

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to the council of supply chain management professionals (CSMP, 2009), logistics management can be defined as that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements. The history of logistics is rooted to its military application since World War II (WWII). It has developed into an important function of business as it became evident that logistics and transportation add place and time value to products and enhance the form and possession value added by manufacturing and marketing.

The concept of logistics as a business discipline began to appear in the business related literature in the 1960s when it was called physical distribution. As that time its focus was on the outbound side of the logistics system with the emerging importance of supply chain management logistics and transportation has become even more crucial as supply chain managers realize that the coordination and integration of the logistics systems of all organization with the supply chain are requirement for success. Logistics companies in Kenya have specialized in providing freight services in some of the most challenging areas of East Africa and neighboring countries including remote areas of South Sudan, D.R. Congo. They are regularly required to provide service in a total green – field environment, often in areas lacking basic infrastructure. There are also certified brokers on all shipping lines and this lining providing regular service to and from East Africa.

Warehousing is defined as the storage of goods, raw materials, semi – finished goods or finished goods. This includes a wide spectra of facilities and location that provide warehousing. Since this is the point in the logistics system where goods are held for varying amounts of time, the flow is interrupted or stopped thereby creating additional costs to the product. As a macro economics, sense, warehousing creates time utility for raw materials, industrial goods and finished products. It also increases the utility of goods by broadening their time availability of perceptions customers.

Transportation involves the physical movement or flow of goods. The transport system is the physical link that connects customer raw materials suppliers' plant, warehouses and channel members. These are fixed points in logistic supply chain. Selection of the appropriate carrier has several steps. First the firm selects transportation mode. The shipper must compare the source desired with the rate or costs of service. Service usually means transit time or the time that elapses from the time the consignor makes the goods available for dispatch until the courier delivers to the consignee pickup and delivery terminal handling and movement between origin and destination account for the time involved transporting the firm must balance the need for speed with costs inherent in the mode of transport.

This includes the rate charge for the service; minimum weight requirements, loading and unloading facilities, packaging possible damage in transits, any special services that may be desired or required. If next day delivery is imperative, the shipper will utilize air freight, carriers but will buy promotion price for such rapid source of time is not a particular critical element the shipper may select to use rail or motor carrier or water. Water – based modes of transportation are the least expansion and are used for commodity type products, such as grain, coal and ore. Some firms even utilize more than one mode of transportation, called interrupted / transport to move their goods.

Once a mode is selected the shipper must decide the legal classification or type of carrier they wish to utilize, common regulated, contract, exempt or private. Common carriers serve the general public at reasonable prices without discrimination. They cannot refuse to carry a particular commodity or refuse to serve particular point with the scope of the carriers operation. Common carriers are liable for all goods lost, damaged or delayed unless caused by an act of God, by Act of Public Authority, an Act of the Shipper or some defect within the good itself.

Regulated carriers are required to provide safe adequate service and facilities upon reasonable request and are liable for damage upto limits established by the career. Regulated carriers can be motor carriers or water carriers and are subject to minimal government controls. A contract carrier does not serve the general public but rather serves one or a limited number of contracted customers. They have no legal service obligation. They often provide a specialized service and usually have lower rates than either common or regulated carriers' exempt carriers are exempt from regulation regarding rates and services. Exempt status comes from the type of commodity

handed or the nature of the carriers' operator. Exempt motor carriers are usually local and typically transport such items as agricultural goods , newspapers, livestock and fish.

1.1.1 Mombasa County

Governor Hassan Ali Joho is the first governor of Mombasa County having successfully been elected in the hotly contested March 4th, 2013 polls. He is the immediate former Member of Parliament for Kisauni Constituency following the 2007 general election. He leads the 10-member executive team of Mombasa County, the second largest City in Kenya and home of the busiest port in East Africa.

Mombasa County is one of the 47 Counties of Kenya. Its capital and the only city in the county is Mombasa. Initially it was one of the former Districts of Kenya but in 2013 it was reconstituted as a county, on the same boundaries. It is the smallest county in Kenya, covering an area of 229.7 km² excluding 65 km² of water mass. The county is situated in the South Eastern part of the former Coast Province. It borders Kilifi County to the North, Kwale County to the South West and the Indian Ocean to the East. Administratively, the county is divided into seven divisions, eighteen locations and thirty sub-locations.

Kenya was divided into eight provinces, prior to 2013, which were subdivided into 47 counties. In the former Coast Province there are six counties, Mombasa being one of them. It is situated in the southeast of Coast Province. It is the smallest in size covering an area of 212.5 km².^[1] The county lies between latitudes 3°56' and 4°10' south of the equator and longitudes 39°34' and 39°46' east.

1.2. Statement of the Problem

According to Kenya Freight Forwarders Association, Transportation costs are typically 5 – 6% revenue and a major contribution to overall product costs. The longer lead times with global suppliers, volatile fuel and risks such as unavoidable delays make estimating the costs and time associated with transportation difficult, parts continue to experience delays resulting in higher transportation costs. Increasingly complex international trade laws and security measures threaten to strengthen the delivery times and increase warehousing costs. As a result, companies incur high expenditure and inventory costs.

1.3 Purpose of the Study

The purpose of this study is to investigate the financial factors affecting performance of logistics companies in Mombasa County.

1.4 Objectives of the Study

The study will be guided by the following objectives:

- i. To access the productivity of the organization with the reduction of logistics costs in Mombasa County.
- ii. To identify the competitive advantage of reducing logistics costs in Mombasa County.
- iii. To access the level of customer service affecting performance of logistics companies in Mombasa County.

1.5 Research questions

- i. What effects does reducing logistics costs have on organization productivity in Mombasa County?
- ii. What is the impact of reducing logistic costs as competition advantage in Mombasa County?
- iii. What is the impact of reducing logistics cost on customer service levels of logistics companies in Mombasa County?

1.6 Significance of the Study

The research will benefit Freight (Logistics) companies in Kenya in the management of financial resources. The study will enlighten the management to efficient ways of cost reduction in their supply chains. It will also benefit employees to streamline their operations by gearing towards productivity.

1.7 Assumption of the Study

Carrying out the study, the researcher assumes that the respondent were available and the County office will provide necessary information to enable the researcher gauges the financial factors affecting performance of Logistics Companies in Mombasa County. The researcher also assumes the instrument will collect precise data, that the result of the study will be generalized beyond the sample that will be studied and will be relevant to the stakeholders.

1.8 Limitations of the Study

For the study to be a success there has to be co-operation from the respondents of the research being carried and the respondent not willing to give the necessary information will be a limitation to the study. The community who are major participants not being able to give the right information due to illiteracy and ignorance. The research instrument may give varying data depending on the response. These limitations can be addressed by the researcher by getting a letter from the institution that assures the respondents the information they give is only for academic purpose and it will be confidential. Also the use of both qualitative and quantitative method of collecting data will be used.

