

Effect of Warehouse Outsourcing on Procurement Process Efficiency in Tea Firms in Kericho County, Kenya

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Abstract: The study sought to establish the effect of warehouse outsourcing on procurement process efficiency in tea processing firms in the county government of Kericho, Kenya. The aim of the study was to establish effect of warehouse outsourcing on procurement process efficiency in tea firms. It was guided by two theories; Systems Theory and Resource Based View. Descriptive research design was adopted using quantitative approaches. The target population was 66 which were made up of 3 senior procurement staff in each of the 22 tea processing firms in the county government of Kericho. Purposive sampling was then used to target the staff. The study used a closed-ended questionnaire in collecting primary data. The questionnaires were pretested to ensure validity and reliability. The collected data were summarized and analyzed with the aid of SPSS.

Keywords: warehouse outsourcing and procurement process efficiency.

1. INTRODUCTION

In the Kenyan context, a study by Mulama, (2012) looked at the effect of logistics outsourcing practices on the performance of large manufacturing firms in Nairobi, Kenya. Research was done and it was found that outsourcing practices had an effect on firms performance by use of stratified sampling method. Logistics outsourcing has numerous benefits. Some of the benefits are improved costs, enhanced quality and service delivery and responsiveness to customer's demands, improved costs, reliability, creation of sound business relationships and a source of core competence. Also, Lynch (2000) in turn states that there is plenty for growth of logistics activities. Interest in logistics outsourcing will increase as competitive pressure in the market keeps increasing. Third party logistics usage is becoming domineering as their value addition is based on knowledge and information. They conclude that the use of third party logistics is increasingly prevalent across the world. Procurement process efficiency can be seen in terms of adequate level of: training present for operation in the procurement department, knowledge of procurement process and procedure at work, adequate level of records of the procurement procedure at every stage is properly kept, internal control performs functions to the expectation of everyone, the procurement system achieves value for money, procurement staff demonstrates high standards of ethics in their work, the procurement system is highly transparent and accountable and that it is timely, cost effective and competitive. The present study will take a similar approach in an attempt to establish the effect of logistics outsourcing on procurement efficiency in tea processing firm in the county government of Kericho.

1. Statement of the Problem

Kenya has a lot of distribution insufficiency which are rise in production prices, supplier relationship issues, weak exchange rates, slump in the value of shilling against dollar, capacity constraints leading to a lot of time being used to clear products, inadequate warehousing and poor risk management for volatility in transportation cost.

Due to these challenges firms have started outsourcing their functions (warehousing security, accounts). Firms in Kericho have. Tea firms face large demand to outsource logistics given the perishable nature of tea leaves. In County Government of Kericho, tea firms are faced with a number of challenges which include transportation and related logistic activities, storage, warehousing and shipment of fresh products to international markets. Due these challenges firms

are countering their logistic setback by outsourcing functions .there the only management tool that can be used by firms to improve their efficiency and effectiveness (that is cost reduction and improved service delivery) is logistic outsourcing.

1. Objective of the Study

To establish effect of warehouse outsourcing on procurement process efficiency in tea firms in Kericho County, Kenya.

2. Research Hypotheses

Ho: Warehouse outsourcing has no significant effect on procurement process efficiency in tea firms in Kericho County, Kenya.

2. LITERATURE REVIEW

Theoretical Review

Systems Theory: An organization is an open system model which is dynamic.therefore all element of the model are affected by external factors .the systems approach reflects the idea that all elements of the model are open to influences in the external environment. various factors affects logistics outsourcing which include, warehouse capabilities of an organization financing, operating procedures, availability of reliable transportation, , , internal controls, inventory management as well as employee knowledge and skills.. The study is particularly carried out to show the importance of outsourcing logistics. This therefore means that the systems model can also be adopted for the current study as it is relevant in describing the relationship of the concepts under study.

