<td>1.06757</td>
</tr>
<tr>
<td>Time</td>
<td>3.6471</td>
<td>.78591</td>
</tr>
<tr>
<td>Quality</td>
<td>3.8824</td>
<td>1.05370</td>
</tr>
<tr>
<td>Flexibility</td>
<td>3.8235</td>
<td>.80896</td>
</tr>
</tbody>
</table>
4.5 Operational Efficiency in the Logistics Industry

The study sought to determine how the following statements influence operational efficiency in the logistics industry, respondents indicated that labor productivity influenced operational efficiency to a great extent as shown by a mean score of 4.00, resource utilization, reduced international costs and technology utilization influenced operational efficiency to a moderate extent as shown by a mean score of 3.7059 each.

Table 3: Operational Efficiency

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Utilization</td>
<td>3.7059</td>
<td>.77174</td>
</tr>
<tr>
<td>Reduced International Cost</td>
<td>3.7059</td>
<td>.77174</td>
</tr>
<tr>
<td>Technology Utilization</td>
<td>3.7059</td>
<td>.98518</td>
</tr>
<tr>
<td>Labour Productivity</td>
<td>4.0000</td>
<td>.79057</td>
</tr>
</tbody>
</table>

4.6 International Procurement and Operational Efficiency

Figure 4: Factors in Procurement-related Delays.

Source: Analyses performed by the researcher based on data from the study.
4.7 Levels of International Procurement

Source: The Researcher

Figure 5: Percentage rate of international procurement.

The study found out that 58% of all firms studied procured their goods and services internationally for their day to day operations. It follows therefore that international procurement plays an important role in operational efficiency of these logistics' firms.

4.8 Delays in Delivery

Source: The Researcher

Figure 6: Delay in Delivery of Internationally procured goods.
The study sought to find out if at any point firms experience delays in the delivery of goods or services procured. The study determined that a little over half i.e. 55% do indeed experience delays which in turn affects the operational efficiency of the firms in question. Procurement related factors discussed earlier include but are not limited to participant coordination, internal procedures as well as time periods taken in the procurement process.

4.9 Discussions

The role of logistics’ firms exceeds the simple function of services to cargo clients. Apart from their role as the traditional airport/sea/land interface, logistics firms are a good location for value-added logistics, in which members of different channels can meet and interact. From an operations perspective, international procurement is key as it not only links out outside processes and flows but also creates patterns and processes of its own that are unique to the home/host country. From an international procurement standpoint logistics is an important node since it serves as an intermodal/multimodal transport intersection and logistics firms’ operate as a center for the flow of goods (cargo) (Murray 2008)

Improvement on or the re-designing of internal processes or activities sequencing through a combination of operations leading to a reduction to the total cost relative to the whole process. Respondents showed a concern for this factor having been ranked among the highest in procurement related delays that in turn affected the operational efficiency within the firms. The study further found that labor productivity influenced operational efficiency to a great extent (Boyce, 1999; Bradley, Thomas, Gooley, & Cooke, 1998)
Another important strategic decision is about choosing the adequate logistics function, which might be key to the success of the supply chain. This would relate to optimal order fulfillment, the design and operation of the warehousing and distribution center network and transportation modes (Murray 2008). These high level decisions can be refined, as required, to reach the specific needs of the company at the lower levels which allow for tactical and operational supply chain decisions to be made. The intensity of this link between strategic objectives and operational actions depends on the volume and complexity of factors to be reconciled, and supply chain managers today face an unremitting challenge to their capabilities in this regard.

In global sourcing, international management of logistics is definitely a necessary and crucial procedure. Logistics in global sourcing refers to plenty of additional problems such as transportation delays, border-crossing procedures and longer inventory management (e.g., Boyce, 1999; Bradley, Thomas, Gooley, & Cooke, 1998). Moreover, lack of holistic logistics knowledge in low-cost developing countries would trouble the procurement executives when implementing global sourcing. Nowadays, logistics management has dramatically improved in the developed countries. On the other hand, less-developed country suppliers are short of experience with the most advanced approaches and are usually unfamiliar with high-standard requirements, such as sequence deliveries combined with Just-In-Time; electronic data interchange communications and vendor-managed inventory solutions (Cho & Kang, 2001). These capabilities of supply chain management are important in determining how much benefits a company can derive from global sourcing.
In addition, low-grade infrastructure of logistics in developing countries influences the efficiency of global sourcing. We can take an example, if a company plans to purchase products from China, they have to consider the logistics capability in China. To be more specific, they must face the problem of inland transport. The roads in China are not yet as developed by European or American standards. This is because transportation infrastructure did not develop at the same pace as international trading. Besides, some unqualified vehicles and drivers also cause problems of logistics. Although these troubles are being mitigated, they do have an effect on supply chain performance of enterprises sourcing from every point in China (Beaudry, Dupaigne & Portier, 2011).