1.9 Delimitations of the Study

Delimiting serves the purpose of making the research work manageable from a researcher point of view (Mdindela, 2009). The study will be carried in Mombasa County and it will focus on the financial factors affecting performance of Logistics Companies in Mombasa County.

1.10 Definition of significant terms

Project

Refers to an interrelated set of activities that has a definite starting and ending point and results in the accomplishment of a unique often major outcome.

Community

Refers to a group of people with common needs, while UNDP defined community as a group of people living in a geographical defined area, or a group that interacts because of common social, economic, or political interests (TASAF projects handbook, 2005).

Community participation

Refers to a process in which people take part in decision making in the institutions, programmes and environments that affect them (Heller, 1984).

Monitoring

The regular collection and analysis of information to assist timely decision making, ensuring accountability and provide the basis for evaluation and learning

Evaluation

A systematic and objective assessment of an on-going or completed project, or policy, its design, implementation and results.

Cultural practices

Generally refers to the manifestation of a culture or sub-culture, especially in regard to the traditional and customary practices of a particular ethnic or other cultural group. In the broadest sense, this term can apply to any person manifesting any aspect of any culture at any time.

However, in practical usage it commonly refers to the traditional practices developed within specific ethnic cultures, especially those aspects of culture that have been practiced since ancient times.

1.11 Organization of the Study

Chapter one covers introduction and background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, research hypothesis, significance of the study, basic assumptions of the study, limitations of study and definitions of significant terms. Chapter two is about literature review, theoretical and empirical relating to financial factors affecting performance of logistics companies in Mombasa County.

Chapter three discuss the methodology that will be used to collect and analyze data while showing the target population, the sample and the data collection instruments.

Chapter four will present the data and analyze it. Chapter five will give the summary, conclusion and recommendation on the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on literature review. The chapter specifically documents theoretical and empirical literature where it focuses on an over view of financial factors affecting performance of logistics companies in Mombasa County. The chapter also presents conceptual framework of the study.

2.2 Theoretical Framework

(Shudish, 2005) defines theory as a body of knowledge that organizes categories, describes, predicts, and explains and otherwise aid in understanding and controlling a topic. (Chen, 1990) agrees and adds that theory is a frame of reference that helps humans to understand their world and how to function within it. This study is therefore grounded on the theory of change and outcome theory.

2.2.1 Theory of change

The origins of this theory can be found in the evaluation committee among the work of notable methodologists such as Peter Rossi, Carol Weiss and Huey Chen. The theory was popularized by Weiss who described it as a way to describe the set of assumptions that explain both the ministeps that lead to the long term goal of interest and the connection between project activities and outcomes that occur at each step of the way.

The theory of change helps program staff and evaluators understand what the project is trying to achieve, how and why. Knowing this information enabled staff and evaluators to monitor and measure the desired results and compare them against the original theory of change. Using theory of change during monitoring stage of project implementation provides a feedback on whether a project or programme is on track to accomplish the desired change and if the environment is evolving as anticipated in the project or programme design. The reason for theory of change for this study is to enable the evaluators ask question about why certain changes are expected, the assumptions of how the change process will unfold and which outcomes are being

selected to focus on and why. The theory seems to be logically plausible because it says one need to plan to achieve a goal by suggesting mini-steps to follow. Project management has adopted this approach by insisting that every project should have a work breakdown structure (WBS). A WBS organizes and defines the total scope of the project and represents the work specified in the current approved project statement.

2.2.2 The Outcomes Theory

This is an M&E theory propounded by Duigan (2002) to provide an integrated perspective on the functioning and optimal design of outcomes systems. The researcher further explains that outcomes systems are the range of related systems used in various sectors, disciplines and professions which attempts to specify or measure outcomes(also known as results, goals, objectives, targets) to contract or delegate the achievement of outcomes and to hold parties to account (reward or punish) for changes in outcomes.

It improves the coherence of outcomes thinking in: strategic planning, monitoring, performance management, evidence-based practice, evaluation, delegation and contracting. It can be applied to: projects, programs, joint ventures, coalitions, sectors and also when thinking about the outcomes of governments as a whole.

Outcomes systems are known by names such as monitoring, evaluation or strategy. Outcomes theory provides a rigorous set of definition and principles for analysis and improving such as systems. The theory sees outcome as an encapsulating term for a number of concepts that are frequently used in M&E including results. According to this theory, monitoring can only be deemed to have taken place well when an intervention that was being implemented has led to the realization of results that were planned beforehand.

2.3 Empirical Framework

2.3.1 Productivity

Productivity is an average measure of the efficiency of [production](#). It can be expressed as the ratio of output to inputs used in the production process, i.e. output per unit of input. When all

outputs and inputs are included in the productivity measure it is called total productivity. Outputs and inputs are defined in the total productivity measure as their economic values. The value of outputs minus the value of inputs is a measure of the income generated in a production process. It is a measure of total efficiency of a production process and as such the objective to be maximized in production process (Petit, 2008).

Productivity measures that use one or more inputs or [factors](#), but not all factors, are called partial productivities. A common example in economics is labor productivity, usually expressed as output per hour. At the company level, typical partial productivity measures are such things as worker hours, materials or energy per unit of production.

In macroeconomics the approach is different. In macroeconomics one wants to examine an entity of many production processes and the output is obtained by summing up the [value-added](#) created in the single processes. This is done in order to avoid the double accounting of intermediate inputs. Value-added is obtained by subtracting the intermediate inputs from the outputs. The most well-known and used measure of value-added is the GDP (Gross Domestic Product). It is widely used as a measure of the economic growth of nations and industries. GDP is the income available for paying capital costs, labor compensation, taxes and profits. For a single input this means the ratio of output (value-added) to input. When multiple inputs are considered, such as labor and capital, it means the unaccounted for level of output compared to the level of inputs. This measure is called in macroeconomics Total Factor Productivity TFP or Multi Factor Productivity MFP (Mikel, 2010).

Productivity is a crucial factor in production performance of firms and nations. Increasing national productivity can raise living standards because more [real income](#) improves people's ability to purchase goods and services, enjoy leisure, improve housing and education and contribute to social and environmental programs. Productivity growth also helps businesses to be more profitable. In order to understand the origin of the economic well-being we must understand these three production processes. All of them produce commodities which have value and contribute to well-being of individuals (Pele, 2008).

The satisfaction of needs originates from the use of the commodities which are produced. The need satisfaction increases when the quality-price-ratio of the commodities improves and more satisfaction is achieved at less cost. Improving the quality-price-ratio of commodities is to a producer an essential way to enhance the production performance but this kind of gains distributed to customers cannot be measured with production data.

