

**IMPACT OF INTEGRATED LOGISTICS SYSTEM ON THE PERFORMANCE
OF INVENTORY MANAGEMENT UNIT IN THE ELECTRICITY
SUB-SECTOR IN KENYA.
A CASESTUDY OF KENYA POWER AND LIGHTING MARSABIT BRANCH**

DIBA WAKO TATO

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ABSTRACT

Many organizations spend equivalent of billions of shillings and countless hours implementing Information Technology (IT) based Enterprise Resource Planning (ERP) systems such as Integrated Logistics Systems (ILS). IT interests management mostly because of its unique capability for subsequent implementations to increase in capacity while simultaneously reducing in costs. ILS has become necessary to counter competition, stiffening due to globalization. Despite research indications of high failure rate, the ILS tool has impacted positively on many organizations the world over. Even though failure may occur before, during or after implementation, empirical review showed that most evaluations are undertaken during implementation period, giving little attention to post-implementation. Globally, evaluation of impact of ILS is yet to be accorded enough attention - more so in developing countries. In Kenya, the electricity sub-sector has invested heavily in ILS to optimize inventory management. However, there has been a steady sharp increase of the stock holding value over the years, questioning the ILS benefits. Simultaneously, the cost of electricity energy continues to soar above regional and global averages, impacting national and international investor. This study aimed at evaluating the impact of ILS in managing inventory in the ESS in Kenya. The specific concern of the study therefore, revolved around getting value for the customer in terms of improved customer service, reduce costs and cycle time. In particular, the study endeavoured to establish the power of ILS to improve customer service in ESS warehouses. Further, it appraised and suggested the influence of ILS in achieving overall stock cost reduction. Still, the study attempted to find out and propose the extent to which ILS has affected cycle time reduction in the warehouse. Descriptive design was applied. The target population consisted of ESS staff in management who use the ILS. They were purposively sampled and their opinion sought by use of IS-Impact Measurement Model (Gable, Sedera, & Chan, 2008). Primary data were collected through a questionnaire. Some managers were also interviewed while financial statements provided vital secondary data. Both quantitative and qualitative techniques were used to analyse data. Statistical tests done included mean, standard deviation, correlation ANOVA and regression analysis. The scientific research method was consistently employed to assure quality control while the statistical package for social scientists tool was used in data analysis. This study observed ethical standards. The study suggests that ILS has played a vital role to improve customer service, which it has had considerable influence in the endeavour to achieve overall stock cost reduction and that it has played a role in the on-going cycle time reduction in the warehouses of the ESS. This has enhanced economic benefits in terms of enhanced return on investment (ROI), improved business practices by relative reduction in stock holding, improved decision making triggering increased customer connectivity and achievement of set targets. The results will inform government, ESS and corporate managers on the impact of ILS on managing inventory. Feedback mechanism, measuring customer turnover, the 24/7 service and vertical integration are areas requiring improvement.