

Moderating Effect of Environmental Uncertainties on the Relationship between Risk Hedging Supply Chain Strategy and Performance of Manufacturing Firms in Kenya

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Abstract

The manufacturing sector in Kenya is faced with challenges of underperformance and unstructured supply chain strategy. Further, studies have shown that, the manufacturing sector growth in 2014 was 3.4% compared to a 5.6% growth in 2013. This slow growth in manufacturing sector performance can be attributed to several environmental uncertainties such as the general election, high production costs, supply disruptions, political stability, unavailability of raw materials or demand fluctuations, technological changes, employees' strikes, financial risk, terrorism and competition from imported goods. The purpose of the study was to determine the moderating effect of environmental uncertainties on the relationship between risk hedging supply chain strategy and performance of manufacturing firms in Kenya. The study utilized descriptive research design. The target population was 829 managers from manufacturing firms around the country. A sample of 270 managers was selected using stratified random sampling. Results indicated that risk hedging supply chain strategy explained 63.8% of the total variations in performance of manufacturing firms. In addition, risk hedging supply chain strategy had a positive and significant effect on firm performance ($\beta=0.675$, $P < .000$). With introduction of moderating variable (environmental uncertainties); risk hedging supply chain strategy explained 34% of the total variations in performance of manufacturing firms. This denoted those environmental uncertainties had a negative moderating effect on the relationship between risk hedging supply chain strategy and performance of manufacturing firms in Kenya. The study concluded that, risk hedging supply chain strategy had a positive and statistically significant effect on performance of manufacturing firms in Kenya. The study further showed that, environmental uncertainties lower the effect of risk hedging supply chain strategy on firm performance. The study recommends that, manufacturing firms should strengthen aspects related to risk hedging supply chain strategy. The firms should particularly strengthen safety stock, suppliers' management and quality. The improvement of these aspects is expected to enhance performance of the manufacturing firms. This study further recommends that manufacturing firms should factor in environmental uncertainties related to demand, supply and technology when implementing supply chain strategies.

Keywords: *Environmental Uncertainties, Risk Hedging Supply Chain Strategy, Performance, Manufacturing Firms*