This study established that planning positively affects procurement performance to a large extent. The study recommends that plans are not static and that preparation of annual procurement plans should be participatory, frequently reviewed so as to improve on the firm’s procurement performance. Equally, management of the procurement process should be administered by qualified, competent and experienced procurement professionals. This will not only help maintain good procurement standards but also will help achieve high levels of efficiency and effectiveness. In addition, to avoid delays in supply and provision of services, timelines have to be respected since most projects would have overruns. For the success of the contracts under execution, the management of logistics firms should ensure that proper mechanisms for project monitoring and evaluation are put in place with the input of procurement personnel and the user department with progress reports thereon escalated for necessary action.
Procurement and logistics processes are not as simple these days as getting goods from point A to point B – even less so on an international scale. Today’s supply chain management is about understanding and manipulating an easily overwhelming set of variables to achieve a deceivingly simple result: delivering on-time and within budget. Central to this is a requirement that underpins all current trends in the industry: understanding the product. The stronger this knowledge on the part of a supply chain service provider – whether it’s an internal or an outsourced function within the end-user organisation – the better and more consistent the results. But without this basic expertise, the outcome can quickly become catastrophic. (Barney, 1991),

More accurate demand planning: Vendors and manufacturing organizations in the IT supply chain are moving from plant-level production planning to a demand-driven focus. This creates a more customer-oriented mindset and drives down costs without sacrificing operational efficiency. But it also comes with a set of challenges that often impact on both the system integrators and their end-user clients.

Demand planning is a key function of large-scale production. Large vendors usually have a manufacturing plant in almost every major country, in every region, and it depends on labour, materials and customer demand when and where they will manufacture the products most efficiently. Some vendors also outsource the actual manufacturing and don’t hold stock themselves, but supply their partners on a per-order basis. Obviously, this makes it imperative to have the right amount of raw materials available at the right time and at the right plant, and to make sure there’s adequate stock of these materials to service incoming orders. (Barney, 1991),
Careful demand planning therefore plays a crucial role, because how well vendors manage this function impacts directly on their partners’ business. If vendors don’t plan properly, their partners run into restrictions. Lead times of between four to six weeks suddenly stretch to an unacceptable ten to fourteen, or longer, creating dissatisfaction throughout the supply chain. This is because everything from the shipping and customs clearance, up to the implementation and go-live date are delayed (Vapola, Paukku & Gabrielsson, 2010)

Globalization is dramatically influencing the way business is managed and transacted today, and no area of a business is affected more by this development than the supply chain. End-user organizations with an international footprint therefore need to partner with service providers that are experts in international delivery, that can supply whatever equipment is needed by sourcing from anywhere and delivering to any place, and can do so no matter in which country this assistance is needed. This involves ensuring there are no penalties or delays, that customs clearance is handled in the most efficient, cost-effective and lawful way, and that the overall order is effectively managed from the moment it’s placed to when it’s delivered. A better understanding of the total ‘landed cost’ and service implication of, for example, alternative ports of entry, can help reduce supply chain costs and improve performance. The right supply chain configuration is therefore critical to managing the changes brought about by rapid globalization. (Barney, 1991),

Where most end-user organizations still fall short is to underestimate the complexity of this process and, again, not to follow a consultative, transparent approach with their international procurement and integration partners. It’s key to share international
expansion strategies with service providers in order to give them visibility of what the needs and requirements will be in the near and long term. Your preferred service provider should be able to give valuable advice about how to navigate all the pitfalls of cross-border business in the targeted countries (Daniel Yuichi Kono & Stephanie J. Rickard, 2014)

Increased competition and price pressures: In the logistics arena, fuel costs are a primary driver of price and a key focus when companies need to find ways of cutting down on expenses. There’s no sign of relief for this yet; fuel costs are only set to keep rising. The mistake end-user organizations make is to see logistics expenses, in general, as the first place to try to reduce costs. One of the reasons for this is that it’s expensive to move product across borders, and organizations immediately assume there’s fat built into logistics costs, when the true expense actually lies in fuel surcharges that are beyond their control.

Here, the location of the vendor’s manufacturing plant has a major part to play. A large IT manufacturer, for example, recently moved three US-based plants to a selected country and merged them in a consolidation effort aimed at saving manufacturing costs. However, it’s unusually expensive to ship products in and out of that country, owing to the fewer number of flights to and from its airports. It’s also more difficult to monitor and control costs in this specific country owing to elements of corruption. These factors contribute to the higher price of logistics, which is simply passed on to the end-user organizations. (Barney, 1991),
More outsourcing: Outsourcing all, or part of, the procurement and logistics processes is a growing trend among all global organizations, particularly those re-focusing their attention on core competencies and cost-efficiencies in the current economic slump. This is true for organizations such as financial services providers that have minimal expertise in logistics, as well as for manufacturing businesses, such as pharmaceutical companies that have their own supply chains connected to their core business. But even though pharmaceutical companies may have experience in moving products that fall within their area of expertise, like medicine or tissue samples, other types of products they need might require a different kind of specialized logistics knowledge. So when it comes to procuring and transporting their IT equipment, for example, they require the assistance and services of logistics experts just as much as any other organization.

Closer collaboration between stakeholders: The greater integration seen in maturing supply chains requires closer collaboration between all players in the value chain. It’s again a mistake to think of supply chain management as simply the freighting of the product, when the process begins far earlier. Successful procurement and logistics begins with the supply chain service provider’s involvement and collaboration in the client organisation’s early project planning and scheduling phases. The supply chain partner helps the end-user organisation understand and incorporate in its planning aspects such as accurate pricing, the legal and timing complexities of moving goods around the world, taxes and monetary regulations. (Barney, 1991),

Improved procurement and sourcing skills: Organization that are not outsourcing their supply chain functions are beginning to recognize the need for advanced procurement,
sourcing and supplier relationship management skills among their staff. Many of these businesses are re-evaluating their current internal supply chain capabilities and moving away from hiring people with basic and intermediate skills, and towards looking for talent with specialist expertise.

