

**COMPETITIVE STRATEGIES EMPLOYED BY MUMIAS SUGAR
COMPANY TO DEVELOP COMPETITIVE ADVANTAGE**

BY

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DECLARATION

I hereby wish to state that this is my own original work and has not been presented for purpose of examination in any institution.

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This work has been presented with my approval as university supervisor.

Signature _____ Date _____

Professor Evans Aosa

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ABSTRACT

Much of the previous research into the competitive strategies mechanism has concentrated generally on developed countries. This study focused on the competitive strategies applied by Kenyan manufacturing companies as a result of competition and other environmental factors. This study therefore sought to fill the existing research gap by carrying out a case study on the competitive strategies applied by Mumias Sugar Company as result of competition and other environmental factors.

The main purpose of the study was to establish the competitive strategies applied by Mumias Sugar Company as result of competition and other environmental factors. This research was conducted through a case study to enable the researcher explore the matter in depth. Primary data was collected using the interview guide method. Secondary data was obtained from internal document. Content analysis was used to extract key themes, concepts and arguments from collected qualitative data.

Study findings indicate that very innovative strategies are applied by the company in order to sustain sales and market penetration. Supply chain management has been enhanced for overall efficiency in the company. The study also found out that Mumias Sugar Company strategy of ensuring that quality management systems are in place is critical in meeting international quality standards. Mumias Sugar Company corporate social responsibility strategy is one of the best in the sugar manufacturing industry in Kenya.

The study further established that most of the respondents were in agreement that the competitive strategies applied by Mumias Sugar Company as result of competition

and other environmental was comprehensive important measurement and mitigation method used for various organizations hence much important if effectively implemented and utilized . This study therefore recommends that in order to avoid many impediments, the Mumias Sugar Company should make sure that its strategies are sufficient to enable administration and management prudence and getting them advice promptly.

The study was limited to Mumias Sugar Company and hence its findings can not be used to generalize the practice in the entire sugar industry. The study targeted to interview three senior management staff of Mumias Sugar Company. One of the interviewees however was not available due to busy office schedules and therefore data was collected from the two.

As earlier cited, this was a case study and hence cannot be generalized as the industry practice due to differences in systems, organizational structures and capabilities. There is therefore need for more study to be done to indentify the strategies being employed by other players in the sugar industry at large to achieve competitive advantage.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Business organisations are constantly seeking ways to enhance their performances in order to compete actively and aggressively in the market. To do this they need to employ strategies that will help them to keep a competitive edge over others. According to Drucker (1969), strategy is a pattern of major objectives, purposes or goals, and essential policies or plans for achieving these goals, stated in such away as to define the business the company is in or is to be in.

A business strategy describes how a particular business intends to succeed in its chosen market place against its competitors. It therefore represents the best attempt that the management can make at defining and securing the future of that business. Hill and Jones (2001) viewed strategy as an action that a firm takes to attain more superior performance. According to Edward & Heller (2006), the best business strategies must steer a course between the inevitable internal pressure for business continuity and the demands of a rapidly changing world. Appropriate implementation is critical to achieving competitive advantage.

Understanding the strategic position of an organization and considering the strategic choices open to it are the little value unless the preferred strategies can be turned into organizational action (Johnson, Scholes and Whittington, 2008). The success and sustainability of affirm is highly dependent on the competitive advantage that results from the firms formulated and adopted strategies. A good business strategy meets an unmet need in the market. The product or service that organization offers must satisfy

a customer's unmet need. This may mean a brand-new product or service or it may mean finding a way to provide a product or a service at a lower price than is currently available.

1.1.1 Competitive Strategy

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). Competitive strategy therefore earns competitive advantage by establishing a favorable, profitable and sustainable position against the forces that determine industry competition (Porter, 1985).

Porter (1980) defined competitive strategy in terms of the three generic strategies. These were cost leadership, differentiation and focus. Through cost leadership, a firm aims to achieve overall lower costs than its competitors without reducing the products comparable quality. "This strategy requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, right cost and overhead control, avoidance of marginal customer account and cost minimization in areas such as research and development, service sales force, and advert" (Porter, 1980, p.15).

A firm seeking to achieve industry wide recognition and superior products and services may adopt the differentiation approach whenever buyer needs and preferences are too diverse to be fully satisfied by standardized products or by sellers with identical capabilities. As Hunger & Wheelen, (2003) pointed out, differentiation is a viable strategy for earning a above a average returns because the resulting brand loyalty lowers customers sensitivity to price.

The basis for competitive advantage in focus strategy is through lower costs achieved by choosing to serve a niche only to the exclusion of others. Porter (1980) asserts, “the target segment must either have buyers with unusual needs or else, the production and delivery system that best serves the target market must differ from that of other industry segment” (p. 15). The price-based or the no-frills strategy may also be adopted by various firms to enhance competitive advantage.

Competitive advantage can only therefore be maintained through continuous series of multiple short term initiatives aimed at replacing a firm’s current successful products with the next generation of products before other firms can do so.

1.1.2 Competitive Advantage

According to Porter (1980), competitive advantage is the strategic advantage one business entity has over its rival entities within its competitive industry, it can also be said to be the advantage that a firm has over its competitors, allowing it to generate greater sales or margins and retain more customers than its competitors. There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support, achieving competitive advantage strengthens and positions a business better within the business environment.

Competitive advantage encourages business firms to invest on researches that will define their target customer groups that they believe they could serve best. Hassan & Whitely (1996) emphasised the idea to take advantage of the competitive situation not just by being better in how that product gets sold, serviced, and marketed at the customer interface. It requires that companies create breakthroughs in how they interact with customers, and design a way of interacting that makes an indelible

impression on customers, one that so utterly distinguishes them from others that it becomes a brand in itself.

Organisations that capitalise on customers' active participation in organisational activities can gain competitive advantage through greater sales volume, enhanced operating efficiencies, positive word-of-mouth publicity, reduced marketing expenses, and enhanced customer loyalty. Rather than going after every potential source of revenue, companies eliminate useless assets that do not add value for customers' satisfaction. Business organisations implement bureaucratic policies and procedures for the benefit of the staff, customers and the company in general.

As defined by Thompson and Strickland (2002), a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending itself against competitive forces. They further argued that accompany competing in the market place with a competitive advantage tends to be more profitable and is likely to earn higher returns than one competing with no advantage. Strategy is therefore mandatory for any firm that intends to succeed in its endeavors and must be distinct enough to set the organization apart from the rest of the competition. Thus as David (2001) observed, firms of all sizes need strategy, whether formal or informal.

Companies employ detailed business plans and strategies in order to gain several benefits from its competitors such as increased profits and enhanced customer relations as company objectives. Gaining customer loyalty is a corporate challenge today in this increasingly competitive and crowded marketplace because of the eventual profitability it will provide. The changing business world allowed customers to change as well. Company management has to shift their focus on their clients or customers so as to stay successfully in business with the need to completely

reformulate their conventional business aims and purposes from being process-focused to customer-centred. With the advent of technological innovations, logistical decisions about delivery operations, stockholding, warehousing and economies of scale get more complex solutions in today's business environment.