Transaction Cost Analysis: This theory expresses that associations are financial on-screen characters utilizing the most effective component for exchanges (Williamson, 1991) and can be utilized to investigate redistributing choices concerning operational execution. This theory places that there are costs in utilizing a market which incorporate operational costs, for example, seek expenses and stock holding costs and also the expenses of composing and implementing an agreement. At the point when an exchange is completed, various expenses emerge in the monetary framework. These expenses can be isolated into three primary classes: Data costs, identified with looking for data on the potential accomplice, Haggling costs, identified with arranging and drawing up of agreements where every single conceivable circumstance in future exchanges are considered and Implementation costs, to uphold execution, resolve clashes and renegotiate contracts. Unnecessary expenses may make exchanges be exchanged to different foundations through out sourcing, these establishments thus disguise showcase exchanges by administering them through long term gets that make shared reliance, enhance complementary control, check advantage, and take into account better participation between the gatherings included. On the off chance that a firm picks to re-appropriate, it will build its exchange costs and no doubt lose its economies of scale (Grover, 1996) in light of the fact that the expanded size of the firm will require expanded interior co-appointment. It would anyway exploit the economies of scale and extent of the merchant while in the meantime lessening inward coordination costs. By outsourcing the firm will build its outside co-appointment expenses of which will rely upon the level of benefit specificity. Conversely more institutionalized items and administrations could reflect bring down outer co-appointment costs and the seller may accomplish economies of scale and would be a more reasonable alternative for redistributing. The theory can consequently explain the different coordinations re-appropriating activities since all involve some exchange cost to both the association and the seller.

Empirical Review

Warehouse Outsourcing: As per van Hoek (2000) in their examination on buying and control of valuable outsider coordinations benefits in Netherlands, customary outsider coordinations administrations, for example, warehousing and transportation have progressed toward becoming, to some degree, commoditized. Since the overall revenues and profits for these administrations are negligible, firms should seriously mull over giving strengthening administrations, especially those related with mass customization and deferment. Phone reviews of Dutch coordinations specialist organizations found that while some as of now offer different supplemental administrations, these organizations have a tendency to be the exemption as opposed to the run the show. Their discoveries show that distribution center redistributing could spare as much as 12% in operational costs which regularly influence associations main concern. Engelbrecht (2004) in their examination on redistributing execution appears in an incomplete model, utilizing auxiliary condition displaying to test his theories, that the level of re-appropriating can clarify 8% of the coordinations cost position of a firm. The estimated direct impact of the level of redistributing on the level of coordinations administrations ends up being non-noteworthy.

These discoveries show out of the blue on a high factual level that the elucidating investigations of the past, which have normatively expected the execution impact of coordinations redistributing, were right in their presumption, despite the fact that their examination strategy may have been inadequate with regards to the sufficient logical thoroughness. In any case, they presume that distribution center redistributing is a basic part in cost decrease plans went for dealing with the whole coordinations capacity of some random organization. According to Mulama, (2012) in the examination on the impact of coordinations re-appropriating honours on the execution of substantial assembling firms in Nairobi, Kenya, re-appropriating honours had impact on firms' execution as it brought about expanded efficiency, hierarchical viability, expanded benefits, constant enhancement, enhanced quality and enhanced nature of work life. Stratified arbitrary inspecting technique was connected to concoct the example size and essential information was gathered through a self-regulated survey. Engaging measurements was utilized to break down information utilizing frequencies and rates. The investigation presumes that redistributing coordinations, for example, warehousing expanded profitability, adequacy, expanded benefits, ceaseless enhancement, enhanced quality and enhanced nature of work life. According to Mugo (2013) in the examination on coordinations re-appropriating and the store network execution of cell phone specialist co-ops in Kenya, all the four cell phone organizations overviewed have re-appropriated the greater part of their coordinations capacities. They noticed that there is a connection between coordinations re-appropriating and store network execution in the cell phone specialist organizations. The investigation infers that the fate of coordinations re-appropriating is splendid in the cell phone specialist organizations and there is a drive towards the utilization of coordinations redistributing in warehousing, consultancy and ICT as a system with the end goal to total expenses, decrease dangers, seek after center business exercises and henceforth gain an upper hand in the vicious business of portable communication. Further, the benefits of coordinations redistributing can't be repudiated and its effect on the execution of the inventory network undeniably supersedes the difficulties looked in the usage of the equivalent. Acquisition Process Efficiency: According to Otieno (2004), in obtainment process productivity, the superseding guideline for effectiveness is an incentive for cash which implies that the procedure ought to give merchandise, administrations and works in the correct amount, time and cost. Correspondingly, Ordinance (2006) noticed that a proficient and compelling acquisition process has likewise been connected to procedure, time administration, offer assessment and advancement of a savvy reasonable contract. As indicated by Eduardo (2004), productive acquisition process requires sorted out collaboration: experts, duties, calendar, and assets. So also, KIPPRA (2006) illustrated that acquisition procedure proficiency guarantees that the general population gets an incentive for cash. Subsequently, a productive acquisition process must be auspicious, practical; of right quality and amount that addresses the issues of securing substance. According to Kirui and Wanyoike (2015), procurement process efficiency can be seen in terms of adequate level of knowledge of procurement process and procedure at work, adequate level of training present for operation in the procurement department, records of the procurement procedure at every stage is properly kept, internal control performs functions to the expectation of everyone, the procurement system achieves value for money, procurement staff demonstrates high standards of ethics in their work, the procurement system is highly transparent and accountable and that it is timely, cost effective and competitive. The present study will take a similar approach in an attempt to establish the effect of logistics outpouring on procurement efficiency in tea processing firm in the county government of Kericho.