Economic well-being also increases due to the growth of incomes that are gained from the growing and more efficient market production. Market production is the only one production form which creates and distributes incomes to stakeholders. Public production and household production are financed by the incomes generated in market production. Thus market production has a double role in creating well-being, i.e. the role of producing developing commodities and the role to creating income. Because of this double role market production is the “primus motor” of economic well-being and therefore here under review (Anelka, 2009).

2.3.2 Competitive Advantage

Competitive advantage is a business concept describing attributes that allow an organization to outperform its [competitors](#). These attributes may include access to [natural resources](#), such as high grade ores or inexpensive power, highly skilled personnel, geographic location, high entry barriers, etc. New technologies, such as robotics and information technology, can also provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business process (for example, better identification and understanding of customers).

[Michael Porter](#) defined the two types of competitive advantage an organization can achieve relative to its rivals: lower cost or [differentiation](#). This advantage derives from attribute(s) that allow an organization to outperform its competition, such as superior market position, skills, or resources. In Porter's view, strategic management should be concerned with building and sustaining competitive advantage.

Competitive advantage seeks to address some of the criticisms of [comparative advantage](#). Porter proposed the theory in 1985. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is [ubiquitous](#) and natural

resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and [raw materials](#) that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct for this issue by stressing maximizing scale economies in goods and services that garner premium prices (Stutz and Warf, 2009).

The term competitive advantage refers to the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Christensen and Fahey 1984, Kay 1994, Porter 1980 cited by Chacarbaghi and Lynch 1999, p. 45). The study of such advantage has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in the present competitive market conditions. "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player" (Barney 1991 cited by Clulow et al.2003, p. 221).

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemaid and Calantone 2000, p. 18). To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage (Reed and Fillippi 1990 cited by Rijamampianina 2003, p. 362). Superior performance outcomes and superiority in production resources reflects competitive advantage (Day and Wesley 1988 cited by Lau 2002, p. 125).

Above writings signify competitive advantage as the ability to stay ahead of present or potential competition. Also, it provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. Powell (2001, p. 132) views business strategy as the tool that manipulates the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage.

2.3.3 Customer Service

Customer service is the provision of [service](#) to [customers](#) before, during and after a purchase. Accordingly, it may vary by product, service, industry and individual customer. The perception of success of such interactions is dependent on employees "who can adjust themselves to the personality of the guest". Customer service is also often referred to when describing the culture of the organization. It concerns the priority an organization assigns to customer service relative to components such as product innovation and pricing. In this sense, an organization that values good customer service may spend more money in training employees than the average organization, or may proactively interview customers for feedback (Mphela, 2010).

From the point of view of an overall [sales process engineering](#) effort, customer service plays an important role in an organization's ability to generate income and [revenue](#). From that perspective, customer service should be included as part of an overall approach to systematic improvement. One good customer service experience can change the entire perception a customer holds towards the organization. Customer support is a range of customer services to assist customers in making cost effective and correct use of a product. It includes assistance in planning, installation, training, trouble shooting, maintenance, upgrading, and disposal of a product. These services even may be done at customer's side where he/she uses the product or service. In this case it is called "at home customer services" or "at home customer support" (Siriswa, 2008).

Regarding technology products such as mobile phones, televisions, computers, software products or other electronic or mechanical goods, it is termed [technical support](#). Customer service may be provided by a person (e.g., [sales](#) and service representative), or by automated means (Hover, 2009). Examples of automated means are [Internet sites](#). An advantage with automated means is an increased ability to provide service 24-hours a day, which can, at least, be a complement to customer service by persons. Another example of automated customer service is by [touch-tone phone](#), which usually involves a main menu, and the use of the keypad as options (i.e. "Press 1 for English, Press 2 for Spanish", etc.).

However, in the Internet era, a challenge has been to maintain and/or enhance the personal experience while making use of the efficiencies of [online commerce](#). "Online customers are

literally invisible to you (and you to them), so it's easy to shortchange them emotionally. But this lack of visual and tactile presence makes it even more crucial to create a sense of personal, human-to-human connection in the online arena." An [automated online assistant](#) with [avatar](#) providing automated customer service on a web page. Examples of customer service by artificial means are [automated online assistants](#) that can be seen as [avatars](#) on websites. It can avail for enterprises to reduce their operating and training cost. These are driven by [chatbots](#), and a major underlying technology to such systems is [natural language processing](#) (Hemsworth, 2008).

2.4 Conceptual Framework

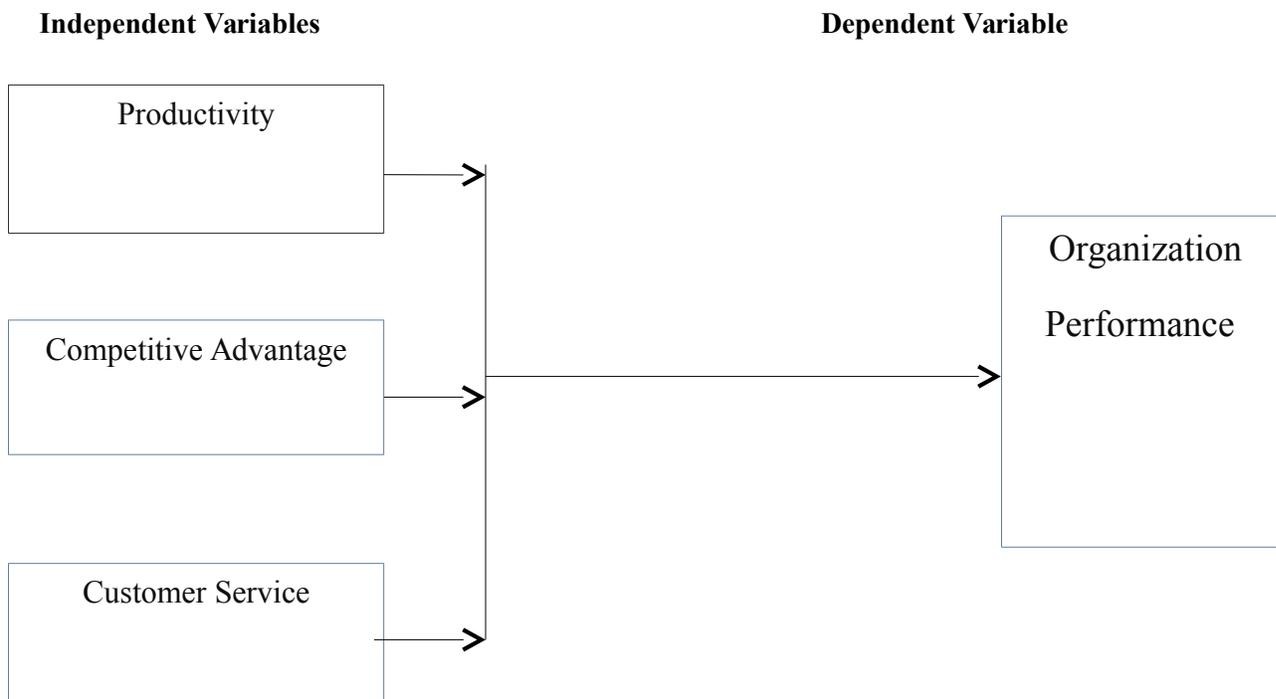


Figure 2.1: Conceptual framework Model

(Source: Author, 2015)

The dependent variable which is Organizational performance is directly influenced by Productivity, Competitive Advantage and Customer Service which are independent variables. When all the independent factors are well considered and taken care of then the financial factors affecting performance of logistics will be well managed and the company will perform well too.