Indeed, making a business successful in a particular setting, demands crucial and detailed studies and examination of the factors that will generate the best results that will serve the aims and objectives of the company. In this light, owners of big business organisations operating in a competitive business environment should be in constant look out with its competitors and the overall status and events in the industry. Taking advantage of the opportunities and intensifying the strengths while minimising the risks and weaknesses of a business firm greatly helps in predicting the success in business enterprise.

Examination on the business strategies and plans in order to answer to the demands of clients and customers through efficient delivery of such needs will not only increase the profit of an organisation but will likewise gain the trust and competence of the clients and customers. Efficient management of delivery options in a particular company and looking into the problems encountered in operating the business may enhance the likelihood of a business corporation to attain its goals as enterprising organisation.

Johnson et al. (2008) argue that an organization can only achieve competitive advantage over others if it has capabilities that the others do not have or have difficulty in obtaining. Competitive advantage is therefore more likely to be created and sustained if the organization has distinctive or unique capabilities that competitors cannot imitate.

Competitive advantage is based on firm's core competences. For a firm's stock of assets to be defined as core competence, they must offer real benefit to customers, be difficult to imitate and should provide access to a variety of markets (Prahalad and Hamel, 1990). A firm efforts should however not end at just achieving competitive advantage hence necessary measures should be put in place to ensure obtaining advantage is not eroded overtime.

1.1.3 Sugar Industry in Kenya

The Ministry of Agriculture has the overall responsibility for the sugar industry development. It also has its representatives in the board of directors of all the sugar mills. Sugar cane research and advisory services to farmers also falls under the Ministry. Government bodies such as the Kenya Sugar Board (KSB) are involved in the policy formulation and implementation (Kenya sugar industry report, 2005).

Before liberalization of the sector in early 1990s, all sugar manufactured in the country was sold to Kenya National Trading Corporation (KNTC), which was responsible for distribution of the sugar throughout the country. With the advent of liberalization, factories are now free to sell their sugar through appointed distributors and wholesalers. They have adopted a number of methods for distribution including use of wholesalers, agents, retailers and even individuals. Considerable efforts have been made to promote growth in this sector through systematic process of tariff reduction, removal of price controls thus freeing the market of most of the constraints and imposition of duties on sugar importation (KSI Strategic Plan, 2010-2014).

These are all aimed at raising domestic production efficiency to be able to compete effectively with imported sugar. The supply and demand gap is however narrowing down, as the existing factories are being rehabilitated and expanded while proposals have been made to set up new factories. The Government is also putting in place measures to revive the sector and solve the problems affecting the sector such as uncontrolled importation and non-payment of dues to farmers by the cane factories.

However with all these efforts by government there remains to be a problem in the sugar industry such as inefficiency, low productivity, weak management, distortions in the sugar market, and inadequate credit facilities for sugarcane development, persistent droughts and fires. Apart from the increasing demand for sugar in the country, Kenya has the opportunity to benefit from annual export quota to the European Union after being granted the status of an exporting member of the International Sugar Organization.

There also exists a potential market in the COMESA and IGAD regions. With the increasing sugar consumption, the rapid increase in population and the existing export potential, further production is necessary in the sector and these calls for more investment in employing strategies that will ensure that Kenyan sugar market is protected, (KSI Strategic Plan, 2010-2014). The Kenya sugar players includes, Chemelil Sugar Company, Muhoroni Sugar Company, the Nzoia Sugar Company, Mumias Sugar Company, West Kenya Sugar, Soin Sugar Company, Butali Sugar Company and Kibos and Allied Sugar Company.

According to a report by Inter Press News Agency (2003), the sugar industry in Kenya suffers from a myriad of problems which have either directly or indirectly resulted in increases in the level of poverty amongst sugarcane farmers. These include amongst others: weak representative farmers institutions, poor and patronage based management systems at all levels resulting in low levels of professional and efficient management of the industry, lack of accountability and transparency at all levels, excessive deductions and taxation of farmers income, delayed payments to farmers and huge industry debts often accrued through mismanagement, laxity and inefficiency in service provision and payments to farmers, poor accountability systems within state owned mills, ad-hoc privatization systems, lack of a clear institutional policy framework or direction for the sugar industry, poor marketing and distribution systems.

Negative effects of imported sugar on our market, lack of political will to enforce effective sugar import monitoring systems, weak documentation and information on the industry and negative effects of regional trading systems which have made many farmers in the region to opt for other alternatives such as growing maize among other crops which has culminated into sugar deficiency in the country as being witnessed.

In the face of these challenges, many have abandoned sugarcane farming, undermining Kenya's ability to meet its sugar needs. The Action Aid report says that addressing the problems facing Kenya's sugar farmers is key to improvement of the sector, which supports close to six million people directly and indirectly. The first approach is with regards to the issues of cane farmers. The government should be in a position to guarantee cane farmers loans at affordable interest rates and wherever necessary write off their debts in order to stabilize the industry (Action Aid Sugar Report in Kenya, 2005).

1.1.4 Overview of Mumias Sugar Company

In 1967, the Government of Kenya commissioned Booker Agriculture and Technical Services to do a feasibility study on the viability of growing sugarcane in Mumias and then initiate a pilot project. The relative remoteness of the area and poor communication prevented the development of an active market economy (Kenya Sugar board, 2005).

However, owing to the fact that land adjudication had been carried out and farmers had freehold title to their land, this favoured the proposed sugarcane project of which studies had returned a clean bill of health. It was possible to establish a viable sugar scheme at Mumias with the Factory supplied by cane from both the Nucleus Estate and the indigenous Outgrower farmers.

The Government accepted the findings on July 1, 1971 incorporated Mumias Sugar Company as the body to implement the Project. The Government was to hold majority shares (71%) and minority interests held by the Commonwealth Development Corporation (17%), Kenya Commercial Finance Company (5%), Booker McConnell (4%) and the East African Development Sugar Company (3%). The major objectives of establishing Mumias Sugar Company were to provide a source of cash income to farmers, create job opportunities since there was no major industrial undertaking in the area at the time, curb rural-urban migration, reduce overdependence on importation and aim for self-sufficiency in sugar production and the Company was also expected to operate on a commercial basis and make profits.

1.2 Statement of the problem

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). Competitive strategy therefore earns competitive advantage by establishing a favorable, profitable and sustainable position against the forces that determine industry competition (Porter, 1985).

Porter (1980) defined competitive strategy in terms of the three generic strategies which includes cost leadership, differentiation and focus strategy. Through cost leadership, a firm aims to achieve overall lower costs than its competitors without reducing the products comparable quality. “This strategy requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, right cost and over head control, avoidance of marginal customer account and cost minimization in areas such as research and development, service sales force, and advert” (Porter,1980,p.15).

A firm seeking to achieve industry wide recognition and superior products and services may adopt the differentiation strategy approach. As Hunger & Wheelen, (2003) pointed out, differentiation is a viable strategy for earning above average returns because the resulting brand loyalty lowers customers sensitivity to price.

