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**Mwebia Muthoni Virginia, Dr. Ndolo Jackson**

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# ROLE OF PROCUREMENT PRACTICES IN MANAGING OUTSOURCING RISKS IN BEVERAGE INDUSTRIES IN KENYA

[1] **Mwebia Muthoni Virginia,** [2] **Dr. Ndolo Jackson**

[1]Masters Student Jomo Kenyatta University of Agriculture and Technology

[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology

## ABSTRACT

This study sought to determine the role of procurement practices in managing risks of outsourcing in beverage industries in Kenya. Specifically, the study sought to establish the role of quality management in managing outsourcing risks in Coca cola Company in Kenya, and to establish the role of supplier appraisal in managing outsourcing risks in Coca Cola Company in Kenya. This study used a descriptive survey research methodology. The target population included a working force of 150 employees and it was obtained from employees from each department involving; procurement department, logistics department, supply chain, finance department that the results of the study was generalized. The study used 30% of the target population as the sample size. Thus a sample of 45 employees was attained from a target population of 150 employees. The study used questionnaires to collect primary data. Collected data was analyzed using both quantitative and qualitative techniques. In qualitative technique, the researcher performed content analysis on the findings collected from the open ended questions and presented in prose form. SPSS (version 22) was applied in analysing quantitative data where descriptive statistics was computed and presentations done in percentages, means, SD and frequencies. Inferential data analysis was conducted by use of Pearson correlation coefficient, and multiple regression analysis. The study results were presented through use of tables and Figures. The study concludes that quality management influences the management of outsourcing risks in Coca cola Company in Kenya. In addition, the study concludes that supplier appraisal influences the management of outsourcing risks in Coca cola Company in Kenya. From the results, this study recommends that the management of Coca cola Company in Kenya should ensure effectiveness of the quality System, quality assurance and training and documentation.

**Key Words:** procurement practices, quality management, supplier appraisal, outsourcing risks

## INTRODUCTION

Outsourcing has been a major corporate strategy and the competitive advantage may be achieved by the more efficient production of products or services by external providers globally (Jawon, 2018). Outsourcing has for some years been a worldwide business trend and an alternative that all large businesses have to take into account to remain competitive. In many ways, researchers defined outsourcing. Outsourcing may be described as the transfer from an internal product or service to an external party (Mombo, 2017).

Over the past 20 years, one of the most notable trends in the world of business has been the move away from high levels of vertical integration toward outsourcing (Leavy, 2012).This has resulted to change of organization structures for better adoption of outsourcing function. According to Quelin & Duhamel (2016), activities which are partially or completely outsourced in a large number of companies are: office information technology, industrial maintenance, waste management, logistics and telecommunication. Most of them are complex processes, but are not considered, by most industrial companies, to be their primary supply chain activities. The traditional outsourcing emphasis on tactical benefits like cost reduction have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Elmuti, 2014).The move from traditional approach has made the functions to be complex hence a lot of risks emerging in the decisions to outsource.

According to Farrington (2016), problems related to outsourcing include; overdependence on suppliers, costs escalation, lack of supplier flexibility, lack of managerial skills to control suppliers and unrealistic expectations of outsourcing providers due to over promising at negotiations stage. In addition, Quinn (2014) reports that no outsourcing is the largest danger today. Unless externalization is provided, firms cannot continue to employ outsourcing for innovation and the most successful firms utilize it. Dell computer and Cisco systems are referred to in his papers as leading vendors in their industries. Outsourcing might certainly offer significant advantages. Nobody doubts that management, catering or contact centre outsourcing is most of the time advantageous.

An organization can choose to outsource their activities because they want to reduce or spread the risk. Some of the risks that are experienced in organizations can be reduced by transferring those risky activities to an expert service provider. If the service providers fail to mitigate the risk then it is spread to their organization which will be less costly. Outsourcing can be beneficial but it also has its own risk which include accountability problem Baron (2016). When the staff are not accountable to the activities that run in the organization there is likely to be less production hence the force of the market competition is unmatched. Staffs are accountable to their investors, stockholders, and competitors. An organization is possible to experience unequal service from the supplier especially when the supplier also performs the same service to a competitor, unequal service will affect JIT. This will be a loss to the company since the competitor will have a higher advantage. Close monitoring will be needed in order to mitigate the risks. Also lack of internal resources can lead to an organization outsourcing its activities, considering the cost that will be incurred if you buy for example the machinery will be extremely high that‘s why the need to outsource those activities to a supplier that has the required machinery to do the job. By minimizing cost companies can achieve their economic related goals and this enhance organization effectiveness (Edgell, Meister & Stamp, 2018).

The complexity of outsourcing operations assumes several dimensions, which all project managers should keep in mind while involved with these projects (Quelin & Duhamel, 2014). The number of stakeholders influenced by the outsourcing decision becomes more numerous than when the projects were primarily done in-house; the selection criteria are not limited to cost savings; contracts are becoming denser, as agreements become more sophisticated in terms of measurements procedures, financial management of transferred assets and re-in sourcing clauses; Managing the transition involves shifting more complex interfaces between supplier and the outsourcing company; managing the relationship under more detailed service level agreements (SLAs) entails more complex operations in terms of control and performance reporting the strategic perspective would determine how to get and sustain a competitive advantage by acquiring the valued resources from outside (Duhamel, 2014).