3. METHODOLOGY

1. *Research Design ,Target Population And Sampling*

A research design is an arrangement or a structure for directing an investigation. The structure associates the inquiries or targets of the investigation to the information accumulated. For this investigation, a study design was utilized. The technique is favored as it grants social occasion of information from the respondents in common settings. Survey design result in a portrayal of the information, regardless of whether in words, pictures, graphs, or tables, and whether the information examination demonstrates factual connections or is simply illustrative. The target population for this examination included obtaining staff in the tea handling firms in the area county government of Kericho. The objective populace in this manner involved 3 senior acquisition staff in every one of the 22 tea preparing firms in the province administration of Kericho in this way totaling 66 obtained staff. According to Mugenda and Mugenda (2010), inspecting is the demonstration, process or strategy of choosing an appropriate example or a delegate some portion of a populace for the deciding parameters or attributes of the entire population. Since the objective population of 66 acquired staff is genuinely little, the examination attempted an evaluation approach and consequently all the 66 staff framed the example.. Purposive sampling was then be utilized in focusing on the said acquisition of staff in every one of the tea preparing firms. Purposive is most reasonable in light of the fact that senior obtaining staff in each firm would be in position to address consider targets satisfactorily since they are a piece of the basic leadership process in the acquirement chain. This

system guaranteed that the example isn't just delegate, dependable, adaptable and productive yet additionally applicable to meet the goals of the present investigation.

Research Instruments and data collection and analysis

In this study the technique used to gather the primary data is a questionnaire survey. The questionnaire survey permits information from both sampled groups to be gathered in a fast and proficient way. The utilization of review survey makes it feasible for **descriptive and inferential statistical** examination (Saunders and Lewis, 2009). As per Cooper and Schindler (2005), the survey questionnaire is proper as it enables information to be gathered in a speedy and effective way. It likewise makes it feasible for graphic and inferential examination. The information required for an investigation can be gathered either as auxiliary information or as primary data. Cooper and Schindler (2005), characterize primary data to be information gathered at source while optional information is information which as of now exists. Primary data can be both subjective and quantitative utilizing both shut and open finished inquiries. The primary data was sourced from the appropriate responses the members will give amid the study procedure. In this examination an appropriate reasonable technique to gather the primary data will be the questionnaire survey. Prior to setting out on information accumulation, consent to gather information looked for from the National Board for Science, Innovation and development (NACOSTI). The analyst additionally looked for freedom from both the college and the significant tea preparing firms. As indicated by Cooper and Schindler (2005), a substantial instrument estimates the idea being referred to precisely. In the investigation, the legitimacy of the surveys will be seen by sticking to the qualities of plainly obvious measures. These measures showed the degree to which the instruments measure what they should quantify, or, in other words face and substance legitimacy (validity). In this manner, with the end goal to guarantee confront validity, the surveys will be abstractly evaluated for introduction and the significance of the inquiries. A questionnaire with a high dependability would get comparative answers in the event that it is done again or by different specialists (Cooper and Schindler, 2005). The reliability of the questionnaires will be resolved through the Cronbach alpha technique. Cronbach alpha gives a decent proportion of unwavering quality since holding different variables steady the more comparative the test substance and states of organization are, the more prominent the inner consistency and dependability. The information gathered from the polls will be examined utilizing both graphic (means and standard deviations) and inferential insights (relationship and relapse) with Statistical Package for Social Sciences (SPSS) version 21.0. The after effects of the study will be introduced in tables. To analyze the connections of each of the independent variable on the dependent variable, the examination will utilize the F-test to test both the impact of each variable and the overall effect of the independent variables on the dependent variable utilizing the proposed practical relationship