Competitive advantage is the basis of achieving organizational success. Johnson et al. (2008) argued that an organization can only achieve competitive advantage over other if it has capabilities that the others do not have or have difficulty in obtaining. The success or failure of a firm is highly dependent on the strategies put in place to identify and optimally utilize these capabilities. As Prahalad and Hamel (1990) pointed out, a good strategy can contribute to growth, profitability, and market

penetration, and cost reduction, cutting edge differentiation of products and sustainable competitive advantage of business firms.

In the recent past Kenya has experienced the rise of many sugar companies. The rising of these companies has been attributed to growing economy which has encouraged investors hence creating ready markets for locally produced products such as sugar. Significantly apart from the promising market for locally produced products, there has been increased competition in the market.

Various studies have done regarding the subject of competitive advantage. Karanja(2002) looked at the competitive strategies in real estate firms. Khalid (2004) carried out a survey of competitive strategies adopted by supermarkets. Nyamwange (2001) investigated the operation strategies applied for competitiveness of Kenyan large firms while Owuor (2004) studied strategic alliances and competitive advantage in major oil companies in Kenya. Kerema (2003) researched on the resource based view of competitiveness and surveyed manufacturing firms listed in the Nairobi Stock Exchange.

Awuor (2004) looked at the strategies employed by Kenya Tourist Board to establish sustainable competitive advantage. Sirengo (2009) researched on the sustainable competitive advantage adopted by low cost airline in Kenya with Five Forty Aviation as her case study. The study on the other hand focuses on a broader spectrum of all possible strategy combinations that can be used to achieve competitive advantage.

Competitive advantage is crucial for achieving and sustaining superior performance. The level of performance is dependant on the strategies the organization adopts. . There is a need for Mumias Sugar Company as the largest sugar producing company

in Kenya to defend and sustain its position in the sugar industry and at the same time edge out any potential competitors. What strategies has Mumias Sugar Company put in place to achieve competitive advantage?

1.3 Objectives of the study

The study had one objective:-

- i. To establish the competitive strategies that Mumias Sugar Company has adopted to achieve competitive advantage.

1.4 Value of the study

The research findings will be useful to Mumias Sugar Company management in establishing the strategies that drive the organization's performance and which give it an edge over its competitors. Careful attention to the identified strategies and formulation of ways to deal with the associated challenges will spur the organization to greater success and sustain its position in the sugar industry.

The findings of the study will also provide useful information to other players in the industry who would wish to benchmark themselves against the Mumias Sugar Company and hence assist them in policy making. This will enrich the existing database of studies carried out in the area of competitive advantage. It will be an invaluable resource to researchers and scholars and form a basis for further research.

A firm without a highly differentiated and competitive products may find it difficult to pass its increased costs on to customers, since these customers will have numerous other ways to purchase similar products or services from a firm's competitors, other companies apart from the sugar industry will benefit since they will get to understand

the advantages that comes along with employing competitive strategies in an organization.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides the theoretical framework upon which this study is based. Different types of strategy and the concept of competitive advantage have been explored. The chapter also examines the various strategies that are employed for purposes of achieving competitive advantage and the challenges encountered in implementing these strategies.

2.2 Competitive Strategy

According to Johnson and Scholes (2006), strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Strategy formulation is vital to the well-being of a company or organization.

Strategy is a useful tool in helping managers tackle daily problems that organizations face and offers significant help for coping with turbulence confronting many firms (Aosa, 1998). There are two major types of strategies. Corporate strategy in which companies decide which line or lines of business to engage in, and business or competitive strategy, which sets the framework for achieving success in a particular business. The two forms of strategies involve planning, industry/market analysis, goal setting, commitment of resources, and monitoring.

Functional strategy on the other hand harnesses the activities, skills and resources available. Functional strategy primarily coordinates the functional areas of the

corporate, so that each area upholds and contributes to individual business level strategy and to the overall corporate level strategy. This involves coordinating the various functions and operations needed to design, manufacture, and delivery and support the product or service of each business within the organization. Functional strategy is mainly concerned with making efficient use of specialists with the functional area, integrating activities with functional area, coordinating advertising, promotion, and marketing resources in marketing, or purchasing, inventory control, and shipping in productions and operations, assuring that the functional strategy mesh with the business level strategies and the corporate level strategies.

The formulation of a sound strategy facilitates a number of actions and desired results that would be difficult otherwise. A strategic plan, when communicated to all members of an organization, provides employees with a clear vision of what the purposes and objectives of the firm are. Phatak (1989) argued that for a firm to remain vibrant and successful in the long run, it must make strategic decisions that take into account the impact of the external environment has on its operations. The formulation of strategy forces organizations to examine the prospect of change in the foreseeable future and to prepare for change rather than to wait passively until market forces compel it. Strategic formulation allows the firm to plan its capital budgeting. Companies have limited funds to invest and must allocate capital funds where they will be most effective and derive the highest returns on their investments.

The current understanding of the competitive strategy firm performance relationship can be traced to the Industrial organization framework of industry behavior. Industrial organization (IO) emphasized characteristics of the industry as the primary determinants of organizational performance Barney (1986). Scholars challenged IO's

inability to explain large performance variances within an industry (Ghemawat, 2002).

Case studies emphasized organization level behaviors associated with performance that were not readily explained by industry level analyses, but often at the expense of generalizability. The strategic group level of analysis was introduced as a compromise between the industry level of analysis inherent in (IO) and the firm level addressed in case studies. Strategic groups represent clusters of businesses that exhibit relatively homogeneous strategic behavior within a heterogeneous industry. Generic business strategy typologies identifying feasible generic strategies were proposed and linked to organizational performance (Porter, 1980; Hashim, 2000).

The company or organization must first choose the business or businesses in which it wishes to engage—in other words, the corporate strategy. The company should then articulate a "mission statement" consistent with its business definition. The company must develop strategic objectives or goals and set performance objectives. Based on its overall objectives and an analysis of both internal and external factors, the company must create a specific business or competitive strategy that will fulfill its corporate goals for instance pursuing a market niche strategy, being a low-cost, high-volume producer. The company should then be in a position to implement the business strategy by taking specific steps for instance lowering prices, forging partnerships, entering new distribution channels. Finally, the company needs to review its strategy's effectiveness, measure its own performance, and possibly change its strategy by repeating some or all of the above steps.

2.3 Competitive Advantage

The fundamental basis of long-run success of a firm is the achievement and maintenance of a sustainable competitive advantage. A competitive advantage exists when a firm has a product or service that is perceived by its target market customers as better than that of its competitors. Unfortunately, entrepreneurs are often confronted with two myths surrounding the creation of a competitive advantage. One is that most good business opportunities are already gone. The other is that small firms cannot compete well with big companies.