Outsourcing has become a part of many organizations' business model with people working interdependently with shared purpose across space, time and organizational boundaries using technology to communicate and collaborate. This practice is becoming increasingly common and driven by global competition, increased need for flexibility, access to global resources and substantial financial gains. Moreover, the internet and availability of electronic communication infrastructures makes this global distribution feasible to organize and manage. However outsourcing is also fraught with various risks. Outsourcing reduces a company‘s control over how certain services are delivered which in turn may raise the company‘s liability. Hurly (2017) assert that by definition outsourcing places control and coordination of that function to outsiders, this is loss of control can result in many future problems such as delays in delivery, quality, customers complaints and loss competitive sensitive information.

## Statement of the Problem

Most firms' investments always include a large number of external risks (Outsourcing Institute, 2014). A wide range of external hazards arise from the suppliers, businesses or the external agencies themselves (Aron et al, 2005). According to an Outsourcing Institute survey carried out in 2014, outsourcing concentrated on information technology (30%), human resources (16%), marketing and sales (14%), finance (11%) and administration (9% ).

Kinyua (2015) also conducted a study on outsourcing impact in organizations and he concluded that companies need to conduct careful analysis before engaging in outsourcing to minimize risks. Furthermore, Public entities in Kenya are governed and managed by the Public Procurement and Disposal Act (2015) that establishes need to subject outsourcing contracts to a competitive procedure; this is a major factor which leads to ineffective performance of outsourcing contracts due to interferences both from internal and external forces.

Different outsourcing studies in Lysons & Farrington, Kenya (2016), have been carried out to determine the impact of outsourcing on an organization's services and have concluded the outsource reduces the control of a company over the delivery of certain services, thus increasing the company's liability. Kirui (2016) also concludes in his study that outsourcing of non-core logistics is prompted by the desire to remove duplication of roles, efforts, and existing dysfunctions. Indeed, Outsourcing is underlined as a significant driving force behind social and economic progress through jobs and wealth building in the recently launched Kenya 2030 Vision project. It will, however, come with many inconveniences and dangers requiring careful study in its management (Kemibaro, 2015).

Beverage industries in Kenya are responsible for many outsourcing operations, with risks such as safety hazards, outsourcing management, loss of control of the firm, dependence problems, technical uncertainties, and staff turnover in exchange. No researchers have obviously looked at how procurement procedures can control outsourcing risks from past studies. An empirical research on the role of procurement people in controlling risk of beverage outsourcing in Kenya by the Coca Colas Company, Kenya is required, thus, integrating logistics and the supply chain as well as procurement and finance staff.

## Objectives

i. To establish the role of quality management in managing outsourcing risks in Coca cola Company in Kenya.
ii. To establish the role of supplier appraisal in managing outsourcing risks in Coca Cola Company in Kenya.

**Significance of the study**

This study is of more importance to the management of beverage industries in Kenya since it helps them to learn more on the ways to manage outsourcing activities and more so to Coca cola Juices Kenya limited. Therefore the management was in a better position to deal with the risks of outsourcing in order to attain a competitive advantage. Various stakeholders benefit from the research where it equips them with information that they may use to benchmark assess or analyse other related industries. By adopting this, organizations have very minimal challenges since the researcher has provided the recommendations on how to manage and control the risks of outsourcing from selection to implementation of the process.

The study is of great significance to other scholars since it can used by other researchers and scholars as a source of literature review materials to identify and fill the gaps of other researchers on other area of studies as well as it benefits researchers in gaining a deep knowledge of other scholars findings and able to recommend the best strategies to coca cola juices concerning outsourcing activities.

## LITERATURE REVIEW

### Theoretical Framework

### Transactional Cost Theory

The organizations are aimed at cost reduction and cost efficiency (Aubert, 2001). Williamson therefore created the theory of transaction costs (TCT). The theory of transaction costs (TCT) is the economic theory used to determine whether a function should be outsourced or not. Transaction expenses relate to the search, creation, negotiation, monitoring and implementation of a service contract between customers and suppliers. According to Williamson, any service has two sorts of costs: the cost of production and cost of coordination. The cost to produce the goods or deliver the service is the cost. It covers labor, equipment and capital costs. Transaction costs or so-called coordination costs consist of transaction management, monitoring and management expenses.

Two behavioral assumptions are the basis of the transaction cost theory. The first thing to do is to assume that the human mind is incapable of evaluating all potential decision-making choices on the basis of insufficient knowledge of the circumstance or because it has cognitive limitations in mind. In outsourcing, there is a limited rationality when customers have insufficient information and expertise to identify potential suppliers, assess accurate or standard requirements and, ultimately, unable to manage their relationship with the provider properly. Secondly, this theory depends on its assumption of opportunism, which is supposed to deceive people and to be personally profitable. The risk of outsourcing clearly relates to these two behavioral presumptions (Lyons ,1995).