2.7 Summary of the Literature

Logistics is the collection of activities associated with acquiring, moving, storing and delivering supply chain commodities (i.e. products in all stages of manufacture services and information, (Balloour R. H, 2007). Logistics encompasses the business functions of transportation, distribution warehousing material handling and inventory management and interfaces closely with manufacturing and marketing (Ratliff and Nutlty, 2006) illustrate an example of a product logistics supply chain analyzing the transportation networks that work goods among facilities, material handling networks within facilities.

As purveyors of useful information, traditional cost systems with their one – size – all – approval are totally inadequate for today’s business. Not only are they unable to supply tools for controlling costs, they cannot provide managers with the information they need to run t heir business profitably. The only way to control costs is by identifying the relationship between expenditure and the activities that cause them, and that information is not and never was available from traditional costs systems (Kivinene and Lukka, 2004). (Hart, 2011) looks into ten ways that can help in reducing logistics costs. As companies continue to manufacture and source materials from overseas, controlling costs remains a top priority for all those involved in international trade.

2.8 Research Gap

These studies were carried out elsewhere and not in Mombasa hence the current study will fill in the gap. The present study explores to investigate the financial factors affecting performance of logistics companies in Mombasa County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter consists of a descriptive research design, target population, sample size, sampling procedure, data collection techniques, validity and reliability of data, data analysis techniques and ethical considerations.

3.2 Research Design

The study used descriptive research design. (Gay, 2001) defines descriptive research as a process of collecting data in order to answer questions concerning the current status of the subjects in the study. The research was carried using descriptive research, where it describes data and characteristics about the population being studied. This study provides a deep understanding of the events being studied and its instruments are helpful in getting firsthand experience as well as in depth of the study (Kothari, 2004). Kothari also noted that this method has the ability to allow large amounts of data to be collected quickly at minimal cost. The focus of the study was to investigate the factors that influence the level of community participation in project.

3.3 Target population

(Mugenda and Mugenda, 2003), a population refers to an entire group of individuals, events, or objects having some similar characteristics. Kothari (2004) defines a population as all the items under consideration in any field of inquiry. The target population will therefore be the Logistics Companies in Mombasa County. The target population will be 112 in total.

3.4 Sample size and Sampling Procedure

(Mugenda and Mugenda, 2003), states that 20-30% is appropriate but the larger the sample the better hence the researcher opting for more than 50%. Simple random sampling was used for selecting the subject of the study. This sampling involves dividing the population into homogenous subgroups and then taking a simple random sample in each group. The following table illustrates the results.

Table 3.1 Sampling Frame

Respondents	Target population	Sample size
Top Managers	96	44
Supervisory Staff	16	12
Total	112	56

Gathering information and collection of data will be done using structured and unstructured items so as to enhance depth and reliability. Questionnaires will be distributed to the Logistics companies beneficiaries the Logistics officials and the Logistics executive committee members. The questionnaires will be suitable because it helps the researcher reach a larger sample within a limited time frame and also it ensured confidentiality thus gathering more and reliable feedback. The questionnaires have two sections (a) personal information and (b) open ended questions related to financial factors affecting performance of logistics companies in Mombasa County.

3.6 Validity and Reliability

The validity of a research is the extent to which data collection methods accurately measure what they were intended to measure. Validity was attained by designing the questionnaires before data collection and presented to researcher's supervisor for expert opinion. Reliability is the consistency of measurement (Kothari, 2004). In order to determine reliability the researcher used a test re-test approach by pre-testing whether responses given the first time correspond to responses given the second time by the same respondents in a period of one week. It was found that a correlation coefficient of 0.8 between their responses and this assured reliability.

3.7 Data Analysis and Presentation

Data analysis refers to the computation of certain measures along with searching of patterns of relationship that exist among data groups (Kothari, 2004). In order to analyze data (Miller, 2005), observed that a researcher needs to have the following information about the statistical data analysis tools namely; descriptive, inferential and test statistics. Before processing responses the completed questionnaires were checked for completeness. The data were coded for ease of grouping the responses into various categories. Data as collected and analyzed using Statistical

Package for Social Sciences (SPSS) version 20 was used and the data findings were presented using tables

3.8 Ethical consideration

The researcher obtained permission from the University by letter. The researcher endeavored to respect the cultures, structures and customs of the people and the CDF office under study. Participants were handed the letter from the university and encouraged to be part of the research. Respondents were assured of their privacy and confidentiality by ensuring that their identity anonymity is maintained. To uphold the principle of "do not harm" (IFRC, 2011), data collectors were required to be courteous and respectful. Special attention was accorded to gender and vulnerable groups so as to have a balanced representation term of sex, age and any other social distinction.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter provides analysis and presentation of information derived from data collected through this study research process. The raw data from the field has been synthesized, organized and analyzed both quantitatively and qualitatively in order to give evidence relevant to the research objectives and questions. The information is presented by use of tables.

4.2 Response rate

The researcher planned to involve 56 respondents from Freight Companies in Mombasa County, the response rate was shown below;