Indeed, understanding which resources and firm behaviors lead to a successful competitive advantage is considered to be the fundamental issue in marketing strategy (Varadarajan and Jayachandran, 1999). A competitive advantage can result either from implementing value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj, Varadarajan, and Fahy 1993). The CA is sustained when other firms are unable to duplicate the benefits of this strategy (Barney, 1991). Because of its importance to the long-term success of firms, a body of literature has emerged which addresses the content of SCA as well as its sources and different types of strategies that may be used to achieve it.

In order to achieve a competitive advantage organization must focus on achieving competitive advantage that can be preserved over a long period of time. This is because a company, prosperity depends on how powerful and enduring its competitive advantages are (Tilson, 2000). Varadarajan and Jarachandran (1999) agreed that the fundamental basis of long run success of a firm is the achievement and maintenance of a sustainable competitive advantage. As Barney (1991) argued, in order for a firm to attain a sustainable competitive advantage, it must implements a

value creating activity that is not being simultaneously implemented by other competitors and when other firms are unable to duplicate the benefit of this strategy then that firm can be said to poses unique strategies that are different from its competitors.

2.4 Strategies for Competitive advantage

There are various strategies that firms can adopt in order to achieve competitive advantage over their competitors. These include the collaboration strategy, grand strategy, resource based strategy and Porter's generic strategy.

2.4.1 Grand Strategy

Grand strategy is the basis of coordinated and sustained efforts directed towards achieving long term business objectives. They are useful for guiding a firm's major actions. Firms involved with multiple industries, businesses, product lines or customer groups usually combine several grand strategies (Pearce and Robinson, 1997). According to Hunger and Wheelen (2003), a firm's grand strategies comprise of growth, stability and retrenchment strategies.

Grandy (1995) argued that growth strategies involve exploring business opportunity for both financial and competitive advantage. Concentration which comprises vertical and horizontal integrations is useful where a company's product lines have real growth potential. "Through vertical growth, a firm in effect, builds on its distinctive competence in an industry in order to gain great competitive advantage by expanding a long the industry value chain" (Hunger & Wheelen, 2003, P.92). Grand strategy lends itself to vigorous interpretive academic debates, yet it is so realistic that practitioners, current and former, can and must contribute for it to be properly

understood. It leads to constructively critical appraisals of leaders: helping students empathize with the leaders even as they critically evaluate their choices.

Grand strategy blends the disciplines of history (what happened and why?), political science (what underlying patterns and causal mechanisms are at work?), public policy (how well did it work and how could it be done better?), and economics (how are national resources produced and protected?). Students are especially drawn to grand strategy because it makes history more relevant, political science more concrete, public policy more broadly contextualized, and economics more security-oriented.

Diversification on the other hand involves directions of developments which takes the organization away from its present to new markets and products (Johnson & Scholes, 1999). The rationale behind diversification is that a firm can gain competitive advantage if it has skills or resources that it can transfer into new markets, porter (1997). When a company, competitive position is weak, it can opt to use retrenchment strategies to stimulate growth and improve performance. These include turn around, captive company strategy, divestment and sell-out strategies (Hunger & Wheelen, 2003).

2.4.2 Collaboration Strategy

Yoshino and Rangan, (1995) observed, “alliances are apart of the global competition game, they are critical to win on a global basis. The least attractive way to try to win on a global basis is to think that you can take the world all by yourself” (p. 3). Collaboration between potential competitors, buyers or sellers is likely to be advantageous when the combined costs of sale transacting are lower through collaboration than the cost of operating alone. Baysingor & Hasskinsson, (1989) noted that merged firms increase their market power.

Suppliers collaborate to build close links with customers to jointly design new quality products hence increase selling power. Organizations are also making arrangements to tie suppliers to their enterprise resource planning (ERP) system, the result of which is coordinated buying power (Johnson et al. 2008). Through research and development, mergers promote industry generic features so as to overcome substitution. Kautz (2000) argued that competitive advantage in mergers emanates from getting better prices for goods to seeking business. With the aim of minimizing risks maximizing company leverage. Chaunduri and Tabrizzi (1999) saw mergers and acquisitions as critical tools for growth in a new economy.

Organizations seeking to develop beyond their tradition boundaries collaborate to gain entry into new a arenas and to reduce operation costs. Channon (1999) agreed that firms form strategic alliances so as to achieve certain strategic goals. According to Doz and Hamel (1998), alliances make it possible for a firm to reduce investment risks, share resources and improve efficiency. Other types of alliances include joint ventures, mutual service consortiums, and value chain partnerships. As Kanter (1997) pointed out, strategic alliances are a fact of life in business today irrespective of duration and objective of the business alliance. Successful strategies relationships however require seasoned entrepreneurial skills in order to innovatively develop requisite competitive capacities from each other and combine them for the advantage of all involved (Barasa 2008)

2.4.3 Resource Based Strategy

A company's resources generally comprise physical, financial, human and intellectual capital (John et al. 2008). A company is positioned to succeed if it has the best and most appropriate stock of the resources relevant for its business and its strategy.

According to Thompson et al. (2007), each firm should develop competencies from its resources and when these are developed well, they become the source of the firm's competitive advantage. Hamel & Prahalad (1994) agreed that the distinctive competences of a firm must have customer value, extendibility, and must be competitor unique for them to attain maximum benefits for the firm. Availability of resources however is not enough. A company's competitive advantage is derived from its ability to assemble and exploit its resources and capabilities in synergistic combination. There is therefore need for a good fit between the external market and the firm's internal capabilities.

The view of achieving competitive advantage is grounded on the premises that firm's internal environment is more critical to determination of strategic actions than is the external environment. Competences must therefore be rightly matched in order for a firm to reap benefits from its strategic capability. According to Johnson et al. (2008), strategic capabilities earn sustainable competitive advantage if they are rare, robust, non substitutable and dynamic. Operation excellence is a strategic approach to production and delivery of products and services and leads to product innovation and development which a firm uses to continuously produce state of the art products and services (Pearson & Johnson, 2007). By embracing research and development, a firm becomes the technological leader hence becomes the pioneer low – cost product designer are achieved from the experience curve. The firm also benefits from financial planning which results to a good balance between equity and debt financing. Human Resource and attitude adopted towards handling customers determiners repeat buys from customers. Customer's knowledge is combined with operation excellence and flexibility to create customer loyalty.

Employees in customer intimate companies strive to ensure customer satisfaction by continuously customizing products and services as well as customer needs, (Chege, 2008). Superior skills also earn a firm competitive advantage. They comprise staff capability, systems and marketing savvy that are not available to the competition. This result to improved quality and productivity.

According to Barney (1986) a competitive advantage can be attained if the current strategy is value-creating, and not currently being implemented by present or possible future competitors. Although a competitive advantage has the ability to become sustained, this is not necessarily the case. A competing firm can enter the market with a resource that has the ability to invalidate the prior firm's competitive advantage, which results in reduced sustainability. Sustainability in this case is taken in the context of a sustainable competitive advantage which is independent with regards to the time frame. Rather, than competitive advantage being sustainable when the efforts by competitors to render the competitive advantage redundant have ceased. When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable.