The Transaction Cost Theory (TCT), which is frequently called the main theoretical exploration of outsourcing, has gained much empirical support. (Williamson, 1975) was the first to propose that production be structured in a firm if the development or production costs of these goods are lower than those of an external provider. (Williamson, 1975) This is due to the decision of the firm to make or purchase. The entire cost of production and transaction may be split.

Manufacturing costs include all costs incurred by a firm throughout its delivery of products to its consumers, including construction rental; materials and components; employee pay; capital; taxations; etc. International external operations often lower these costs, since foreign suppliers have access to higher costs drivers, such as small cost savings and locations (Jennings, 2002). Instead, externalization is linked to greater transaction costs. The cost of transaction includes the expenses of market participation through transferring information, products and money, for example. Transaction costs take place in three phases (Gurbaxani & Whang, 1991).

The first phase is a contact phase when the costs of a transaction include costs related to search and information, which are expenses of the firm to establish that the necessary commodities or components are available on the market. Secondly, the contract phase, in which transaction charges consist of negotiation expenses incurred by the firm when it wants to reach an acceptable agreement with the supplier. Finally, the third phase is the phase of monitoring, in which the transaction costs include monitoring and implementation costs required to ensure that a provider complies with the contractual terms and conditions; the costs of legal action taken if the supplier fails to respect the agreements; additional costs for checking whether standards of product quality are complied with.

Companies have to take both the manufacturing and transaction costs into account and should choose the most cost efficient option. When the external supplier is somehow able to manufacture the needed components or products at a lower cost than the company is able to do in-house, manufacturing should be outsourced. Williamson (1995) identified the characteristics of the products that determine if in-house manufacturing or outsourcing is the most cost efficient option. The primary factors that increase the costs of transactions are: Asset specificity, Uncertainty and Frequency. As per Williamson (1985), transaction cost theory depends on the following parameters:

Costs: whereby there are two types of costs associated with any service or product; Production cost and Transaction cost. Williamson argues externally outsourcing of work results in lower production costs than doing it internally due to economies of scale. However, in such a case the transaction cost is high because vendors need to be managed and monitored. In an in-house arrangement, production cost is high because it is difficult to achieve economies of scale. This applies in particular to products that need or are creative in their assets. Relational contracts reduce challenges in creating an extensive contract since it enables parties to change as it becomes accessible to new information. Note that this only applies if it is self-enforcement; the short-term reneging value must be lower than the long-term value of the connection (Baker, Gibbons & Murphy, 2001). In addition, in-house production cannot produce economies of scale, because goods with a high asset specificity are frequently rather voluminous.

### Agency Theory

Agencies Theory provides the basis for the connection between seller and customer as well as the motivation for seller and customer to do outsourcing services. Agency Theory (AT) is aimed at the relation of the agency, in which one party (the principle) delegates to another party (the officer) that carries out the task. This theory covers the resolution of two issues in the connection between the agents. The first issue is the premise that the agent has not behaved correctly because of various purposes, and checking what the agent does is expensive. The second issue relates to a varied risk mentality, since everybody favors various actions (Eisenhardt, 1989).

The theory attempts to characterize the main agent relation using a contract metaphor. The objective of the contract is to identify the most effective contract for the main agent relationship. What can be done to promote high-quality service and fair treatment by the provider and what can be done by the service provider to ensure that the user fulfills his/her objectives at the same time.

Opportunism can be defined as the tendency to deceive clients in order to reap high benefit. Opportunism is expected to occur in relationships where there is an agent (or vendor) and a principal (or client). Vendors adopt opportunistic behavior for its own benefit whenever the chance arises. Moral, social norms, the risk of prosecution and damage of reputation mitigate the risk of opportunism to a certain extent but cannot prevent all opportunistic behaviors.

Accordingly, opportunism is essentially three expressions of moral hazards, unfair choice and defective commitment, according to Joshi & Stump (1991). Moral risk develops if the customer cannot examine the behavior of an external supplier without paying more expenditures. If the customer cannot identify bad performance the external seller might blame factor excessively for poor performance. Adverse choice happens when the customer cannot check the features of the IT outsourcing provider. If the customer fails to cope with unfavorable choices, it is difficult for the customer to choose the appropriate provider. Lastly, imperfect commitment refers to the inability of both the vendor and the client to fully commit to the business relationship (Michael & Corbett, 1998).

The risks are recognized and divided into three elements, which include customer, transaction and uncertainties, based on these two ideas. Customer factor consists of the lack of customer expertise with externalized activity and the lack of customer expertise with an outsourcing contract. Vendor factor consists of the vendor's lack of external activity competence and the vendor's lack of outsourcing contract expertise. The factor for transactions consists of asset specificity, activity interdependence, measuring difficulties, small number of suppliers and uncertainty. Secondly, there is lack of experience and expertise of client with outsourcing contract. The client‘s lack of expertise to manage outsourcing contract is another risk factor because the client may underestimate transition and management costs. This inexperience can lead to disputes and litigation with the vendor, declining service level and escalating service costs.