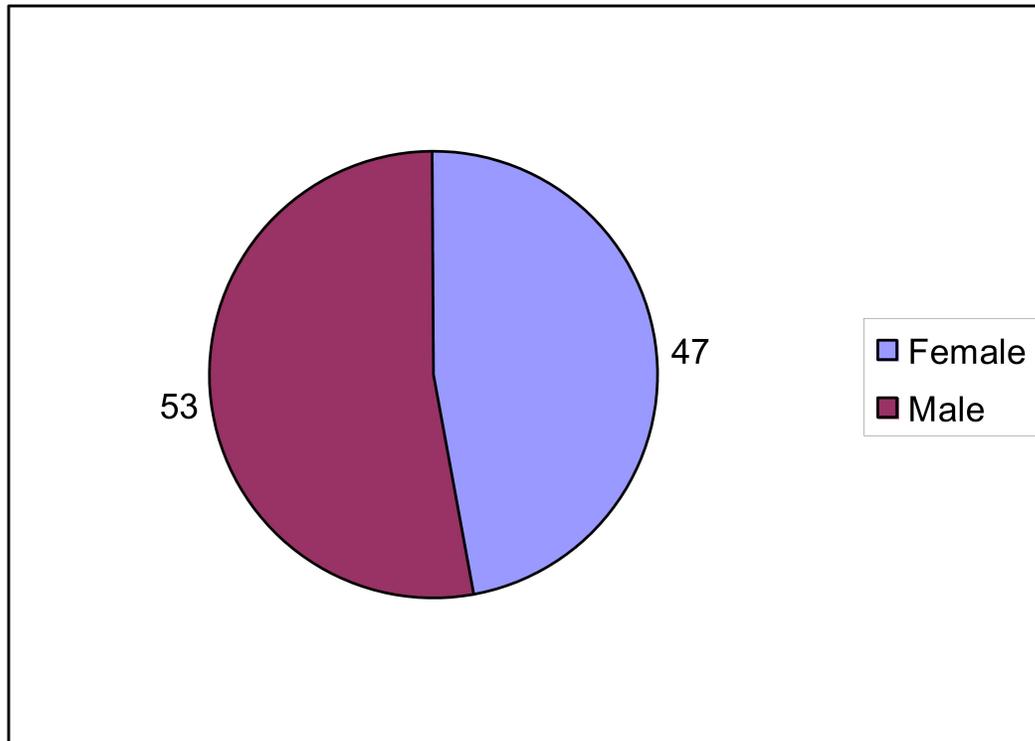
Table 4.2

No. of questionnaires sent out	Questionnaires returned	Percentage
56	56	100

Table 4.2 shows that all the questionnaires sent to the respondents were returned. From the analysis all respondents involved returned their questionnaires thus their response surpassed the researchers' expectations.

4.2.1 Gender of the Respondents.

The respondents were asked to state their gender. The results are shown in the pie chart figure 4.3



Source: (Researcher, 2015)

The respondents were asked to state the genders, pie chart 4.3 above shows that out of 56 respondents, 53% were male while 47% were female providing male dominancy compared to females.

4.2.2 Educational level of the respondents

Out of the 56 respondents involved, 27% had basic O – level education, 40% college and 33% university degree education. This shows that majority of respondents were literature and understood the topic under research in their organization.

4.2.3 Department worked by the respondents in the organization

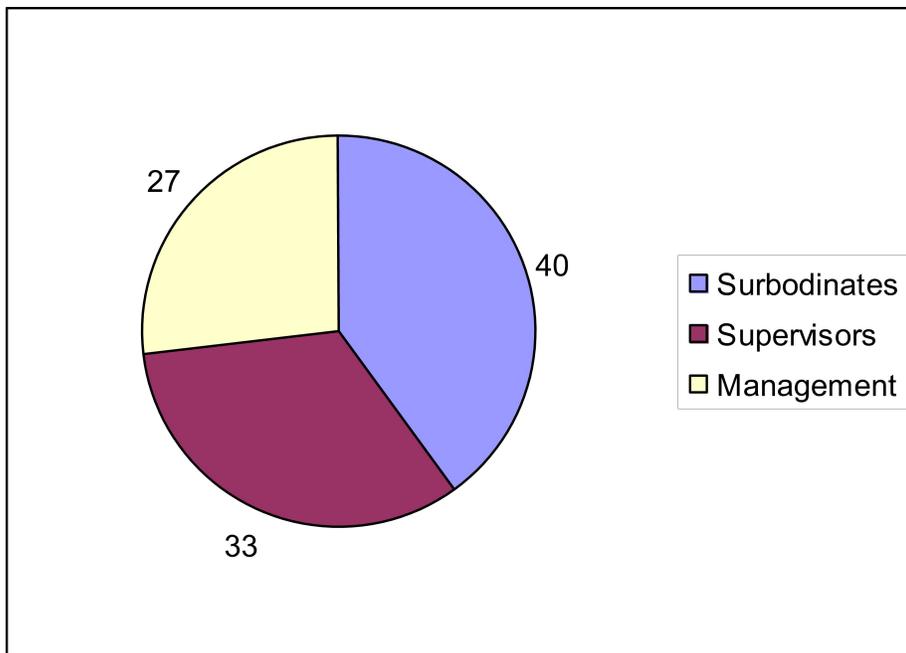
Table 4.4: Department served by the Respondents in the organization.

Department	No. of respondents	Percentage %
Operations	22	40
Customer service	8	27
Credit	20	33
Total	56	100

The respondents were asked to state the departments they have served in the Freight Company. Majority stated they have worked in the operation department with 40%, followed by Credit department 33%, the customer service at 27%. From the analysis, majority of the respondents are in operations department, while minority was in customer service department.

4.2.4 Position held by the Respondent in the Freight Company.

Figure 4.4. below shows the position held by the respondents in the organization.



The respondents were asked to state the department they have served in the company. Majority stated that they are subordinates forming 40%, followed by supervisors 33% then management at 27%. From the analysis, majority of the respondents are subordinates, while minority respondents were in the management.

4.2.4 If there is a credit risk management policy in the freight company.

The table 4.5 shows the response of the respondents when asked if there is a credible credit risk management policy.

Table 4.5 If there is a credit Risk Management policy in the Company.

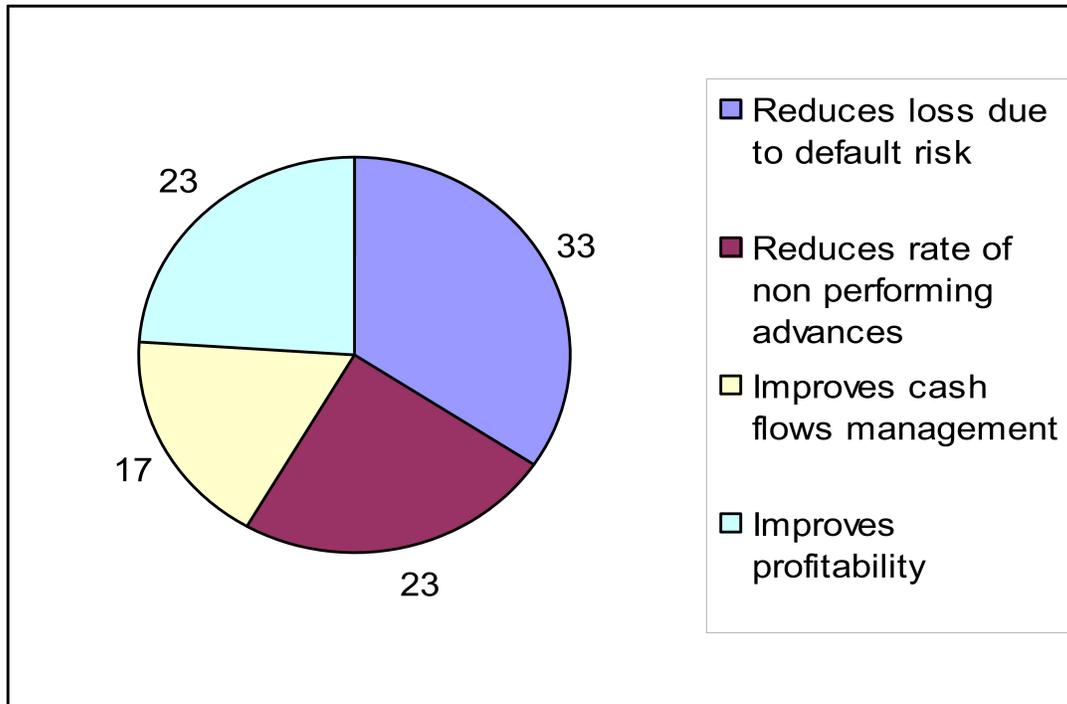
Response	No. of respondents	percentage %
Yes	40	47
No	16	53
Total	56	100

Source: researcher, 2015.