These capabilities now include skills in areas such as sustainability, supplier collaboration, relationship management, performance management, analytics and financial procurement. In the next few years, more and more organizations will start to develop advanced supply chain and leadership strategies as a competitive advantage, which include strategy and change management, analytics, performance management and supplier relationship management. The result is that organizations are themselves growing far more savvy, and it’s important for supply chain service providers to remain close to their client’s strategic plans in order to provide valuable input and feedback during the early stages of decision-making (Beaudry, Dupaigne & Portier, 2011)

Building sustainability into supply chains through e-procurement: Sustainability has become a critical component in corporate and government sourcing strategies. This is because one of the first steps in becoming a sustainable business is to change the processes by which the organization purchases through its supply chain, as well as the types of environmentally responsible products and services it buys. But sustainability is more than reducing the impact on the environment. It’s also about taking steps to maximize longevity in the market, recognizing that higher energy costs and taxes, as well as stricter government legislation, will raise the cost of operations in the long term. (Elizabeth Thurbon, 2015)
Driven by changing client expectations, pressure from investors and shareholders, and increasing regulation, organizations around the globe are now looking at ways to integrate sustainable purchasing process standards into their sourcing strategies. Paperless e-procurement systems and energy-saving cloud computing strategies are obvious areas of potentially enormous sustainability improvements. Increasingly, these organizations are also asking their supply chain services partners pertinent questions about their ability to consolidate orders on their behalf to save on shipment costs and fuel consumption, the amount of incorrectly placed or shipped orders, the amount of stages in the logistics route, and so forth. The aim is to collect information in order to compile reports on the changes they’ve brought about in conjunction with their supply chain partners in bringing their products to market in more sustainable ways. Similarly, supply chain organizations are increasingly required to deliver services such as packaging collection after delivery for, and more (Roland Bardy and Andreas Hillebrand)

E-procurement enters a new, more holistic phase: A combination of different market pressures is creating an expectation on the part of multinational and multi-regional organizations to be able to transact in smaller volumes, just in time. Whether internally within an organization’s own procurement department or through an e-procurement facility, organizations are also demanding end-to-end and self-service capabilities. (Barney, 1991).

Inevitably, once the manual processes of procurement were converted to an electronic format in the 1990s, companies began to reap the enormous cost and time savings of automated quoting systems, tracking ability from vendor to delivery, and electronic
invoicing and payment. Now, having bedded down these enhanced efficiencies and levels of control, businesses are looking to exploit e-procurement to its fullest potential by increasing the scale of products and geographies, as well as the extent of the integration, but reducing the volumes they buy through a just-in-time approach.

Supply chain service providers need to keep up with these demands and be able to offer seamless automation and integration with the client-organization’s procurement systems, but to a level with which the client is comfortable. The benefits mainly include greater efficiency, time and cost-savings through simplification and the elimination of process duplication. However, end-user organizations have traditionally been hesitant to integrate fully, and it’s important to seek out supply chain partners with a series of successful integration case studies as proof of concept before attempting such integration. Although these cases may still be few and far between, the convenience, cost-savings and competitive advantage that a successfully integrated e-procurement system will bring may be worth investigating with the guidance of organizations that lead the field in this respect. The trend is towards greater integration – it simply depends on the end-user organization’s appetite for change and innovation when and how this step should be taken. (Barney, 1991),

4.9.1 Comparison with Theory
As the theoretical portion of this thesis has shown, many international business organizations are striving to unitize different standards in order to facilitate international cooperation. Existing industrial standards which are not synchronized with international standards or expectations still can cause costly troubles and even the failure of global sourcing. For the theoretical implications, the study recommends that supplier selection
in global sourcing should be researched more deeply in order for them to develop systematic criteria. After all, it is one of the most serious challenges for companies in the pursuit of a global sourcing strategy. Some processes like obtaining the information from more suppliers, optimizing and systemizing the global sourcing process and supplier base, and keeping more long-term win-win strategic relationship with their suppliers within the global scope require further study and field survey.

4.9.2 Comparison with Empirical Studies
Over the last two decades the world economy has been dramatically changed due to various reasons. The environment of business is characterized by rising complexity, uncertainty, instability and volatility. Companies have to do re-thinking that traditional methods and strategies for doing business to the pressure of changing market conditions, intensified global competition, radical change in technology and shorter product life cycle. Managers are now realizing that no matter how strong and resourceful their firms might be, they are no longer able to maintain a competitive advantage at every step in the value chain in all national market, nor are they able to maintain a cutting edge in the wide range of technologies required for the design, development manufacturing and marketing of new products (Hanfield and Nicholas, 2007).

Supplier selection is generally considered as five phase process starting from the realization of the need for a new supplier, determination and formulation of decision criteria; pre-qualification; final supplier selection; to the monitoring of the supplier selection (Choy and Lee, 2002). At first, evaluation and assessment task needs the identification of decision characteristics against which the potential suppliers are to be assessed. Next evaluation seals are selected in order to measure the appropriateness of a
supplier. The next step is to assign weight to attributes to identify the significance and contribution of each criterion to the supplier evaluation and assessment. Then an attribute may comprise of several sub attributes. The last stage is to evaluate potential suppliers against the characteristics identified at the beginning (Choy and Lee, 2002).