In Vendor Factor, firstly there is lack of experience and expertise of vendor with outsourced activity. A vendor is likely to exaggerate the expertise it possesses. Moreover, a vendor may not be able to respond to rapid changes in business environment or technological advancements. If the vendor does not have sufficient skills, clients will experience low service quality that will lead to increased costs, and target performance will be suboptimal. Secondly, there is lack of experience and expertise of vendor with outsourcing contract. A vendor who possesses expertise in outsourcing contract is perhaps good in reaping more benefits than an inexperienced one during the process of contract negotiation. Conversely, an ineffectual vendor is unlikely to bargain much during the negotiation and may end up with signing clauses that will give rise to disputes and litigations in the future.

Firstly, there is a relationship between actions in the Transaction Factor. The effectiveness of one business task, activity or task depends on the successful performance of other business tasks, activities or functions. This interdependence of business operations will have a detrimental influence on company performance, since it produces business inflexibility if the firm cannot effectively react to quick changes in the business environment. Second, there are issues with measuring.

The accuracy of purchasers' measurement of the quality of their products and services influences how effectively they react to fast business developments. If buyers have no precise instrument for measuring product and service quality, they must use a thorough or manual

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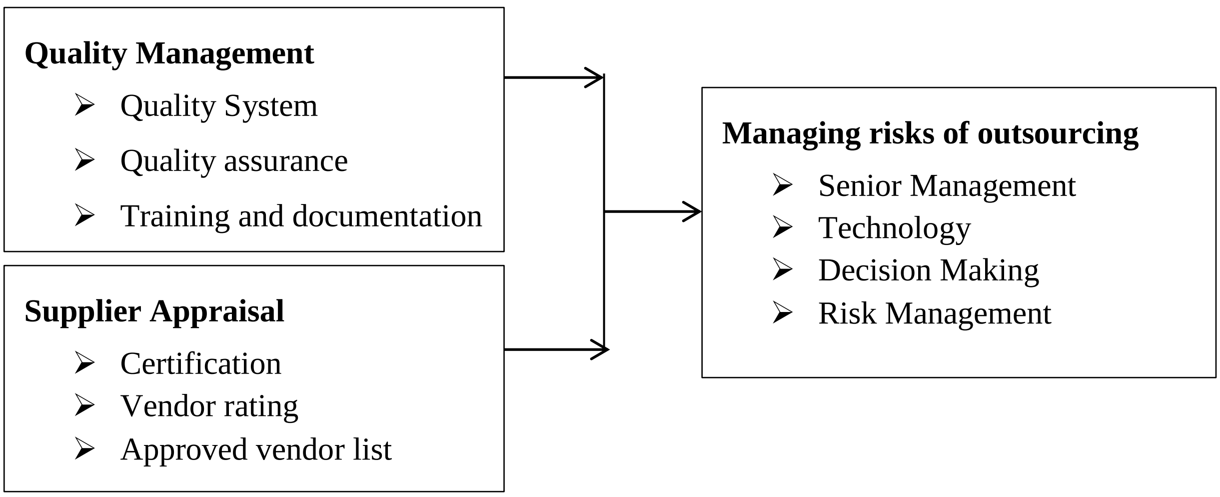
product/service monitoring technique which is an expensive procedure. Third, there are few sellers. There are few. A small number of suppliers can generate the problem of lock-in since the negotiating strength of suppliers grows as their number of suppliers diminishes. This absence of other suppliers forces a customer to rely on its supplier. The dependence of customers on suppliers is likely to drive sellers to act opportunistically, which results in increasing transaction costs.

The risk factors previously discussed can lead to poor results. Increased services cost, expenses of contractual amendments, lock-in and service debasement may be divided into many types: unexpected transitional and management costs. Unanticipated Costs for Management Transitional fees include costs for installation, redeployment or relocation, etc. Management costs include human resource expenses incurred by the outsourcing contract management, searching, assessment and choice of suitable seller, benchmarking seller service by industry, the legal terms of the contract required, negotiation expenses and dissolution of disputes between client and seller, etc.

The vendor's opportunistic conduct results in higher service charges. In order to benefit the customer, the vendor might charge too much for its services. This also covers charges which the customers take on board but which in reality are not included in the contract. For example, personal-computer support charges, office re-wire or simply basic counseling on which equipment to buy. Costly Contractual modifications include a change of customer or a contract is discovered incomplete due to the absence of certain key terms; contract changes are necessary.

However, many suppliers routinely overload the new services or changes to current services for their customers. Costly contractual adjustments may, if the contracting party (customer and/or IT vendor) thinks it essential, come from changes or modifications made at any moment during contract to sections of the contract or to all its paragraphs. Degradation of service, however, is a reduction in service quality to a customer, such as: bad response time, poor turnaround time, late software upgrades, programs that do not match the criteria.