53% of the respondents stated that there is no credible credit risk management policy in the freight company, while 47% of the respondents stated that there is a credible risk policy in the company from the analysis majority of the respondents forming 53% stated that there is no credible credit

Management policy in the company and results, while minority forming 47% stated that there is a credible credit risk management policy.

4.2.4 Effect of credible risk management policy on the performance of Alliance Group and Hotels



Source: (Researcher, 2015)

Key 1 Reduce loss due to default risks thus improving financial performance.

Key 2 Reduce the rate of high advances

Key 3 Improve cash flows management.

Key 4 Improve profitability.

From the table 33% respondents stated that reduces loss due to default risk thus improving financial performance, 23% stated reduces the rate of non – performing advances, 17% respondents stated improved cash flows management and 23% stated improved profitability. From the analysis, majority respondents in the Alliance Hotels with 33% stated reduced loss due

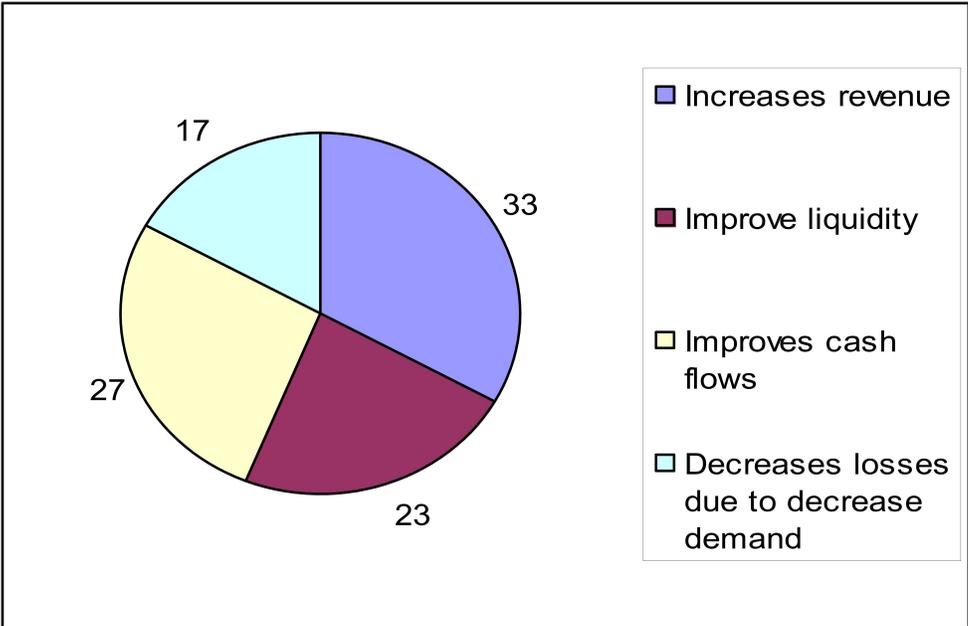
to default risk thus improving financial performance and the minority pricing 22% states improves cash flow management.

4.2.6 If the freight companies have proper portfolio management.

When asked if the company has proper portfolio encouragement, 53% of the respondents stated that they is portfolio management system in the company, while 47% of the respondents stated that there is no portfolio management policy in the company. From the analysis majority of respondents pricing 53% stated that there is a proper portfolio management policy in the company while minority forming 47% stated that there is no portfolio management policy in the company.

4.2.6 The effects of proper portfolio management on freight company performance.

The pie chart below shows effects of proper portfolio management on freight company performance as stated by the respondents of the some products.



Key

1. Increase revenue
2. Improve liquidity
3. Improves cash flows
4. Decreases losses due to decrease demand.

The pie chart shows that 33% of the respondents stated increases revenue, 23% improves liquidity, 17% stated improves cash flow and 27% of the respondents stated decreases losses due decrease in demand of some products. From the analysis majority of the respondents with 33% stated increases revenues and services offered and the minority of the respondents of the respondents forming 17% stated decreases losses due in demand of some products.

4.2.7 If the company does profit and loss forecasting.

The respondents were asked to state how often the freight company does profit and loss forecasting as shown in table 4.8.

Profit and loss forecasting	No. of respondent	Percentage%
Frequency		
Once a year	20	33
Three times a year	17	23
Four times a year	10	17
None	8	27
Total	56	100

Sources: (Researcher, 2015)

From the table above, 33% respondents stated once a year, 23% stated three times a year, 17% stated four times a year and stated none. From the analysis majority of respondents in the freight company with 33% stated once a year 27% as none.

Effects of profit and loss forecasting on freight company

The respondents were asked to state effects of profit and loss forecasting on company's performance their responds are given as table 4.8.

4.2.8 Effects of profit and loss forecasting on Freight Company

Effects of profit and loss forecasting	No. of respondents	Percentage %
Improves finance management	10	33
Helps in liquid cash flow management	7	23
Solves liquidity	5	17
Improves hotel revenues planning	8	27
Total	56	100

Sources: Researcher, 2015

From the table above 33% respondents stated improves finance management,23% stated helps improving cash flow management 17% stated helps solves liquidity problems 27% stated improves organization revenue planning. From the analysis majority respondents in the organization with 33% stated improves finance management while minority 17% stated helps to solve liquidity problems

4.3 Summary

All respondents involved returned their questionnaire, thus the response surpassed the researchers expectation. Male respondents were majority with 53% while female 12.5%. Majority of respondents were educated and able to understand the topic under research in the freight company. Majority of respondents are in operation department while minority in customer service. Majority of respondents are subordinates while management levels were minority.

On whether there is a creditable credit risk policy in freight company, majority of respondents 53% stated that there is no credible credit management policy while majority proved 47% stated there is a credible credit risk management policy. On the effect credible credit management on the company's performance, majority of respondents 33% stated reduces loss due to default risk thus improving financial performance and minority of 22% stated improves cash flow. When

asked of the company has a proper portfolio management of respondents(53%) stated that there is a proper portfolio management in the Hotel while minority formed 47% when asked on the effects of portfolio management majority of respondents (33%) stated increases revenues and services offered and minority of respondents (53%) stated there is more while minority (47%) were positive. On the frequency of profit and loss forecasting (33%) majority were and 27% minority stating it helps to improve liquidity problems.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter comprises introduction, summary of major findings, conclusions, recommendations and suggestions for further study.