4.10 Chapter Summary
This chapter analyzed the data collected in the field and interpretations given. Procurement departments of almost each and every organization must take on ever more challenging projects in order to overcome deficiencies in other areas of the business. Optimizing supply structures and processes, connecting from the customers' demands through all the tiers of the supply chain and finding reliable suppliers in low cost countries contribute to compensate diminishing returns on assets and on revenue. Business strategy focused on market share leadership is not very much compatible with a supply management strategy which focuses on supply-side strategic objectives (Littleson 2008). By taking into account the customers' and suppliers' viewpoints, a company will define its core competencies and core processes based on the strategic objectives of its supply management, and it will choose its suppliers and sub-suppliers accordingly.
CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings, and also it gives the conclusions and recommendations of the study based on the objective of the study. The objective of this study was to determine factors affecting international procurement and operational efficiency of the multi-national logistics firms in Mombasa County.

5.2 Summary

The study found out that labor productivity stood out as a factor that influenced operational efficiency to a great extent, while quality influenced procurement performance with a mean high of 3.88. Flexibility, Time, and then Cost followed with mean values of 3.82, 3.64 and 3.47 respectively. Procurement related factors that influenced operational efficiency through causing delays are summarized as below:

Coordination among participants:Rated among the highest this factor seemed to affect operational efficiency execution throughout the procurement cycle. According to the study, problems in this area arose due to the lack of communication and prioritization of actions among the different actors involved in the process.

Contractors participation:This factor relates to the market capacity to respond, which is often overlooked when it comes to preparing the technical specifications of the works, goods, or consultancies to be contracted. Inadequate market analysis (of prices, local industry conditions, available technology, economic-institutional context, etc.), translates often to low levels of
participation by suppliers in the process and prices that are higher than the estimated costs. The extreme case is a complete lack of participation by suppliers in the process (known as “voided tenders”), with a consequent delay in execution. In other cases, a lack of competition means that contracts are repeatedly rewarded to contractors from the same few firms, which can lead to some degree of cartelization and delays in signing the contracts with the logistics firms.

Experience levels and Turnover rate: The following aspects were identified in relation to this factor: (i) the training given by the firms in terms of procurement is limited to staff who deal directly with procurement matters and is primarily focused on theory; (ii) given the high staff turnover rate, the level of knowledge transfer is limited and, consequently, a large part of the training is lost; and (iii) generally personnel find that the SOPs documents on this matter are complex, long and difficult to understand.

Internal Procedures: Given the results of the study as analyzed, more work is needed in this area to increase operational efficiency. Challenges in this area included delays in response times, due to a lack of organization and of well-defined responsibilities that are adapted to the nature and characteristics of each job and/or client, poorly adapted internal administrative procedures, and a lack of autonomy in key activities for timely project/job implementation.

The study also found out that more than half the international logistics firms procure their goods and/or services across borders. This admittedly can take long due to various factors discussed and therefore affect operations of the firms.

This emphasizes the additional need for logistics managers to systematically search and monitor logistics results of other firms in their industry and compare their activities with those of their competitors in the market.
5.3 Conclusion

The research aims at conceptualizing the international procurement system from the perspective of logistics and supply chain management and suggesting a valid framework of efficiency measurement capable of reflecting the logistics scope of operations and complementing if not replacing the conventional methods that are biased. Respondents mentioned the problem of information sharing and highlight the need for collaboration and/or partnership arrangement with other logistics members.

The most significant procurement-related factor identified “internal procedures” as the primary cause for delays. The empirical evidence regarding the timeframes of each phase of the procurement cycle suggested that the stages following the call to tender (i.e., evaluation, awarding of the contract, and signing) created most of the delays, with significant time dedicated to administrative procedures that do not add value but have to be followed according to local rules and practices.

Despite the traditional conflict relationships between channel members in international procurement and logistics, there is need to expand the scope to other members in order to invite and investigate their perceptions and potential contribution to a shared management of the whole process.

Finally, a logistics management approach may prove to be of great benefit in underlining the strategic role and future potential of the logistics firms within the framework of international business in general. It can serve particularly as a valid analytical framework allowing an unbiased assessment of performance measurement and management.
5.4 Recommendations and Implications of the Study

The study recommends methods to overcome some of the identified traditionally bureaucratic challenges ranging from setting up ad-hoc execution or management units to outsourcing project management processes. The study recommends that logistics firms should shorten the mandatory internal procurement processes in order to hasten internal administrative procedures for approvals and monitoring. In addition to the shortened internal controls, the organizations should follow incorporate an integrated information system to cover the entire cycle.

The logistics companies should establish a procurement unit with qualified, skilled and knowledgeable personnel to spearhead the procurement operations in order to streamline most of the existing weaknesses in the procurement processes especially when it comes to formulating terms of reference and the required technical specifications. The logistics firms should undertake to do market capability analysis as part of its procurement management. This will allow the companies to assess the ability of the market to meet its required goods and services in the right quantities and quality in the right timings.

The logistics firms should also work on having reliable suppliers whose advice and participation is sought especially when goods and/or services are technical in nature. Minimize emergency purchases that are normally expensive and therefore negatively impact on the performance of the organization.
5.5 Suggestions for Further Research

Based on the study, potential causes of delays in international procurement may include the lack of trust in the officer responsible for purchasing the goods or services; confusion regarding technical specifications and contractual responsibilities of contractors; and “outdated” budgets. Additional research is suggested to better understand this factor for each country (depending on the firm and where goods/services are being bought). The option “others” included a combination of factors that turned out to be heterogeneous and of lesser frequency, but that could be further analyzed in a complementary study.