**Conceptual Framework**




**Quality Management**

Juran (1980) characterize the significance of value in two spaces of basic significance. Quality means those elements of items, which address client issues and in this manner give consumer loyalty. In this sense, the importance of value is arranged to pay. The reason for such quality is to give more prominent consumer loyalty and, one expectations, to build pay. Notwithstanding, giving more and better quality elements as a rule requires a speculation and thus generally includes expansions in costs.

Better caliber, in this sense, ordinarily ―costs more.‖ Quality means independence from inadequacies independence from blunders that require managing job over once more (revise) or that outcome in field disappointments, client disappointment, and client claims. In this sense, the importance of value is situated to costs, and greater typically ―costs less.‖ Simply put quality alludes ―to every one of the elements of an item (or administration) which are needed by the customer‖. Quality administration is characterized as how the association deals with guarantee that its items adjust to the client's necessities.

As indicated by Grover and Cheon (1996), re-appropriating portrays the utilization of outside assets to execute functional undertakings. This implies that the administrations offered to clients are conveyed by an autonomous entertainer who is geologically isolated from the first association. The first association, which is answerable for the presentation and client esteem in the reevaluated settings, might not have direct contact with the clients. This makes them subject to the real free specialist co-ops of the contributions for the worth co-made for clients.

These free specialist co-ops might show brand marks, which makes their activities the prevailing impact upon the normal clients. The impression of the brand is accordingly reliant upon the activities and perspectives of the re-appropriating accomplices offering the types of assistance. In the assistance business, where clients are a piece of the help measures, the manner by which the free assistance providers act and how they treat the clients directly affects how clients see and worth the administrations (Nilsson, 2001).

There is shift going on in the administration of reevaluating. You really need a greater administration to re-appropriate effectively as recommended by James Brian Quinn. Reevaluating of administration arrangement has shown an expanding pattern in both the private and public areas, which has made the acquisition of administrations a significant issue (Lillrank, 1988).However, the vast majority of the underlying exploration in obtainment has zeroed in on the private area and the assembling business while the public acquirement of administrations has gotten negligible consideration.

Reevaluating includes extra entertainers, which prompts expanded intricacy and dynamism concerning jobs, activities, and collaborations. These conditions power reexamining in regards to hierarchical designs and administrative courses of action since esteem is co-made by at least two entertainers. As indicated by Reeves and Bednar (1994), Quality administration related with standards, practices, and procedures is an administration reasoning that can empower associations in reevaluated administration arrangement to manage this intricacy together. The point of value the executives is to build outside and inward consumer loyalty with a decreased measure of assets (Besterfield, Dale and Glen, 2003).

To both outsourcer specialist co-ops and clients, quality and innovation are two similarly significant components which should be concerned cautiously. A quality structure of a rethinking administration including seven quality measurements: dependability, substance, conformance, responsiveness, adaptability, confirmation and security, and four quality empowering influences: normalization, reconciliation and robotization, advancement. Numerous companies, similar to Dell, AIG, IBM and Citi Group, have been utilizing reevaluating and utilizing the bigger size of outside specialist organizations to reduce expenses, further develop measure quality and speed time to advertise. (Land, 2005), showed that 73% of clients studied accept quality administration is further developing their reevaluating measures. The investigation reasoned that rethinking is progressively moving to be about productivity and adequacy. To convey a quality and stable help, the supplier has an assistance philosophy, the required foundation, individuals, and abilities, innovation, and measurements capacities.

To build a down to earth administration quality system for the Outsourcing business, we get the European Foundation for Quality Management Excellence Model (EFQMEM), what isolates the quality measures into empowering agents and results. Albeit the EFQMEM is normally used to survey the presentation of an association, it gives experiences on the most proficient method to characterize a quality structure for the business. In this industry, innovation can be viewed as one of the empowering assets to make the astounding client discernments on quality. Provider Relationship Management or Supply Management is an extensive way to deal with dealing with an association's communications with the organizations that supply the items and administrations it employments. The quick unbiased of SRM is to smooth out and make more compelling the sourcing measures between an undertaking and its providers. By implication, SRM is additionally focusing on quality-related enhancements of data, items, administrations, and work power abilities.

**Supplier Appraisal**

Supplier appraisal is the appraisal of a likely provider's capacity of controlling quality, conveyance, amount, cost and any remaining elements to be epitomized in an agreement. Without a strong, firm production network, hierarchical intensity is truly compromised. The nature of the provider base is basic to that production network adequacy. Leading provider examinations is a critical job of the buying proficient. Compton and Jessop characterize provider examination as ‗an appraisal of a likely provider's capacity of controlling quality (conveyance, amount, cost, and any remaining elements to be inserted in an agreement). They propose that evaluations are completed at the pre-contrast period of provider sourcing. The way toward assessing providers may likewise be alluded to as ‗supplier assessment' (Folan and Browne, 2005).

