

**EFFECT OF VENDOR MANAGED INVENTORY SYSTEMS ON SUPPLY CHAIN
PERFORMANCE IN PETROLEUM INDUSTRY IN KENYA: A CASE OF NATIONAL OIL
CORPORATION OF KENYA**

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CITATION: Leonard., K. B, & Shale, N. I (2015). Effect of Vendor Managed Inventory Systems on Supply Chain Performance in Petroleum Industry in Kenya: A Case Of National Oil Corporation Of Kenya . *International Journal of Human Resource and Procurement* 4 (5) 55- 67.

ABSTRACT

The general objective of this study was to assess the effect of vendor managed inventory (VMI) systems on supply chain performance in the petroleum industry in Kenya. The specific objectives of this study were focused on finding out the roles of collaborative forecasting; supplier monitoring; information sharing and shared risk on the supply chain performance in the petroleum industry. The study is beneficial to the management of national oil company, the customers and the government. The variables that were studied included collaborative forecasting, supplier monitoring, information sharing and shared risks, and the effects they have on the performance of a supply chain. The study was done within Nairobi County, specifically at the national oil company. The study involved the staff and managers and covered Nairobi branch only and was carried out between the months of March and May 2015). The study utilized descriptive survey research design, with a target population of all the 86 staff working at the national oil corporation. For sampling, Census Survey was used to target all the selected respondents in the target population because the number was small and can be managed through that method. Questionnaires were used for primary data collection. A pilot test was done on the target group before the actual data was collected. Then, the collected was analyzed using SPSS and presented in terms of tables and graphs, charts, and the interpretation was done through frequencies and percentages. The study findings confirmed that the four selected variables including collaboration forecasting, supplier monitoring, information sharing and shared risks systems of Vendor Inventory Management have tremendous effects on supply chain performance. This study recommends that the management of National Oil Corporation and the entire Petroleum Industry should show full commitment in the entire supply chain to increase the supply chain performance. Additionally, the study recommends that the Petroleum Industry and other organizations should adopt competitive information sharing, risk sharing and supplier monitoring strategies to enhance the effectiveness of supply chain performance.

Keywords: Collaborative Forecasting, Information Sharing, Inventory, Shared Risk, Supplier monitoring, Vendor and Vendor Managed Inventory.

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