2.4.4 Porter's generic strategy

Michael Porter has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These three generic strategies are defined along two dimensions: strategic scope and strategic strength.

Strategic scope is a demand-side dimension (Porter was originally an economist before he specialized in strategy) and looks at the size and composition of the market you intend to target. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies

that he felt were most important: product differentiation and product cost (efficiency). He originally ranked each of the three dimensions (level of differentiation, relative product cost, and scope of target market) as either low, medium, or high, and juxtaposed them in a three dimensional matrix.

In his 1980 classic competitive strategy: techniques for analyzing industries and competitors, Porter simplify the scheme by reducing it down to the three best strategies. They are cost leadership, differentiation, and market segmentation (or focus). Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope. Empirical research on the profit impact of market share indicated that firms with a high market share were often quite profitable, but so were many firms with low market share. The least profitable firms were those with moderate market share. This was sometimes referred to as the hole in the middle problem.

Porter's explanation of this is that firms with high market share were successful because they pursued a cost leadership strategy and firms with low market share were successful because they used market segmentation to focus on a small but profitable market niche. Firms in the middle were less profitable because they did not have a viable generic strategy. Combining multiple strategies are successful in only one case. Combining a market segmentation strategy with a product differentiation strategy is an effective way of matching your firm's product strategy (supply side) to the characteristics of your target market segments (demand side). But combinations like cost leadership with product differentiation are hard (but not impossible) to implement due to the potential for conflict between cost minimization and the additional cost of value-added differentiation

2.5 Challenges associated with implementing strategies for competitive advantage

In the quest of achieving competitive advantage, firms are usually faced with a number of challenges. When a business is market led, the business's activities will be dictated by the market, it will at all times attempt to meet the needs of the market with little if any reference to internal strengths of the business and these will mean high cost of market research to understand the market and constant internal change as needs of the market are to be met this may cause a serious challenge since the future of the market is unpredictable.

Cost leadership in particular imposes sever burdens on the firm to keep up its position, which means reinvesting in modern equipment or scrapping obsolete assets. Technology may change faster than anticipated, bringing new and substantially cheaper techniques of production nullifying past investments or learning. Heavy investment in low cost techniques may lock a firm in its current technology and strategy leaving it vulnerable to changes in technology and market condition.

In differentiation, cost differential between low cost competitors and differentiated firms becomes too great to hold brand loyalty. Buyers may sacrifice some of the luxuries, services and features of differentiated products for large cost savings. In the alternative, buyers need for the differentiating factor may fall as they become more sophisticated. Imitation may also narrow the perceived value of a differentiated product.

Focus strategy can be limited in that competitors may find ways of matching the focused firm in serving in segments. The segments may also become so attractive that it attracts many competitors. Competing on price has its draw backs as it is also easily opted by the competition leading to margin reduction. Subsequently, the firm

is unable to reinvest to develop the product or service resulting to loss in the perceived benefit of the product. In hyper competitive market conditions, first movers may be denied the chance of dominating the market due to frequent environment changes. Since competitive advantage in such circumstances can, only be maintained through continuously replacing a firm's current successful products with the next generation of products, firm's may become too pre-occupied with short term tactics over long term strategy.

Company's intending to get in collaborative arrangement should be aware of putting their guard down to the point of their partner companies aping their distinctive competences. Distinctive competences must never be shared, otherwise the firm will be edged out of business by partners turned competitors. Firms pursuing grand strategies have their own challenges. According to Mwindi (2003), diversification is an unpredictable high stakes game since companies face the decision in an atmosphere that is not conducive to thoughtful deliberation. This is because there is little conventional wisdom to guide managers as they consider a move that can greatly increase shareholder value or seriously damage it (Markides, 1997). Diversification therefore requires substantial knowledge, thinking skill and process (Cruvens et al. 1996)

Appropriate resource allocation to ensure operational synergies can be a challenge since the firm has to choose between its own business units to concentrate on those that earn competitive advantage. Financial constraints may force a firm into debt financing. While high debt levels forces managers to focus on core business with a view to improving productivity and cash flows, they have the negative effect of making a firm less alternative for strategies alliances.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter described the methodology that was used in this study. In particular, Section 3.1 highlights the research design that was employed in the study. Section 3.2 included data collection and finally Section 3.3 data analysis

3.2 RESEARCH DESIGN

The researcher employed a case study research design. The researcher found these design to be necessary since a case study research excels at bringing an understanding to complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. According to Thomas (1998), he defined a case study as analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The study used the descriptive case study.

Descriptive research is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subjects under the study. This type of design determines and reports things the way they are. In this study, the design was used to answer research questions. The design was found to be appropriate to this study as it was able to report on the various strategies being used by Mumias Sugar Company in order to keep a competitive edge. A case study emphasized contextual analysis by limiting the research to a single firm and hence allowed for in –depth

probing onto the subject matter. Mwangi (2009) successfully used this research design.

3.2 DATA COLLECTION

The study utilized both primary and secondary data. This being a case study, several sources on information was used for verification and comprehensiveness. Primary data was obtained through face to face and in-depth interview. The respondents that were used included the top management namely the Managing Director, Human Resource and the Company Secretary.

The interview was considered to be advantageous because the respondents provided in depth data which is not possible to get using questionnaire and it made it possible to obtain data required to meet specific objectives of the study by using probing questions. Interviews are considered to be more flexible than questionnaires hence was suitable for this study.

3.4 DATA ANALYSIS

Famili et al. (2003) defined data analysis as a process of data collection and analysis of qualitative data that involves three concurrent sub-process of data reduction, data display, drawing and verifying conclusion. In most cases it is usually the use of qualitative methods in descriptive study. Data collected in the study was qualitative hence main tool for data analysis was content analysis.

As Kombo and Tromp (2006) argued, content analysis examines the intensity with which certain words have been used and systematically describes the form or content of written or spoken material

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and interpretation of the data obtained from various respondents. The study sought to establish the strategies employed by Mumias Sugar Company to achieve competitive advantage. The challenges that the sugar companies faces in implementation of these strategies were also established. Data collected from respondents was analyzed using content analysis for meanings and implications to establish the research findings.

4.2 Mumias Sugar Company Profile

Mumias Sugar Company Limited is a Kenya-based company engaged in the manufacturing and distribution of sugar and the production of electricity. It manufactures molasses for industrial users, traders, farmers and individual purchasers.

The original factory was designed and constructed by Fletcher and Stewart and had a rated milling capacity of 80 tons of cane per hour (tch) which translated to 45,000 tons of sugar per year. The first bag of sugar rolled from the conveyor line on July 1, 1973, just one year after the Factory was constructed. The factory had provision for expansion of its crushing capacity to 125 tch (75,000 tons of sugar per year). It was originally intended to implement this expansion during the 1978/79 financial year but owing to the Company's good performance, the Government brought forward the expansion program to 1975/76. Milling at 125 tch rate began in July, 1976.