As indicated by Shin-Chan (2008), Insight into provider execution and strategic policies lessens business hazard, especially given organizations' expanding reliance on its key providers. Dangers can be monetary and functional and increment with geographic distance. A danger space of expanding concern is the presentation of sub-level providers whom the superb provider has no contact with or information on. By estimating provider execution, an undertaking can set an edge for providers can prompt greater outcomes. Organizations can more readily design new items and administrations dependent on a decent comprehension of its providers' capacities and execution levels. Understanding nearby providers can help decide whether they are fit for diminishing complete costs enough to outflank seaward providers. Moreover, providers can give advancements to their clients that assist them with creating items and administrations that can add income to the client's primary concern and improve their cutthroat position, in this manner assisting clients with increasing the value of the top line as well as eliminating cost from the reality (Gordon, 2000).

From a lean endeavor perspective on supply the executives, the store network is brimming with squander and secret expense drivers. Additionally, according to a worldwide viewpoint, supply the board is full of dangers as organizations manage expanding quantities of seaward providers. Estimating and understanding provider execution is basic to guarantee a well-working inventory network and to an organization's cutthroat position. Working on the exhibition of key providers is the objective (Kumar, 2007).

Providers can altogether affect the achievement or disappointment of the association. Subsequently, one of buying key exercises is getting the best providers, as far as an incentive for cash, to work inside the production network. Contingent upon the essential idea of the item, the purchasing association might be keen on own provider as well as in the provider's providers; this can be seen most unmistakably in the vehicle business where provider tiering is normal.

While a portion of these presentation measures are explicit to the foundry business, (comparable industry explicit records could be drawn up for, say, the providing food and engine ventures) there are a few boundaries, like conveyance unwavering quality, which are normal to providers in many areas of industry. Consequently, a nonexclusive rundown of provider execution rules may incorporate quality; conveyance; business intensity and innovative ability/aptitude. Each might be partitioned further conveyance for example, includes perspectives like responsiveness and unwavering quality (Choy, Lee, and Lo, 2005).

## RESEARCH METHODOLOGY

This study used a descriptive survey research methodology. The target population included a working force of 150 employees and it was obtained from employees from each department involving; procurement department, logistics department, supply chain, finance department that the results of the study was generalized. The study used 30% of the target population as the sample size. (Patton, 2002).Thus a sample of 45 employees was attained from a target population of 150 employees. Stratified random sampling was used to choose respondents

Data was gathered from respondents using questionnaires that included both open-ended and closed-ended questions. Collected data was analyzed using both quantitative and qualitative techniques. SPSS (version 22) was applied in analysing quantitative data where descriptive statistics was computed and presentations done in percentages, means, SD and frequencies. Displaying of the information was done in table and figures. Inferential data analysis was conducted by use of Pearson correlation coefficient, and multiple regression analysis.

## RESEARCH FINDINGS AND DISCUSSION

The researcher administered 45 questionnaires among the respondents. Out of the total, 39 participants completely filled their questionnaires and returned them to the researcher within the stipulated time frame. Therefore, the response rate of the study was 86.7%. According to Colbert (2014) a response rate of 75% and above is considered as excellent. Hence, the response rate (88.7%) was within acceptable limit.

### Descriptive Statistics

### Quality Management

The first specific objective of the study was to establish the role of quality management in managing outsourcing risks in Coca cola Company in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to quality management in managing outsourcing risks in Coca cola Company in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1.

As shown in the results, the respondents agreed that the organization ensures frequent staff training on quality management. This is supported by a mean of 4.217 (std. dv = 0.510). In addition, as shown by a mean of 4.196 (std. dv = 0.539), the respondents agreed that there is adequate documentation in relation to quality management. Further, the respondents agreed that quality management helps in managing risks of outsourcing. This is shown by a mean of 4.044 (std. dv = 0.205). The respondents also agreed that the organization has implemented quality systems. This is shown by a mean of 4.000 (std. dv = 0.419). With a mean of 3.978 (std. dv = 0.534), the respondents agreed that they are satisfied with the effectiveness of the quality systems adopted in the organization. From the results, the respondents agreed that quality assurance is ensured in their organization. This is supported by a mean of 3.935 (std. dv = 0.570).

**Table 1: Quality Management**

| | 1 | 2 | 3 | 4 | 5 | Mean | Std. Deviation |
|---|---|---|---|---|---|---|---|
| Quality management helps in managing risks of outsourcing | 0.00 | 0.00 | 0.00 | 95.7 | 4.3 | 4.044 | 0.205 |
| The organization has implemented quality systems | 0.00 | 2.2 | 2.2 | 89.1 | 6.5 | 4.000 | 0.419 |
| Am satisfied with the effectiveness of the quality systems adopted in the organization | 0.00 | 4.3 | 2.2 | 84.8 | 8.7 | 3.978 | 0.534 |
| Quality assurance is ensured in our organization | 2.2 | 2.2 | 0.00 | 91.3 | 4.3 | 3.935 | 0.570 |
| The organization ensures frequent staff training on quality management | 2.6 | 13.0 | 4.3 | 30.00 | 50.00 | 4.217 | 0.510 |
| There is adequate documentation in relation to quality management | 7.0 | 6.5 | 6.5 | 45.00 | 35.00 | 4.196 | 0.539 |
| **Aggregate Score** | | | | | | **4.065** | **0.444** |