5.2 Summary of major findings

All respondents involved returned their questionnaire therefore their response surpassed the researchers expectations male respondents were the majority with a percentage of 53% compared to female at 12.5%. Majority of respondents were educated and able to understand the topic under research in the logistics. Majority of respondents are in an operation department, while humility are in customer care services department majority of respondents, while management level are minority.

One of these is a credible credit risk management policy in the company. Majority of respondents (53%) stated that there is no credible credit risk while 47% were minority stated there is credible credit risk management policy by company's on effects of credible credit risk management policy...on the company's performance, majority of respondents (33%) stated it reduces loss due to default risk thus improving financial performance. Minority 22% stated improves cash flow management when asked if the hotel has proper portfolio management. 53% stated there is while 47% stated there is on the frequency of loss and profit forecasting majority (30%) stated once in a year, 27% stated none on effects of profit and loss forecasting, majority of respondents in the Hotel (33%) stated it improved finance management while minority (17%) stated it helps to solve liquidity problems.

5.3 Conclusion

From this research study the researcher has learned that freight companies in Mombasa County do not have a credible credit management policy as stated by majority of respondents. The latter stated that effect of credit management is that it reduces loss due to default risks thus improving financial performance, majority of respondents stated that if there is proper portfolio

management policy, it increases revenues and services offered is the effect of proper portfolio management. Majority of respondents stated that there is profit and loss forecasting by logistic companies in Mombasa County which is done once a year. Profit and loss forecasting improves finance management.

5.4 Recommendation

Logistics companies in Mombasa County do not have a credible credit management policy leading to poor credit rating and huge non – performing loans. The researcher recommends to review the credit management policy. The study should also be done with comparison to other logistics companies to recommend for other risk management measures. A replication of this study should be done after some time to find out if there are any changes that might have taken place as a result of time difference and then comparisons to be made with the current data, so that viable recommendations can be drawn.

It is further recommended that the top management hierarchy to be reviewed to curb duplication of duties which has been evidenced by the study.

5.5 Limitation of the Study

The research only interviewed respondents from the rank of Branch manager to Managing Director. Other research can extend their samples to other lower ranks. Some respondents interviewed are also mandated to oversee some internal controls thus there biasness in their respondents. Lack of co-operation from some respondents who were unwilling to part with information they thought will be too confidential to disclose was a challenge. To overcome this; the study sought demystify the study to the respondents by explaining to them the purpose of the study. Few scholars have written about the impact of internal control systems on risk management.

5.6 Suggestion for Further Research

The results from the study point out a number of opportunities for further research into financial factors affecting performance of logistics companies. Future research should attempt to collect data from County Governments to find out whether the effectiveness of financial factors affecting performance in achieving value in county governments takes the same trend as that for

Mombasa County. Further research could also examine the impact of total quality management on risk management in Mombasa County or the relationship between effectiveness of performance of logistics and fraud in an organization because fraud is perceived to be one of the main threats to the organizations' performance.

REFERENCES

- Baily P and D. Former (1982) "Materials Management Handbook", Aldershort'. Gowa.
- Ballow, R. H. (1987), 'Basic Business Logistics, Englewood Cliffs, N.J. Prentice Hall.
- Bercic Hart (2011) 'Global Trade Service' London Purim.
- Kiviner Lukka (2004), 'Logistics Cost structure and Performance in the New Concepts' Washington, Pitman
- James R. Stock and Douglas M. Lambert (1987), 'Strategic Logistics Management' 2nd Ed In Howenal, Illinois Pitman.
- Kanis J. (2011) The Economics of Logistics Management in Developing Countries, Pergamon Press, London
- McDougall Phillips, (2007) logistics, Its Science and Application 2ed. Aldershort, USA
- Fukuyama, Magika (2012) Warehousing and Frieight in Japan, Prentice Hall, NJ
- Van de Berghe, Koch .J et.al (2012) Global Logistics, Mars, Amsterdam
- Internet sites: <http://www.logistics.com>.
- Gerrit S and Mohammad J (2010). Monitoring Effects of the Internal Audit function: Agency theory versus other explanatory variables. *Internal journal of Audit*. Blackwell publishing Limited.
- Hamed, A. (2009). A clear Look at Internal Control: Theory and Concept. Unpublished MBA Research Paper. University of Nairobi
- Hongming, C and Yanan, S. (2012). *An Empirical Study on the Correlation between the Internal Control and Enterprise Value-Based on the Information System*.
- Hongreen C and Datar M (2002). Cost Accounting: A managerial Emphasis. New Delhi, Prentice Hall. 10th Edition
- John J.M (2011). The impact of Enterprise Resource Planning (ERP) Systems on the Effectiveness of Internal Controls over Financial reporting.
- Kaplan E and Schultz Y (2007). The Effect of Social Confrontation on Individuals' intentions to Internally report fraud. *Behavioral Research in Accounting American Accounting Association* Vol. 22, No. 2.
- Keitany, J. L. (2000). *The Internal Audit Control Function and its Implication for Risk*

Assessment by the External Auditor: A Case of Quoted Companies. Unpublished MBA Project Report, School of Business, University of Nairobi.

Kenneman, P. (2004). Checks and Balances-Tips to Establish Effective Internal Controls: *Nf perspective Journal* 15 (1) Spring.

Kuria, K, Ngumi, P and Rugani, J. (2013). Factors affecting Rental Income Tax Compliance among Landlords in Kilifi Municipality in Kenya. *Prime Journal of Business Administration and Management (BAM)*.2251-1261. Vol. 3(5), pp. 997-1008, May 22nd, 2013.

Matamande, et al (2012). *The effectiveness of internal controls in revenue management. A case study of Zimbabwe Revenue Authority*. University of Zimbabwe.

Mawanda, S. P. (2008). *Effects of Internal Control Systems on Financial Performance in an Institution of Higher Learning in Uganda: A Case of Uganda Martyrs University*.

Michino, P. W. (2011). *A Survey of the Impact of Internal Controls on Operational Efficiency among Non-Governmental Organizations in Nairobi*. Unpublished Research Thesis. University of Nairobi.

Miriithi, K. (2004). *Internal Control in the Public Sector*. Unpublished Research Thesis. Kampala International University, Uganda.

