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FACTORS AFFECTING SUPPLY CHAIN MANAGEMENT BY OIL

COMPANIES IN SOMALIA

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**ABSTRACT**

Supply chain management (SCM) has received in recent years a great deal of attention by researchers and practitioners. The oil industry works as a global supply chain involving exploration, material handling, domestic and international transportation, use of technology, and so on. The industry offers a strong model for implementing supply chain management (SCM) techniques. The purpose of this study is to establish factors affecting supply chain management by oil companies in Somalia. The study was be guided by the following specific objectives: To assess effect of constrained infrastructure on supply chain management by oil marketing companies, to establish the effect of price control on supply chain management by oil marketing companies, to determine the effect of open tender system on supply chain management by oil marketing companies and to determine the effect of advance payment of taxes on supply chain management by oil marketing companies. The research design to be used for this study was be a descriptive design. The target population of this study be all the employees in the oil companies in Somalia. There are 6 oil marketing companies with an estimated total of 500 employees. A sample size of 150 employees was taken. Data was collected by use of a questionnaire. Data was analyzed mainly by use of descriptive and inferential statistics.

**BACKGROUND**

Supply chain management (SCM) has received in recent years a great deal of attention by researchers and practitioners. Effective SCM was lead to a lowering of the total amount of resources required to provide the necessary level of customer service to a specific segment and improving customer service through increased product availability and reduced order cycle time (Banomyong&Supatn, 2011); engage in information exchange (forecasting techniques, inventory management, delivery) and structural collaboration (just-in-time system, outsourcing, vendor-managed inventory and co-locating plants) (Henry & Barro, 2009; Raja, Mazlan & Ali,

2006); relationships with downstream supply chain partners to create end-customer value (Iyer, 2011) and maximize benefits and minimize costs along the supply chain (Chima, 2007). Thus, the nature of SCM becomes visible to participating companies with successful implementation in the ever-changing global environment of the business world, risks abound and it greatly affects the decision making processes of the business management. According to Jain, Wadhwa and Deshmukh (2009), a supply chain is a dynamic process and involves the constant flow of information, materials, and funds across multiple functional areas both within and between chain members. Members in the chain need to cooperate with their business partners in order to meet customer’s needs and to maximize their profit. However, it is a very difficult task in managing the multiple collaborations in a supply chain because there are so many firms involved in the supply chain operations with its own resources and objectives. The interdependence of multistage processes also requires real-time operation and decision making across different tasks, functional areas, and organizational boundaries in order to deal with problems and uncertainties.

**PROBLEM STATEMENT**

In the oil industry, the supply-chain network is composed of shipping via vessel, oil tankers, and pipelines that may run across multiple countries. This network is used to transport crude from wellhead to refinery for processing, to transport intermediates between multi-site refining facilities, and to transport finished products from product storage tanks to distribution centers and finally to the customers. Any disruptions arising in the global supply chain can have tremendous adverse effects in achieving operational efficiency, maintaining quality, profitability, and customer satisfaction. A large number of manufacturing companies have failed and closed after incurring a lot of losses (Lockström& Malhotra, 2017). Poor financial performance is a frequent problem among manufacturing companies in Mogadishu Somalia. Peter indicated that most manufacturing companies die within their first five years of existence; a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity. The result of such poor financial performance is claimed to be due to not using the appropriate techniques of managing businesses. Manufacturing companies suffer difficulty in accessing appropriate technology, skills, financing, business information and land.

These constraints make it difficult for Manufacturing companies in Mogadishu Somalia to develop their productive capacities, maximize their sales and contribute to sustainable financial growth. The manufacturing organizations on several occasions have registered low performance levels coupled with low levels of profitability, reduced sales, increased procurement cycle time and general procurement multifunction that have affected the performance of the companies ( Ministry of trade report, 2017) furthermore the state of the performance of the companies is vested with risks in supply with supply risks of transportation and spoilage of the materials or goods being registered, with all these occurring, no one knows what could be explaining this revelation.

**RESEARCH METHODOLOGY**

**Data Analysis**

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. In this stage, most decisions about how research was be executed and how respondents was be approached, as well as when, where and how the research was completed. Therefore, in this section the research identifies the procedures and techniques that was used in the collection, processing and analysis of data.

**CONCLUSIONS**

Based on the findings, it can be concluded that the oil marketing companies consider constrained infrastructure to be an important factor in ensuring an efficient and effective supply chain management system of oil.

The study showed that the management information systems of the oil marketing companies were reliable and that the storage facilities of the organization were adequate to support their supply chain.

The results indicated that price controls have a significant impact on the efficiency of the SCM system among the oil marketing firms.

The study established that countries with price controls adjust prices monthly and that the removal of price controls had not improved oil marketing performance. Price controls had positively affected supply chain management and the storage of the oil products. Price control had also affected the transportation and the cost structure of supply chain management. This clearly shows that price controls are an important factor in determining the efficiency of SCM. Procurement of oil products. Supply Chain Management is crucial to operational effectiveness of the oil firms and the organization’s goals must be geared towards achievement of operational effectiveness.

**RECOMMENDATIONS**

This study therefore confirms that oil marketing firms like all the other modern firms are faced with the challenges beyond their control, thus these firms should therefore realize that all efforts including investment in the implementation and use of the SCM strategies need to be geared towards gaining and maintaining competitiveness in the global market place.

As per the outcome the research study recommends that business entities should implement the findings so to bring together all the stakeholders and the government into one single platform where the client and other stakeholders can be able to work together effectively .this will help firms in achieving the aim of the study as established by the study.

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