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y = Procurement Process Efficiency, X_1 = Transportation Outsourcing, X_2 = Warehouse Outsourcing, X_3 = Inventory Management Outsourcing, $\beta_0, \beta_1, \beta_2$ and β_3 = Beta Coefficients, ε = Error Term

4. RESULTS AND DISCUSSION

1. Response Rate and reliability test

The researcher issued 66 questionnaire to the respondents over all the focused on sampled staff in the tea preparing firms in Kericho Area, Kenya. In each firm, the researcher looked for and worked with contact people to empower less demanding issuance and elucidation on the issues that were misty. Out of 66 surveys that were issued to the tested respondents, 59 of them were filled and returned. Of the returned questionnaires, 3 were mistakenly filled and along these lines were not utilized in the final analysis. Along these lines, 56 questionnaires were accurately filled and thus were utilized for examination representing a reaction rate of 84.8%. The dependability test created Cronbach alpha (α) estimations of more noteworthy than 0.70, making the surveys to a great extent solid as suggested by Fraenkel and Wallen (2000).

2. Demographic analysis

Dominant part of representatives are male (58.9%) while female were 41.1%. The specialist credited pattern to the current sex hole in work in many parts in Kenya today. Likewise larger part of representatives in the tea firms were of the age assemble 21 – 30 years (35.7%) while the slightest age amass is beneath 21 years (8.9%). The analyst ascribed this pattern to serious rivalry and expanded utilization of innovation which would require the work of a more youthful age who are effortlessly versatile to the quick changing business condition. Likewise larger part of the respondents (35.7) had a degree

level capability while the slightest (5.4%) had a doctorate level capability. Nonetheless, more than 71% of the respondents had no less than a certificate level capability or more suggesting there is a genuinely higher section capability levels in the tea business in Kenya. lastly dominant part of the respondents (39.3%) had worked for between 8-10 years in their separate firms. In total, over 66% had over 8 years of experience while just 10.7% had under 3 years of working knowledge. This pattern was ascribed to the way that there have been difficulties confronting the tea division in the ongoing past which has prompted expanded work of the more youthful age of representatives.

3. Effect of Warehousing Outsourcing on Procurement Process Efficiency

The study further sought to establish the effect of warehousing outsourcing on procurement process efficiency in line with the second study objective. Table 1 shows the findings related to warehousing outsourcing and procurement process efficiency.

Table 1: Effect of Warehousing Outsourcing on Procurement Process Efficiency

	n	Min	Max	Mean	Std. Dev.
We have achieved good housekeeping practices since outsourcing warehouse logistics	56	1	5	4.16	.732
We have been reporting reduced damages to commodities due to proper storage	56	1	5	4.27	.655
Our receipt procedures have been properly undertaken by relevant staff	56	1	5	3.61	1.094
Outsourcing warehouse logistics has enhanced staff welfare due to implementation of health and safety standards	56	1	5	3.72	.995
There has been a marked reduction in storage costs since outsourcing was implemented	56	1	5	4.23	.695
Space requirements have been greatly reduced due to warehouse outsourcing	56	1	5	4.25	.654

From the findings in Table 1, it was established that the respondents, on average, agreed that they had achieved good housekeeping practices since outsourcing warehouse logistics (4.16), that they had been reporting reduced damages to commodities due to proper storage (4.27), that their receipt procedures had been properly undertaken by relevant staff (3.61), that outsourcing warehouse logistics had enhanced staff welfare due to implementation of health and safety standards (3.72), that there has been a marked reduction in storage costs since outsourcing was implemented (4.23) and that space requirements had been greatly reduced due to warehouse outsourcing (4.25).

4. Measurement of Procurement Process Efficiency

The study lastly sought to measure the dependent variable, procurement process efficiency in tea firms. The findings are based on a 5-point Likert scale and are depicted in Table 2

Table 2: Measurement of Procurement Process Efficiency

	n	Min	Max	Mean	Std. Dev.
The organization offers timely deliveries of requisitions out of its efficient procurement process	56	2	5	4.55	.851
There are minimal complaints on the procurement process due to its efficiency	56	1	5	4.18	.873
Wastages and damages have been reduced due to the efficiency of the procurement process	56	2	5	4.45	.648
The efficiency of the procurement process has led to cost reduction in our firm.	56	1	5	4.13	.764
Our procurement system achieves value for money	56	2	5	3.87	.892
There is adequate level of knowledge of procurement process and procedure at work	56	2	5	4.52	.679
Our firm also provides adequate level of training for operations in the procurement department	56	1	5	4.01	.726