Further, this research should be extended to capture operational efficiency in the eyes of customers to validate their perceptions. Another interesting avenue of research would be to incorporate the perceptions of managers from other functions e.g. marketing, finance, etc. Finally, my research sample only consisted of logistics organizations. It would be interesting to evaluate the operational efficiency in other tiers of the whole international supply chain. Future research in these various contexts can provide opportunities to refine and improve the robustness of the variables and strengthen the findings of my research.

Further research should be carried out to document the dynamics and impacts of formalization efforts on innovation in the procurement process. Further studies from different types of service procurement settings are required to confirm these findings and possibly test their applicability with larger populations of service procurement processes.
REFERENCES


Drucker, P. (2002). No Son Empleados, Son Personas (They are not Employees, They are People). *Trend Management, 4* (4), 16-22.


Lysons Keneth. (2006). Purchasing and Supplies Chain Management (seventh ed.).


## APPENDICES

### Appendix 1:

### Top 25 Global Freight Forwarders

<table>
<thead>
<tr>
<th>Rank</th>
<th>Provider</th>
<th>Gross Revenue (US$ Millions)</th>
<th>Ocean TEUs</th>
<th>Airfreight Metric Tons</th>
<th>A&amp;A Provider Information and Editorial Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DHL Supply Chain &amp; Global Forwarding</td>
<td>31,639</td>
<td>2,840,000</td>
<td>2,377,000</td>
<td>DHL Supply Chain (DSC) is by far the world’s largest 3PL and contract logistician. Contract logistics revenues account for just over 50% of total revenues. Contract logistics revenues for Exel (DHL Supply Chain - Americas) are $4.5 billion with 468 warehouses and 109 million square feet of space. Exel/DSC has operations of virtually every kind on every continent.</td>
</tr>
<tr>
<td>2</td>
<td>Kuehne + Nagel</td>
<td>22,141</td>
<td>3,473,000</td>
<td>1,093,000</td>
<td>Kuehne + Nagel is one of the world’s leading logistics companies providing services at more than 1,000 locations in over 100 countries. It has strong market positions in the sea freight, air freight, contract logistics and overland businesses, with a clear focus on providing IT-based integrated logistics solutions. With the addition of the ACR group, contract logistics operations more than doubled in 2006 and are 50% of net revenues.</td>
</tr>
<tr>
<td>3</td>
<td>DB Schenker Logistics</td>
<td>16,790</td>
<td>1,005,000</td>
<td>1,096,000</td>
<td>DB Schenker made significant purchases from 2006 to 2008 to double the size of its operations. The purchases include BAD in 2006, Spain-Ty in 2007 and Romtrans in 2008. Romtrans was the largest forwarding company in Romania with $46 million in revenue and 1,500 employees. Operations go as far east as Georgia.</td>
</tr>
<tr>
<td>4</td>
<td>Sinotrans</td>
<td>7,533</td>
<td>8,237,000*</td>
<td>417,200</td>
<td>For many years, Sinotrans Limited was completely protected by People’s Republic of China’s law from direct foreign competition until recently. In some ways it is a very transparent company. Just over 40% of revenues are derived from freight forwarding. Sinotrans handled over 82 million TEUs of sea freight, 417,000 metric tons of air freight and 19.9 million international express documents/packages in 2012. (TEUs shown are a combination of freight forwarding, NVOC/consolidation agent and custom broker activities.)</td>
</tr>
<tr>
<td>5</td>
<td>Panalpina</td>
<td>7,060</td>
<td>1,288,000</td>
<td>801,300</td>
<td>Panalpina is a top 10 freight forwarder. It handles more than 1.3 million TEUs per year. More than 800,000 metric tons of air freight and about 1 million tons of non-containerized break bulk cargo. It has 242 sub-contracted warehouses in 150 countries. Panalpina concentrates on vertical sectors such as Automotive, Chemicals, Consumer Retail, Fast Fashion, Healthcare, High-Tech, Manufacturing, Oil &amp; Gas, and Telecommunications. Telecom growth was major in 2007. Its Oil &amp; Gas operations are primarily in project logistics, which accounts for 10% to 15% of Panalpina’s revenues.</td>
</tr>
<tr>
<td>6</td>
<td>Nippon Express</td>
<td>20,321</td>
<td>719,052</td>
<td>773,173</td>
<td>Nippon Express covers Japan. It’s Japan’s largest domestic transportation company and its Pelican Express operation is the largest package operation in Japan. About 80% of Nippon’s revenues are from domestic Japanese operations. Its international operations in forwarding and contract logistics are tied to its Japanese base. In addition to truck-based operations, Nippon provides harbor and ship transportation, air freight forwarding and warehousing. Its warehousing is tied to its freight forwarding operations. The major question for Nippon is how much will it grow internationally?</td>
</tr>
<tr>
<td>7</td>
<td>CEVA Logistics</td>
<td>9,290</td>
<td>783,378</td>
<td>550,000</td>
<td>CEVA Logistics is a top 10 ranked global logistics company and is the world’s largest automotive 3PL. It has a heavy emphasis on manufacturing and is expanding operations in other sectors. Its industry sectors are Automotive (24%), Consumer/Retail (23%), Technology (20%), Industrial (17%), Energy (12%) and Other (5%). CEVA operates in over 160 countries. The CEVA operations we have visited get top marks. CEVA is a very good at value-added support activities. Its Matrix software suite reflects its range of logistics capabilities, including materials management. CEVA’s core services include fulfillment centers, high-speed cross-docks, sub-assembly, sequencing, dedicated contract transportation, and network designs/redesigns. Its revenue is split between Contract Logistics (69%) and Freight Management (44%).</td>