Improved factory performance encouraged the Government to consider further Factory expansion to between 170 tch and 300 tch. Following a decision to expand it

to 300 tch, there was need to construct a new Factory to meet the new demand. In August, 1976 contracts for the supply of equipment and construction of the Factory were signed and Government approval obtained during the 1979/80 financial year. Factory construction was completed in early 1985 giving Mumias a potential capacity of 210,000 tons of sugar per year. The construction was financed mainly by loans from the Commonwealth Development Corporation amounting to 3.25 million sterling pounds and a further 19,720,000 million sterling pounds from the National Westminster Sugar Company Limited.

The new factory design capacity was reached and surpassed for the first time in 1986/87. From then on, production stabilized at between 210,000 and 220,000 tons of cane per year. Production increased every year saves for a brief interruption in 1982 when low cane yields affected cane supply until 1986/87 when the situation improved. During the first year of sugar production in 1973, Mumias produced a total 20,891 tons from 194,217 tons of mill cane.

Mumias Sugar is the leading Sugar Manufacture in Kenya with a 60% market share. It sells sugar through appointed distributors countrywide. Mumias also exports some of its sugar to international markets mainly in the European Union. The Company has diversified into power production and is currently producing 34MW of electricity and is exporting 28MW to the national grid, Plans are also underway to establish an Ethanol distillery plan. The sugar crisis in Kenya attributed to shortages and political blackmail to some point has led the company to decline with one of its Products such as brown sugar" almost unsold in the counters.

Mumias is also involved in environmental conservation activities. Every year' the Company distributes nearly six million tree seedlings to local cane farmers, women

and youth groups, schools, churches, mosques and other institutions. Mumias Sugar Company is a corporate partner of the World Wide Fund for Nature (WWF) and part of its conservation effort is to join other partners in conserving the Mau Forest. The Company is piloting the Nzoia River Basin Management Initiative aimed at conserving Nzoia River which is the lifeline of the local people stretching from Cherengani Hills to Budalang'i in Busia District now famous for floods.

The Company also supports locally based health institutions through provision of material and financial assistance. There is an elaborate Company School Assistance Programme with an annual budget of KShs 100 million to support three estate schools i.e. Booker Academy, Mumias Sugar Central and Complex Primary Schools and other needy educational institutions within the Mumias Sugar Zone. Mumias Sugar Company has a Bursary scheme that benefits 20 top KCPE candidates every year. Of the 20 beneficiaries, ten must be children of company employees and the other ten, children of farmers contracted to Mumias Sugar Company. The students are awarded a full four-year bursary to pursue secondary education.

4.3 Strategies for Achieving Competitive Advantage at Mumias Sugar

Interviewed respondents confirmed that Mumias Sugar Company as a leading sugar producer in Kenya just like any other company faces numerous challenges especially when it comes to achieving competitive advantage. According to the respondents views analyzed they confirmed that the company has kept in place numerous competitive strategies to ensure that it remains competitive in the market while offering quality products to their clients through diversification as major means of achieving a competitive advantage.

The company has had an extensive marketing and branding campaign. This was to ensure that sugar sells at premium prices to other local competing manufacturers' brands. In reaching all target market segments, the company is packaging its produce in various sizes, ranging from the smallest of 125g of branded package. The researcher established that the company has invested heavily in plant and process modernization to ensure increased production efficiency aimed at minimizing the unit production costs.

The research established that due to the above strategies cost of production per ton has reduced now under Sh. 27,000 down from Sh. 31,000. The modernized processing plant has an increased capacity to process 380 tons per hour. The company is undertaking a project in power generation that is expected to add 34MW to the national grid that will lead to increase in Companies revenue. The power will be sold to the electricity distribute and be used in the company's operations, thus saving on energy costs and therefore cut on running costs.

In addition to these, the company, which produces close to 60 per cent of the domestic sugar output in the country, has also unveiled new variety of high yielding, early maturing and disease resistant sugar cane seeds to its farmers. The new cane variety replaces N14, which the research established that it was highly vulnerable to diseases. The company has also produced to the market a new brand of sugar (fortified sugar) rich in vitamin A which is suitable to all consumers especially children suffering from lack of vitamin A.

4.3.1 Competitive Strategies

Branding was cited as the major strategies employed by the Mumias Sugar Company. The study established that diversification by the company through offering other products such as power from sugar waste known as baggase and ethanol plant. By applying these strategies the company is assured of maintaining a lead in the market and remaining competitive as outlined in the company's strategic plan 2010-2014.

Respondents also confirmed that Mumias Sugar Company being the largest sugar producer in the country faces competition in delivery of its services. The respondents agreed that the major pressure from foreign countries (COMESA) who plans to invest in the country taking a market share of about 51% as compared to the Governments' 30% and 19% to the farmers is a threat not only to the industry but to the Mumias Sugar Company too.

The Board of Directors and Management being cognizant of the challenges facing the industry and the Company. There are strategies in place to introduce new products such as ethanol production, expanding co-generation, new packages for various market segments, capacity expansion and modernization, investment in computer technology and improved supply chain management for overall efficiency in the Company.

The growth of ethanol fuels as an alternative to conventional fuel commodities such as oil presents a unique opportunity for Mumias Sugar Company to diversify its product range. Ethanol can be produced from any biological feedstock that contain appreciable amounts of sugar or materials that can be converted into sugar such as starch or cellulose. Sugar cane and cassava are two major examples of crops with high sucrose or starch content. The growth of ethanol fuels as an alternative to

conventional fuel commodities such as oil presents a unique opportunity for Mumias Sugar Company to diversify its product range.

Because of limited crude oil supplied and refining capacity, and rising concern over environmental degradation, there is a good market outlook for ethanol. With this in mind, Mumias Sugar Company has launched a pre-feasibility study into the viability of ethanol production. The study carried out on the viability of establishing ethanol plant indicates that Mumias could convert its molasses output into 65,000 litres a day of ethanol.

The annual production estimates suggest that ethanol production will not displace the sugar production but it will utilize the molasses output. Mumias sells its molasses at an average price of Kshs 1,200 a ton. A ton of molasses can be converted into 220 litres of ethanol. Because of limited crude oil supplied and refining capacity, and rising concern over environmental degradation, there is a good market outlook for ethanol.

4.3.2 Collaboration Strategies

Respondents confirmed that Mumias Sugar Company collaborates with various players drawn from public and private. These players include Tana/Athi River Authority on the development of a parcel of land for a sugar factory with capacity to crush 6,000 tons of cane a day. The growth of ethanol fuels as an alternative to conventional fuel commodities such as oil presents a unique opportunity for Mumias Sugar Company to diversify its product range. Because of limited crude oil supplied and refining capacity, and rising concern over environmental degradation, there is a good market outlook for ethanol.