**Supplier Appraisal**

The second specific objective of the study was to establish the role of supplier appraisal in managing outsourcing risks in Coca cola Company in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to supplier appraisal in managing outsourcing risks in Coca cola Company in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

As shown in the results, the respondents agreed that they are satisfied with the level of supplier communication. This is supported by a mean of 4.217 (std. dv = 0.510). In addition, as shown by a mean of 3.988 (std. dv = 0.491), the respondents agreed that their organization has formulated several supplier appraisal techniques. Further, the respondents agreed that supplier appraisal helps in managing risks of outsourcing. This is shown by a mean of 3.978 (std. dv = 0.392). The respondents also agreed that their organization has a list of approved vendors. This is shown by a mean of 3.957 (std. dv = 0.694). With a mean of 3.935 (std. dv = 0.570), the respondents agreed that their organization ensure proper and timely communication with suppliers.

From the results, the respondents agreed that they are satisfied with the level of supplier appraisal in their organization. This is supported by a mean of 3.913 (std. dv = 0.657). In addition, as shown by a mean of 3.913 (std. dv = 0.657), the respondents agreed that vendor rating is ensured in their organization. Further, the respondents agreed that supplier certification is among the supplier appraisal methods adopted in the organization. This is shown by a mean of 3.870 (std. dv = 0.615). The respondents also agreed that the suppliers contracted by their organization are reliable. This is shown by a mean of 3.891 (std. dv = 0.523).

**Table 2: Supplier Appraisal**

| | 1 | 2 | 3 | 4 | 5 | Mean | Std. Deviation |
|---|---|---|---|---|---|---|---|
| Supplier appraisal helps in managing risks of outsourcing | 0.00 | 2.2 | 2.2 | 91.3 | 4.3 | 3.978 | 0.392 |
| Our organization has formulated several supplier appraisal techniques | 0.00 | 4.3 | 0.00 | 79.1 | 16.5 | 3.988 | 0.491 |
| Supplier certification is among the supplier appraisal methods adopted in the organization | 2.2 | 4.3 | 0.00 | 71.3 | 22.2 | 3.870 | 0.615 |
| Vendor rating is ensured in our organization | 2.2 | 4.3 | 0.00 | 87.0 | 6.5 | 3.913 | 0.657 |
| Our organization has a list of approved vendors | 2.2 | 4.3 | 0.00 | 82.6 | 10.9 | 3.957 | 0.694 |
| Am satisfied with the level of supplier appraisal in our organization | 2.2 | 4.3 | 0.00 | 87.0 | 6.5 | 3.913 | 0.657 |
| The suppliers contracted by our organization are reliable | 0.00 | 6.5 | 0.00 | 91.3 | 2.2 | 3.891 | 0.523 |
| Our organization ensure proper and timely communication with suppliers | 0.00 | 6.5 | 0.00 | 87.0 | 6.5 | 3.935 | 0.570 |
| Am satisfied with the level of supplier communication | 2.6 | 13.0 | 4.3 | 30.00 | 50.00 | 4.217 | 0.510 |
| **Aggregate Score** | | | | | | **3.976** | **0.563** |

### Managing Outsourcing Risks in Coca Cola Company in Kenya

The respondents were requested to indicate their level of agreement on various statements relating to managing outsourcing risks in Coca cola Company in Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3.

As shown in the results, the respondents agreed that they are satisfied with the level of risk management in their organization. This is supported by a mean of 3.957 (std. dv = 0.553). In addition, as shown by a mean of 3.935 (std. dv = 0.325), the respondents agreed that they are satisfied with the level of risk management in their organization. Further, the respondents agreed that the organization has adopted the relevant technology for ensuring risk management. This is shown by a mean of 3.913 (std. dv = 0.506).

The respondents also agreed that consultations are made from relevant parties in relation to risk management. This is shown by a mean of 3.913 (std. dv = 0.587). With a mean of 3.891

(std. dv = 0.564), the respondents agreed that the top management in their organization supports risk management in outsourcing. From the results, the respondents agreed that their organization ensures effectiveness in managing risks of outsourcing. This is supported by a mean of 3.826 (std. dv = 0.720).

**Table 3: Managing Outsourcing Risks in Coca Cola Company in Kenya**

| | **1** | **2** | **3** | **4** | **5** | **Mean** | **Std. Deviation** |
|---|---|---|---|---|---|---|---|
| Our organization ensures effectiveness in managing risks of outsourcing | 2.2 | 7.6 | 0.00 | 85.9 | 4.3 | 3.826 | 0.720 |
| Am satisfied with the level of risk management in our organization | 2.2 | 0.00 | 4.3 | 87.0 | 6.5 | 3.957 | 0.553 |
| The top management in our organization supports risk management in outsourcing | 2.2 | 2.2 | 2.2 | 91.3 | 2.2 | 3.891 | 0.564 |
| The organization has adopted the relevant technology for ensuring risk management | 0.00 | 4.3 | 4.3 | 87.0 | 4.3 | 3.913 | 0.506 |
| Consultations are made from relevant parties in relation to risk management | 0.00 | 6.5 | 2.2 | 84.8 | 6.5 | 3.913 | 0.587 |
| Am satisfied with the level of risk management in our organization | 0.00 | 2.2 | 2.2 | 95.7 | 0.00 | 3.935 | 0.325 |
| **Aggregate Score** | | | | | | **3.906** | **0.543** |