</tr>
<tr>
<td>8</td>
<td>Expeditors International</td>
<td>5,981</td>
<td>668,457</td>
<td>729,527</td>
<td>Expeditors is the largest North American-based freight forwarder. Net revenues are $1.8 billion and produce a gross margin of 31%. Net revenues are 34% air freight, 43% customs brokerage and 24% ocean freight. U.S. and Asia business account for 76% of revenues. Expeditors is the largest forwarder/NVOC in the Asian/U.S. lanes. It handles over 560,000 TEUs per year globally. Nearly 30% are shipped from Asia to the U.S.. Expeditors’ European operations are primarily in air freight and constitute about 13% of revenues. Expeditors net revenue run 45% high-tech, 33% retail, 10% pharmaceuticals, 10% automotive, 5% furniture and 2% other. Expeditors limits its participation in value-added warehousing and distribution.</td>
</tr>
<tr>
<td>9</td>
<td>UPS Supply Chain Solutions</td>
<td>9,147</td>
<td>500,000</td>
<td>882,000</td>
<td>UPS is the 800th port of global supply chain services. Revenues for contract logistics were $2 billion in 2012. Net freight forwarding/NVOC customs brokerage revenues were $4.7 billion. UPS SCS had a profitable year in 2012. UPS SCS contributes 2% per year in package business to its big brother, UPS handles about 500,000 TEUs per year as a freight forwarder. Twelve percent of containers are LCL consolidations; 49% are Asia-U.S. Forwarding revenues are 65% and air. Ocean. UPS has 1,100 employees involved in customs brokerage: 400 in Allen, SC; 250 in Cleveland, OH and 750 in Louisville, KY.</td>
</tr>
<tr>
<td>10</td>
<td>SDV (Bolloré Group)</td>
<td>7,030</td>
<td>770,000</td>
<td>510,000</td>
<td>Bolloré Group’s logistics business consists of SDV, a France-based transportation and freight forwarding company, which generates 55% of revenue and Bolloré Africa Logistics, a major stevedoring company in Africa, which generates the remainder of logistics revenue. Bolloré Africa Logistics, which has been in Africa for over 50 years, has 250 subsidiaries, about 25,000 employees and operates in 42 countries. SDV is ranked #1 in France by the ATA and 45 in Europe. It operates in 99 countries with a large footprint in Europe, Africa, Asia and the Americas. SDV USA has 16 branches in major U.S. cities and 476 employees.</td>
</tr>
<tr>
<td>11</td>
<td>DSV</td>
<td>7,759</td>
<td>725,806</td>
<td>259,057</td>
<td>DSV is primarily a non-asset operation. EBITs are 5%. Nearly half of its operations are European over-the-road, its Air &amp; Sea division makes up about 42% and Solutions (logistics) accounts for the rest. The DSV Group is Denmark’s second largest supplier of transport and logistics services. The Group originates in the Nordic countries but has established its own operations in more than 70 countries in Europe, the Far East and the Americas. Via professional and advantageous overall solutions, a worldwide yearly turnover of 8 billion is realized by the Group’s 22,000 employees.</td>
</tr>
<tr>
<td>12</td>
<td>Kintetsu World Express</td>
<td>3,155</td>
<td>572,000</td>
<td>1,072,000</td>
<td>Kintetsu World Express’ (KWE) largest operations within its global network are in Japan and China, with over 100 offices located in each of those countries. Nearly 61% of its business is air freight based. Ocean freight and logistics account for about 33%. Globally KWE handles over 1 million metric tons of air freight and over 550,000 TEUs of ocean freight annually. KWE has a host of strategic joint ventures and affiliated companies. Its primary verticals are automotive, high-tech, and healthcare.</td>
</tr>
<tr>
<td>Rank</td>
<td>Provider</td>
<td>Gross Revenue (USS Millions)</td>
<td>Ocean TEUs</td>
<td>Airfreight Metric Tons</td>
<td>A&amp;A Provider Information and Editorial Comments</td>
</tr>
<tr>
<td>------</td>
<td>----------------------</td>
<td>-------------------------------</td>
<td>------------</td>
<td>------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>13</td>
<td>Agility</td>
<td>4,623</td>
<td>500,000</td>
<td>480,000</td>
<td>Agility has expanded its business dramatically from its warehousing base in Kuwait. It is a Middle Eastern leader in integrated supply chain solutions and is organized into three major business groups. Global Integrated Logistics (GIL) is the largest, generating approximately 65% of Agility’s revenue and having more than 15,000 employees. The majority of GIL’s revenues (just under 90%) are generated outside of the U.S. It has core competencies in freight forwarding, contract logistics/warehousing, project logistics, freight forwarding and supply chain management services.</td>
</tr>
<tr>
<td>14</td>
<td>Pantos Logistics</td>
<td>2,601</td>
<td>1,765,546</td>
<td>231,000</td>
<td>Pantos Logistics has a full set of tools including air and ocean freight forwarding, rail and road transportation in Korea, warehousing, customs, and express transportation. (OCC assets in South Korea only) Customers include Korean based companies like LG and International like Phillips. Pantos is a good international supply chain manager with a large freight forwarding base (1.8 million TEUs) and 231,000 air freight metric tons.</td>
</tr>
<tr>
<td>15</td>
<td>C.H. Robinson</td>
<td>11,380</td>
<td>600,000</td>
<td>95,000</td>
<td>C.H. Robinson continues to be the most profitable container line, regularly achieving net income margins greater than 35%. C.H. Robinson dominates domestic transportation management in North America. While 75% of its logistics and revenues are truck transportation related, it has solid international and ocean freight transportation infrastructure.</td>
</tr>
<tr>
<td>16</td>
<td>Hellmann Worldwide Logistics</td>
<td>3,460</td>
<td>672,568</td>
<td>383,194</td>