The research established that in September, 1993, the Company management initiated the Factory Rationalization Project which was aimed at increasing the daily milling capacity to 8,000 tons of cane per day (tcd). In addition, the Project introduced diffuser technology of sucrose extraction which increased from 82% to 87% following the commissioning of Diffuser tandem on May 4, 1997. The Project consisted of the erection of a new 110 tch boiler, a 7.0 MW Turbo Alternator, an SR Juice Clarifier, Heaters, Juice Evaporators, De-watering Mills and Cane Handling Equipment. This improved the Factory's cane crushing capacity to two million tons a year translating in 230,000 tons of sugar. The factory capacity to process cane rose from 1.9 million tons to 2.3 following the Factory expansion.

During the same year (1993), the Government signed the COMESA Treaty which allowed free trade among member countries and this opened a flood-gate of imported sugar affecting local sales which were then being carried out by the Kenya National Trading Corporation. The move immediately sent the government to the drawing board coming up with a divestiture program that saw Mumias Sugar privatized in 2001.

The superiority in factory efficiency (8.1%) is probably higher but the different factories have different methods of measuring factory efficiency this therefore distorts the comparison. The company is above the industry average by 16.8% in overall time efficiency, the true measurement of efficiency. It has been particularly strong in reducing cane outages (unavailability of cane for crushing). Cane supply is the single most important variable in production costs. The recovery rate is boosted by the ultra efficient diffuser technology compared to milling technology used by most factories. The company has invested in 'de-bottlenecking' its process house. The improved

extraction rates and recovery rates should result in a higher rendement of cane to sugar ratio. The de-bottlenecking should increase the amount of cane crushed to 2,598,000 and hence increase sugar production to 300,000 tons. The Company is the industry leader in all facets of factory performance.

The research also established that the Company has invested in an expansion programme which has increased its production capacity to 300,000 tons per annum. The expansion programme has seen improvements to the mill, a larger area under cane and larger sugar output which has boosted top line growth. This is also extremely important for future competitiveness of the Company's product given that the Safeguard Measure Extension (which limits duty free imports in the country to 220,000 tons with anything above that attracting a punitive tax of 120%) granted to Kenya by the COMESA Council of Ministers expires in 2012.

Production efficiency therefore needs to be achieved for Kenya to be able to compete in the long term with import prices. Currently the Company is mitigated from imports due to the attractiveness of other markets as compared to the Kenyan market. The Company has installed a new power production plant, which has seen its generating Capacity increase to 35MW. Mumias currently exports up to 25MW to the National Grid. Global statistics also suggests that as the price of oil keeps rising, ethanol is increasingly becoming a reliable and cheap substitute. In a move to diversify the company's product portfolio the company has embarked on the establishment of an ethanol plant which it hopes to complete by 2011.

In addition, the Company has entered into a 10 year agreement (2009 – 2019) with the Japanese Carbon Finance Company Limited. This arrangement should see the Company receive “credits” as a result of replacing thermal production with the more

environmentally friendly “baggasse” production. The Company will then exchange these credits for hard currency. However the revenues are based on a complex formula that takes into account the amount of thermal power production and Mumias power exports to the National Grid. The Company produces approximately 50% of the domestic sugar output in the country. Small cane growers supply the bulk of the company’s cane requirements. The Company grows the balance on a nucleus estate that it has leased on a long term basis from the GOK. Out growers represent approximately 66,000 registered small scale farmers with cane fields around Butere, Mumias, Kakamega, Bungoma, Siaya, Busia and Teso Districts.

Currently the Company has 67,800 hectares of land in total under cane. The Nucleus estate represents approximately 3,800 hectares. 64,000 hectares is out grower land which is owned by the farmer and is within a 40km radius of the factory. Cane fields are rain-fed, with well spread falls totaling to about 2,000 milliliters annually and harvested on an 18-20 months cycle

To educate cane farmers, the company organizes educational programmes, public meetings, seminars, field days, farmers’ education days, field demonstrations in collaboration with relevant government ministries and other relevant service providers. Previous field days have been organized and held in collaboration with the Kenya Sugar Research Foundation, the Ministry of Agriculture and the Provincial Administration.

4.4. Challenges Faced by Mumias Sugar Company in Implementation of Strategies for Competitive advantage

Respondents cited various challenges encountered by the company in implementation of these strategies. Respondents were unanimous that the company despite the company being the largest in the country with numerous opportunities in the market through offering diverse products, competition from foreign companies who have interest in the Kenya's market and COMESA ban on sugar importation in the country about to expire in 2012 competition remains a threat to the company.

The company has been experience significant challenges in its quest to diversify and implement aforementioned strategies. There was low factory performance due to low cane availability arising from very heavy rains and the annual plant maintenance. This situation has further exacerbated by disruption of harvesting and transport operations. Cane harvesting and cane haulers who went on strike in 2008 leading to unplanned factory stoppages and subsequent departing of some workers to other sugar factories which are situated few kilometers from Mumias Sugar Company.

The research established that sugar cane price remained to be a serious concern by the company, there was an increase from Ksh.2, 300 to Ksh.2, 450 per tone, and this very high cost of cane continues to be a challenge as it constitutes about 60% of the cost of production.

Inflation has been on the increase especially with the high prices of crude oil earlier in the period which significantly increased transport costs for sugar cane and distribution cost of the finished sugar. Kenya remains to be dependant to foreign countries such as Japan and China for modern technology; hence the cost of importation for modern equipment and machines also poses a challenge to the company. Other inputs such as

fertilizers and packaging materials which are also petroleum based have been at an all time high resulting in high operational costs. The depreciation of the Kenya shilling has resulted in high costs of spares and other imported goods and services.

4.5 Discussion of Findings

4.5.1 Strategies for Achieving Competitive Advantage at Mumias

According to Johnson, Scholes and Whittington (2008), understanding the strategic position of an organization and considering the strategic choices open to it are the little value unless the preferred strategies can be turned into organizational action. The management at Mumias Sugar Company is cognizant of the challenges facing the industry and the Company. According to Thompson et al. (2007), each firm should develop competencies from its resources and when these are developed well, they become the source of the firm's competitive advantage.

In this reference, Mumias Sugar has adopted resource based strategy in introduction of new products such as ethanol production, expanding co-generation, new packages for various market segments, capacity expansion and modernization, investment in computer technology and improved supply chain management for overall efficiency in the Company. Hamel & Prahalad (1994) agreed that the distinctive competences of a firm must have customer value, extendibility, and must be competitor unique for them to attain maximum benefits for the firm. Availability of resources however is not enough. A company's competitive advantage is derived from its ability to assemble and exploit its resources and capabilities in synergistic combination. There is therefore need for a good fit between the external market and the firm's internal capabilities.

Mumias Sugar Company has adopted formal strategy and the same takes into consideration the critical concept of competitive advantage. The combined effect of strategic management deal with size, growth, and portfolio theory is increased profits (Buzzell, 1987). The benefits of high market share naturally lead to an interest in growth strategies. In this regard Mumias has invested in an expansion programme which has increased its production capacity to 300,000 tons per annum. The expansion programme has seen improvements to the mill, a larger area under cane and larger sugar output which has boosted top line growth. This is also extremely important for future competitiveness of the Company's product given that the Safeguard Measure Extension (which limits duty free imports in the country to 220,000 tons with anything above that attracting a punitive tax of 120%) granted to Kenya by the COMESA Council of Ministers expires in 2012.