From the findings in Table 2, it was established that majority of the respondents agreed that their firm offered timely deliveries of requisitions out of its efficient procurement process (4.55), that there were minimal complaints on the procurement process due to its efficiency (4.18), that wastages and damages had been reduced due to the efficiency of the procurement process (4.45), that the efficiency of the procurement process had led to cost reduction in their firm (4.13), that the efficiency of the procurement process had led to cost reduction in our firm (3.87), that there was adequate level of knowledge of procurement process and procedure at work (4.52) and that their firm also provided adequate level of training for operations in the procurement department (4.01).

5. Correlation Analysis

Effect of Warehousing Outsourcing on Procurement Process Efficiency

The respondents' ratings in the statements related to warehousing outsourcing were cumulated to obtain a composite score for warehousing outsourcing. The total scores were then used to compute the Pearson's correlation coefficient to establish whether there was a relationship between warehousing outsourcing and procurement process efficiency in tea processing firms. The findings were as shown in Table 3.

Table 3: Warehousing Outsourcing and Procurement Process Efficiency

		Procurement Process Efficiency	Warehousing Outsourcing
Warehousing Outsourcing	Pearson's(r)	.549**	1
	P-Value	.001	
	N	56	56

***. Correlation is significant at the 0.01 level (2-tailed).*

6. Regression Analysis

Regression Model Summary

The study carried out a regression analysis to test the significance of the influence of the independent variables namely transportation, warehousing and inventory management outsourcing on procurement process efficiency in tea processing firms.

Table 4: Regression Model Summary

Model	R	R ²	Adjusted R ²	Std Error of the Estimate
1	.789 ^a	.622	.592	.31002

From the linear regression analysis in Table 4, the R² value shows variability in dependent variable explained by the variability in independent variables. This value tells us how procurement process efficiency can be explained by transportation, warehousing and inventory management outsourcing. The R² value of 0.622 implies that 62.2% of the variations in procurement process efficiency can be explained by the variations in independent variables in the study. This therefore means that other factors not studied in this study contribute 37.8 % of procurement process efficiency in tea processing firms.

Table 5: Summary of ANOVA

Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.265	1	2.265	11.528	.001^b
Residual	10.611	54	.197		
Total	12.876	55			

Table 6: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	p
	B	SE	B		
Constant	1.539	.621		2.479	.017
Warehousing Outsourcing	.344	.187	.302	1.659	.027

Dependent Variable: procurement process efficiency

As depicted in Table 6, holding the independent variables constant, procurement process efficiency in tea processing firms would increase by 1.539. It was established that a unit increase in , a unit increase in warehousing outsourcing would cause an increase in procurement process efficiency by a factor of 0.344 The un-standardized beta coefficients in Table 6 were then used to obtain the overall relationship of the independent variables and the dependent variable and model was formulated as:

$$Y = 1.539 + 0.344X_2$$

Where Y = Procurement Process Efficiency, X₂ = Warehousing Outsourcing,

Hypothesis Tests

H₀₁: Warehousing outsourcing has no significant effect on procurement process efficiency in tea firms. From the one-way ANOVA results, since F_{Calculated} (11.528) > F_{Critical} (4.01954), we reject the null hypothesis and conclude that at 5% significance level, warehousing outsourcing has significant effect on procurement process outsourcing in tea processing

5. CONCLUSION

1. Conclusion

Effect of Warehousing Outsourcing on Procurement Process Efficiency

The study established that the tea firms had achieved good housekeeping practices since outsourcing warehouse logistics (4.16), that they had been reporting reduced damages to commodities due to proper storage (4.27), that their receipt procedures had been properly undertaken by relevant staff(3.61), that outsourcing warehouse logistics had enhanced staff welfare due to implementation of health and safety standards (3.72), that there has been a marked reduction in storage costs since outsourcing was implemented (4.23) and that space requirements had been greatly reduced due to warehouse outsourcing (4.25). From the correlation analysis, it was established that there was a moderately strong positive relationship between warehousing outsourcing and procurement process efficiency in tea processing firms (r = 0.549). The correlation was significant at the level of 0.001. Although the correlation was moderately strong, the positive nature of the relationship implies that high levels of procurement process efficiency in tea processing firms can be associated warehousing outsourcing.

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