<td>Hellmann Worldwide Logistics is a private held German company which continues to be competitive against the big guys. It has good freight forwarding and contract logistics operations. Air and Sea freight are just over half of the business. Coverage in Asia and China is extensive. Its regional break down is Europe 56%, Asia 15%, the Americas 19% (U.S. 12%), and Oceania, Middle East and Africa 10%.</td>
</tr>
<tr>
<td>17</td>
<td>Damco</td>
<td>3,272</td>
<td>797,700</td>
<td>210,600</td>
<td>Damco is a third-party logistics provider specializing in customized freight forwarding and supply chain solutions. The company has 11,360 employees in over 300 offices across 80 countries and agents in 30 more countries. In 2012, the company had a net turnover of $3.3 billion, managed more than 2.7 million TEUs in ocean freight and supply chain management volumes, and air freight more than 210,000 metric tons. Damco is partly owned by the A.P. Moller - Maersk Group.</td>
</tr>
<tr>
<td>18</td>
<td>Kerry Logistics</td>
<td>2,490</td>
<td>804,000</td>
<td>289,600</td>
<td>Kerry Logistics’ business portfolio encompasses contract logistics, international freight forwarding, warehousing, transportation, distribution, trading, merchandising and a wide variety of value-added services and is now managing over 32 million square feet of warehouse space, logistics centers and port facilities globally. Its integrated Logistics division, mainly value-added warehousing and distribution, generates 41% of revenue and its International Freight Forwarding division generates 58%. Kerry Logistics handles 640,000 TEUs of ocean freight and 259,000 metric tons of air freight annually.</td>
</tr>
<tr>
<td>19</td>
<td>UTi Worldwide</td>
<td>4,608</td>
<td>495,000</td>
<td>361,500</td>
<td>UTi’s net revenues decreased nearly 7% last year. UTi’s contract logistics and distribution operations are 55% of net revenues. UTi has strong forwarding operations in Asia with an emphasis on air freight and a major drug distribution operation in South Africa. It is expanding its contract logistics operations in Asia particularly in India, which it has designated for major market expansion. UTi’s roots are in South Africa and it does very well in British Commonwealth countries. It has a large North American effort underway to expand its domestic transportation management operations.</td>
</tr>
<tr>
<td>20</td>
<td>Yusen Logistics</td>
<td>3,526</td>
<td>450,000</td>
<td>337,130</td>
<td>Yusen does not have the kind of strong domestic base in Japan that characterizes Nippon and others. It has aggressively grown international markets and expanded through organic growth and acquisitions. It started in 2001 by combining purchases and adding a transportation and warehouse network to expanding contract logistics and air freight operations. Contract logistics and distribution are heavy in Europe, where the companies, sever companies have been combined to create a broad suite of logistics services offered in North, Central and South America. Automotive, industrial and retail/consumer goods vertically are emphasized.</td>
</tr>
<tr>
<td>21</td>
<td>Toll Holdings</td>
<td>6,760</td>
<td>484,000</td>
<td>119,000</td>
<td>Toll’s revenues are 70% Australia based where Toll has one of the largest logistics in logistics. Toll’s mission is to be the most successful provider of integrated solutions to the Asian region providing customers with global reach. Its largest vertical industry is Retail/Food &amp; Beverage at 32% of total revenues. Sixty percent of SembCorp was acquired in 2006 by Toll which owns Australia’s largest trucking and distribution operations. SembCorp is one of the largest logistics providers in Asia. SembCorp has extensive Asian operations (15 countries) and a sizeable joint venture (St. Andra) in China. Its revenues are split as follows: Northern Asia 53%, Southeast Asia 41% and Other 6%.</td>
</tr>
<tr>
<td>22</td>
<td>Geodis</td>
<td>5,888</td>
<td>420,000</td>
<td>210,000</td>
<td>Geodis is France’s largest provider of transportation and logistics services and is one of the top European 3PLs. With third-party logistics revenues of $5.5 billion and 15,000 employees. Geodis Group covers more than 120 countries worldwide through its subsidiaries including Geodis Logistics, Geodis Wilson, and Geodis Supply Chain Optimization (which grew out of its December 2008 acquisition of BM's international logistics operations). Most of the Group's revenue is European based and accounts for 83% (France 53%) of total revenue.</td>
</tr>
<tr>
<td>23</td>
<td>Logwin</td>
<td>1,703</td>
<td>500,000</td>
<td>155,000</td>
<td>Logwin, formerly Thiel, is a conglomerate that acquired Birkhart, Microlog and other companies. Logwin has subsidiaries for automotive, fashion/textile/media and furniture. Nearly 70% of its revenue is Germany and Austria based. Logwin has two business segments: Solutions/contract logistics and Air + Ocean. Its Road + Rail business segment was discontinued in 2009. Solutions generates 50% of the business and Air + Ocean accounts for 48%. Air + Ocean handled 500,000 ocean TEUs and 155,000 air freight metric tons in 2012.</td>
</tr>
<tr>
<td>24</td>
<td>Sanko</td>
<td>2,697</td>
<td>750,000</td>
<td>18,529</td>
<td>Sanko is an asset based, Japanese 3PL with a strong presence in the Asian market as well as operations in Europe, USA and Brazil. Although Sanko still sizes a significant amount of project logistics, the main revenue from its logistics division is from the automotive, chemical, consumer goods and retailing verticals. The logistics business unit generates 34% of Sankyo's total company revenue.</td>
</tr>
<tr>
<td>25</td>
<td>BDP International</td>
<td>1,895</td>
<td>117,031</td>
<td>53,643</td>
<td>BDP is a leading freight forwarder with a strong emphasis on chemicals. Its operations are high quality. BDP handles customs brokerage for DuPont and DuPont on about 500,000 containers a year.</td>
</tr>
</tbody>
</table>