Ngugi, K. M. (2011). *A survey of Internal Control Systems among the Listed Private Companies and the Public Sector Companies in Kenya*. Unpublished Research Thesis. University of Nairobi

Obat, J. (2010). The effectiveness of Internal Control Systems in achieving value for money in School facilities grant: The case of Kamuli District Local Government,Uganda. *Universal Journal of Accounting and Finance* 1(1): 29-33, 2013

Odundo, A. (2007). *Effect of Information System on Revenue Collection by Local Authorities in Homa Bay County, Kenya*. Universal Journal of Accounting and Finance, Kenyatta University

Olumbe, C.O. (2012). *The relationship between Internal Controls and Corporate Governance in Commercial Banks in Kenya*. Unpublished Research Thesis. University of Nairobi.

Ongeri, S. N. (2010). *An Assessment of the Effectiveness of Internal Audit Systems in the Management of Decentralized Funds in Kenya: A Study of Local Authority Transfer Funds in Kisii Municipal Council*. Unpublished Research Thesis. University of Nairobi.

Owusu, S. K. (2012). Revenue Mobilization and its Impact on the Development of District

Assemblies: The study of Kpando Municipal Assembly. *University Journal. Department of Business and Economics.*

Puttick, V. E. (2008) *The principles and practice of Audit: Business and Economics.* Revised Edition. McGraw Hill High Education.

Samson, A. and Vincent, C. (2006). Impact of the effective Internal Control System on the Internal Audit effectiveness at Local Government Level. *Journal of Social and Development Sciences.* University of Ghana.

Simmons, M. (1997). *COSO. The framework of Internal Control: A strategic Approach to Internal Audit.* Article on Internal Audit.

Slanislav, K. (2006). Tax Revenue Prediction under Condition of Perfect Control over Tax Collection Authority. *Journal of department of Business and Economics.* Columbia University.

Whittington, P. (2001). *Principles of Auditing and other Assurance Services.* McGraw Hill High Education. 5th Edition.

Yussuf, A. (2007). *Tax reforms and Revenue Mobilization in Kenya.* Unpublished Research Thesis Jomo Kenyatta University College of Agriculture and Technology.

Zimbabwe Revenue Authority Magazine (2001-2010)-Reviews

APPENDICES

APPENDIX 1: LETTER OF TRANSMITTAL

Dear Respondent,

My names are **Saeed Sheikh Abdirahman** a student at The University of Nairobi, Mombasa Campus pursuing a Degree in Project Planning and Management. As part of this course requirement, I am required to carry out a research on the financial factors affecting performance of logistics companies in Mombasa County under the supervision of Mr. J. M Kisimbii.

Therefore I humbly request for your assistance and cooperation in responding to the questions attached herewith. Your responses and information will be held in utmost confidence and will be only be used for the purpose of this study. I am looking forward to your cooperation and response. You can contact me on **0715660851** or my supervisor at 0722784108 if you have any queries concerning the study.

Yours faithfully,

SAEED SHEIKH ABDIRAHMAN.

APPENDIX 2: RESEARCH QUESTIONNAIRE

Part A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1. Name of the company:
2. What is your designation at the organization
3. Gender: male () Female ()
4. What is your age bracket? (Tick as applicable);
 - a. Under 30 years ()
 - b. 31 – 40 years ()
 - c. 41 – 50 years ()
 - d. Over 50 years ()
5. Length of continuous service with the organization?
 - a. Less than five years ()
 - b. 5 – 10 years ()
 - c. Over 10 years ()
6. For how long has your company been in operation?
 - a. Under 5 years ()
 - b. 6 – 10 years ()
 - c. 11 – 15 years ()
 - d. Over 16 years ()
7. Do you operate in other countries outside Kenya? Yes () No ()

If yes, please give the countries that you operate in

.....

PART B: Productivity Practices adopted by Logistics Firms

8. Please indicate whether your organization has outsourced the following logistics services? Tick where appropriate between on YES or NO

Services	YES	NO
Transport management		
Warehouse management		
Information management		
Inventory management		
Material handling management		

9. Please indicate the extent to which your organization performance has been improved by outsourcing the following practices? Use the scale of: 1- Not at all, 2- Small extent, 3- Moderate extent, 4- Great extent, 5- Very great extent

Practices	1	2	3	4	5
Transport management practices <ol style="list-style-type: none"> 1. Vehicle scheduling has improved 2. Rout optimization has been achieved 3. Fleet tracking tools have increased vehicle visibility 					
Warehouse management practices <ol style="list-style-type: none"> 1. Good housekeeping practices have been achieved by the organization 2. Proper receipt procedures have been undertaken by staff 3. Less damages to commodities due to proper storage 4. Staff welfare has been achieved due to implementation of health & safety 					
Information management <ol style="list-style-type: none"> 1. Visibility between various department in the organization 2. Paper less operation in the organization. 3. Availability and proper flow of information in the organization 4. My organization utilizes information technology in coordinating its activities with suppliers 					
Inventory management <ol style="list-style-type: none"> 1. Proper inventory flows inventory 2. Inventory accuracy has been achieved 3. Good inventory turns/proper space utilization 					
Material handling practices <ol style="list-style-type: none"> 1. Quality checks on raw materials (quality raw materials) 2. Adoption of modern storage infrastructure i.e. cold rooms & racking systems 3. Efficiency due to use of modern material handling equipment 4. The suppliers to the organization show compliance with particular regulations such as emission cups, hazardous materials, labeling, product specification and having environment related documentation, this has enhanced quality of products delivered 					
Procurement practices					

1. My organization practices transparent sourcing of suppliers					
2. Good supplier relations is maintained by organization					
3. Effective information delivery is maintained with the suppliers of services and products					
4. In assessing the potential outsourcing services, the organization benchmarks to determine whether the company meets your targets					

10. Kindly mention any other logistics practices adapted by your organization.

.....

.....

.....

11. What effect does transport logistics practices being used by the firm have on the following performance aspects? 1- Very low, 2- Low, 3- Moderate, 4- High, 5- Very high

Performance aspects	1	2	3	4	5
Transport logistics leads to organizational effectiveness					
Transport Logistics results to increased productivity					
The organization profits increased as a result of transport logistics					
Outsourcing practices leads to improved quality					
Transport logistics results to continuous improvement (services being provided and innovations being performed during the service production process)					
The quality of work life (motivational level of personnel) is affected by logistics					
Social responsibilities (companies level of fulfilling social responsibilities)					

12. State the extent to which you agree with the following statements concerning your organizations performance in relation to the outsourced practices you have adapted

Key: 1- Not at all, 2- Small extent, 3- Moderate extent, 4- Great extent, 5- Very great extent

Performance	1	2	3	4	5
The transport logistics practice has led to a decrease in operating cost					
It has led to an increase in productivity					
It has made the organization achieve timely delivery of services to clients					
The organization has as a result achieved use modern technology in offering its services					
As a result of transport logistics the organization profits has improved					
The practice has enabled the organization concentrate on its core business and therefore achieve improved customer satisfaction					
It has enabled faster response to customer demands					

Thank You