## Inferential Statistics

### Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (quality management and supplier appraisal) and (management of outsourcing risks in Coca cola Company in Kenya) dependent variable

**Table 4: Correlation Coefficients**

| | | **Managing Outsourcing Risks** | **Quality Management** | **Supplier Appraisal** |
|---|---|---|---|---|
| Managing Outsourcing Risks | Pearson Correlation | 1 | | |
| | Sig. (2-tailed) | | | |
| | N | 39 | | |
| Quality Management | Pearson Correlation | .888** | 1 | |
| | Sig. (2-tailed) | .000 | | |
| | N | 39 | 39 | |
| Supplier Appraisal | Pearson Correlation | .764** | .294 | 1 |
| | Sig. (2-tailed) | .002 | .089 | |
| | N | 39 | 39 | 39 |

From the results, there was a very strong relationship between quality management and the management of outsourcing risks in Coca cola Company in Kenya (r = 0.888, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Naeem *et al* (2018) that there is a very strong relationship between quality management and management of outsourcing risks

Moreover, findings revealed that there was a very strong relationship between supplier appraisal and management of outsourcing risks in Coca cola Company in Kenya (r = 0.764, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the results of Ondiek and Makokha (2018) that there is a very strong relationship between supplier appraisal and management of outsourcing risks.

**Regression Analysis**

Multivariate regression analysis was used to assess the relationship between independent variables and dependent variable.

**Table 5: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.939 | 0.881 | 0.882 | 0.06184 |

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.881. This implied that 88.1% of the variation in the dependent variable (managing outsourcing risks in Coca cola Company in Kenya) could be explained by independent variables (quality management, supplier appraisal).

**Table 6: Analysis of Variance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 19.294 | 4 | 4.823 | 17.412 | .000 |
| | Residual | .943 | 34 | .0277 | | |
| | Total | 20.237 | 38 | | | |

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 17.412 while the F critical was 2.650. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Henceforth, it can be used to predict the influence of quality management, supplier appraisal, contract management and E-procurement on managing outsourcing risks in Coca cola Company in Kenya

**Table 7: Regression Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.251 | 0.088 | | 2.852 | 0.001 |
| | Quality Management | 0.271 | 0.076 | 0.272 | 3.566 | 0.002 |
| | Supplier Appraisal | 0.380 | 0.09 | 0.381 | 4.222 | 0.001 |

The regression model was as follows:

$Y = 0.251 + 0.271X_1 + 0.380X_2 + \varepsilon$

According to the results, quality management has significant effect on management of outsourcing risks in Coca cola Company in Kenya, $\beta_1$=0.271, p value= 0.002). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings are in line with the results of Naeem *et al* (2018) that there is a very strong relationship between quality management and management of outsourcing risks.

The results also revealed that supplier appraisal has significant effect on management of outsourcing risks in Coca cola Company in Kenya, β1=0.380, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results of Ondiek and Makokha (2018) that there is a very strong relationship between supplier appraisal and management of outsourcing risks.

## CONCLUSION AND RECOMMENDATIONS

### Conclusions

The study concludes that quality management influences the management of outsourcing risks in Coca cola Company in Kenya. Findings revealed that quality System, quality assurance and training and documentation influence the management of outsourcing risks in Coca cola Company in Kenya.

In addition, the study concludes that supplier appraisal influences the management of outsourcing risks in Coca cola Company in Kenya. Findings revealed that certification, vendor rating and approved vendor list influence the management of outsourcing risks in Coca cola Company in Kenya.

### Recommendations

The study found that quality management influences the management of outsourcing risks in Coca cola Company in Kenya. This study therefore recommends that the management of Coca cola Company in Kenya should ensure effectiveness of the quality System, quality assurance and training and documentation.

In addition, the study found that supplier appraisal influences the management of outsourcing risks in Coca cola Company in Kenya. This study therefore recommends that the management of Coca cola Company in Kenya should adhere to certification, vendor rating and approved vendor list.

### Areas for Further Studies

This study focused on the role of procurement practices in managing risks of outsourcing in Coca cola Company. However, this study was limited to Coca cola Company; hence the study findings cannot be generalized to other companies. Therefore the study recommends that further studies should be conducted on the role of procurement practices in managing risks of outsourcing in other companies in Kenya.

Further, the study found that the independent variables (quality management, supplier appraisal, contract management and E-procurement) could only explain 88.1% of the management of outsourcing risks in Coca cola Company in Kenya. This study therefore suggests research on other factors affecting the management of outsourcing risks in Coca cola Company in Kenya.

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