*Revenue are company reported or Armstrong & Associates, Inc. estimates and have been converted to USS using the average exchange rate in order to make non-currency related growth comparisons. Freight forwarders are ranked using a combined overall average based on their individual rankings for gross revenue, ocean TEUs and air freight metric tons. **TEUs shown are a combination of freight forwarding, NVOCC, booking agent and custom broker activities. Source: Logistics Management and Supply Chain Management Review magazine 2013
Appendix 2:

QUESTIONNAIRE

The results of this study will be used purely for academic purposes. You will remain anonymous throughout the entire questionnaire so please volunteer as much information relevant to this study as possible. Please give answers in the spaces provided and tick (□) the box that matches your response to the questions where applicable.

SECTION A: Company Demographics

1. Years in employment
   - Below 1 year [ ]
   - 1- 2 years [ ]
   - 2- 2-4 years [ ]
   - 3- 4-6 years [ ]
   - 4- 6- 10 years [ ]
   - 5- 0 -15 years [ ]
   - 6- Above 15 Yrs. [ ]

2. Turnover
   - Below 1 million [ ]
   - 1- 500 million [ ]
   - 501 million – 1 billion [ ]
   - Over 1 billion [ ]

3. Number of employees
   - Less than 100 [ ]
   - 101 – 500 [ ]
   - 501 – 1000 [ ]
   - Above 1000 [ ]

4. Business type
   - General Partnership [ ]
   - Limited Partnership [ ]
   - Corporation [ ]
   - Other specify..............................
SECTION B: Performance Functions

5. To what extent do the following performance functions ensure procurement performance? Use a scale of 1-5 where:
1 No extent, 2 little extent, 3 Moderate extent, 4 Great extent and 5 Very great extent

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Kindly rate your company’s procurement performance in the given factors

<table>
<thead>
<tr>
<th></th>
<th>Very Poor</th>
<th>Poor</th>
<th>Neither Poor Or Good</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C: Operation Efficiency

7. To what extent do the given influence operational efficiency in the logistics industry

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Utilization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced International Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology Utilization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. In your opinion, which of the following procurement related factors can affect operational efficiency? Please prioritize the most important factors.

[ ] Time periods and procedures defined in the SOPs that affect the development of the procurement process.

[ ] Experience level in the procurement management and turnover rate.

[ ] Internal procedures which include multiple procurement authorization processes that are rigid and vertical

[ ] Coordination among interested parties/participants

[ ] Availability of budgeted resources to execute procurement

[ ] Firm’s procurement policies

[ ] Quantity of human resources assigned to firm’s procurement matters

[ ] Levels of participation by suppliers and/or contractors in the procurement process

[ ] Others:

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

9. Do you as an organization procure any goods or services across borders i.e. internationally?

[ ] Yes

[ ] No

10. Do you sometimes experience delays in the delivery of such goods and/or services?

[ ] Yes

[ ] No

10. If yes, kindly explain how such delays affect the operations of your organization. Please try to be clear and concise as possible.

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

THANK YOU FOR YOUR TIME AND PARTICIPATION
Appendix 3: A List of Multi-National Logistics Firms in Mombasa.

1. DHL Limited
2. Kuehne + Nagel Limited
3. DB Schenker Limited
4. Damco Logistics
5. Logwin
6. SDV (Bollore Group)
7. Agility
8. Hellman Worldwide Logistics
9. Expeditors International
10. UTi Worldwide

Source: Logistics Management and Supply Chain Management Review magazine 2013
(The researcher picked those with presence in Mombasa to the best of her knowledge)
Appendix 4: Letter of Introduction

UNIVERSITY OF NAIROBI
MOMBASA CAMPUS

Telephone: 020-2059161
Telegrams: “Varsity”, Nairobi
Telex: 22095 Varsity
Our Ref: D61/61376/2013

DATE: 22ND SEPTEMBER 2015

TO WHOM IT MAY CONCERN

The bearer of this letter, Jennifer Wacuka Muriuki of Registration Number D61/61376/2013 is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on Factors Affecting International Procurement and Operational Efficiency in Major Logistics Multi-National Firms in Mombasa, Kenya. We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

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

Thank you.

Zephaniah Ogero Nyagwoka
Administrative Assistant, School of Business-Mombasa Campus