Yoshino and Rangan, (1995) observed, "alliances are apart of the global competition game, they are critical to win on a global basis. Chaunduri and Tabrizzi (1999) saw mergers and acquisitions as critical tools for growth in a new economy. In the current study, Mumias has entered into a 10 year agreement (2009 – 2019) with the Japanese Carbon Finance Company Limited. This arrangement should see the Company receive "credits" as a result of replacing thermal production with the more environmentally friendly "baggasse" production.

4.5.2 Challenges Faced by Mumias Sugar Company in implementation of the strategies

The major challenges facing Mumias Sugar Company is the implementation of strategies for competitive advantage which include financial constraints to finance all planned projects such as the planned ethanol plant and development of a parcel of land for a sugar factory.

Competition from foreign investors, bureaucratic procurement procedures and government regulations, political interference in activities of the company, resistance to change by many employees in the company who are creating a big age gap hence causing inefficiency in utilization of technology by young and vibrant employees which remains to be a matter of concern to all the stakeholders in the company.

A company's resources generally comprise physical, financial, human and intellectual capital (John et al. 2008). A company is positioned to succeed if it has the best and most appropriate stock of the resources relevant for its business and its strategy. According to Doz and Hamel (1998), alliances make it possible for a firm to reduce investment risks, share resources and improve efficiency.

Employees in customer intimate companies strive to ensure customer satisfaction by continuously customizing products and services as well as customer needs, (Chege,2008). Superior skills also earn a firm competitive advantage. They comprise staff capability, systems and marketing savvy that are not available to the competition. This result to improved quality and productivity.

Sirongo (2009) studied on the subject regarding competitive advantage. The study focused on technology for competition. The study also focused on a broader spectrum of all possible strategy combinations that can be used to achieve competitive advantage. It is a managerial responsibility which should be done with tact, patience, will and efficiency in the interest of better organization performance.

Low operating cost strategy is also another competitive strategy. The profitability depends largely on ability to control cost, Khalid (2004).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the research findings, conclusions and recommendations as observed by the researcher. It also points out limitations of the study and provides suggestion for further research as well as implications of the study on policy and practice.

5.2 Summary of Findings

From the findings, Mumias Sugar Company has adopted various strategies for achieving a competitive advantage and ensuring that it remains competitive in the market through offering differentiated products. These strategies were indentified and grouped into competitive, collaborative, and grand as well as resource based strategies.

Branding was cited as the major strategies employed by the Mumias Sugar Company. The study established that diversification by the company through offering other products such as power from sugar waste known as baggase and ethanol plant.

The major challenges facing Mumias Sugar Company is the implementation of strategies for competitive advantage which include financial constraints to finance all planned projects such as the planned ethanol plant and development of a parcel of land for a sugar factory.

Competition from foreign investors, bureaucratic procurement procedures and government regulations, political interference in activities of the company, resistance to change by many employees in the company who are creating a big age gap hence

causing inefficiency in utilization of technology by young and vibrant employees which remains to be a matter of concern to all the stakeholders in the company.

5.2 Conclusion

A good strategy to a specified type of firm or organization can contribute to growth, profitability, and market penetration, and cost reduction, cutting edge differentiation of products and sustainable competitive advantage of business firms.

A good strategy also is one that will help you achieve your objective(s) with minimum cost. To be most cost effective one needs to find the largest possible number of allies and smallest number of enemies. This requires one to clearly define the objective(s), and does not create unnecessary enemy to obstruct the strategy implementation.

The cost of production of Kenyan sugar is still relatively high and if the European Union (EU) is to implement sugar reforms that are meant to liberalize the sector, it would spell doom to those in the industry as it would result in collapse of many sugar industries. The research established that some of the problems facing the company are due to poor management decisions e.g., raising the cost of sugar cane from 2300 to 2450 during these difficult times is not ideal, for Mumias sugar to survive the government should beg for extension on the COMESA agreement implementation and they should continuously check on the management staff to ensure that their set objective are achieved in line with the Companies management objectives.

The Kenya government and stakeholders in the sugar industry have argued that the local sugar industry is not developed enough to compete effectively in a liberalized market. This means that Kenya will see a steady rise in the sugar import quota in

tandem with a graduated fall in duty, a process that is expected to embrace impending liberalization of zero duty of the market by 2012.

5.3 Recommendations

There is need for Mumias Sugar Company to take a position in regard to focus strategy with a view to determining the particular niche of customers to serve. Should also come up with policy on type of collaborative and the level of associations. The government rules and regulations have a great role to play in strengthening companies in the country.

There is the need for the government to periodically regulate the exportation and importation of the sugar in the country to ensure that unfair competition is regulated against and local sugar and its products are protected.

The world market price of sugar has always been below the Kenyan cost of production. However for Kenya to be competitive with other sugar producing countries there is need for protection of the sugar sub-sector.

It is evident that Kenya sugar sub-sector is not competitive in a regional and global context. For this reason, it is inevitable that safeguards must be put in place to protect the industry. That effective safeguard measures be immediately put in place to protect the local farmers and domestic refineries. There is the need for the government to immediately ban on sugar importation from non COMESA countries; Renegotiation with COMESA states to raise the import tariff on sugar imported into Kenya to 1000 per cent and finally transparency be introduced into administration of the sugar import quota and clearly to publicize the information on who is importing what and from which country and at what price; Sugar to be classified as a sensitive and special product in the list of products of the East African Customs Union government

divestiture in sugar factories be considered as a means of reducing political interference in the running of mills, it is imperative that the Kenya Government must put up a strong case and negotiating position with regional partners with the aim to underscore the political sensitivity and multifunctional role that the sugar sub-sector plays in Kenya, the management and governance structure in the milling factories and out grower companies be strengthened to introduce competence and transparency.

5.4 Limitations of the study

The study was limited to the cited categories of strategies due to limited time provided for by the study. However, there may be other great strategies which can be employed by the company to keep a competitive edge that have been covered under the study. Due to limitation of time, these strategies could not be explored even though they are worth exploring.

The study was limited to Mumias Sugar Company and hence its findings can not be used to generalize the practice in the entire sugar industry. The study targeted to interview three senior management staff of Mumias Sugar Company. One of the interviewees however was not available due to busy office schedules and therefore data collected from the two.

However as much as there were many numerous challenges the researcher was able to acquire the necessary information required for the research since there was more research materials provided by both the company management and the internet resource based materials.

5.5 Suggestion for Further Research

As earlier cited, this was a case study and hence cannot be generalized as the industry practice due to differences in, systems, organizational structures and capabilities. There is therefore need for more study to be done to indentify the strategies being employed by other players in the sugar industry at large to achieve competitive advantage.

The study established that Mumias Sugar Company integrates several strategies in order to achieve competitive advantage. Porter argued that generic strategies cannot be applied simultaneously. A study can therefore be done to establish whether there is specific circumstance under which porter's position is applicable.

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APPENDIX 1: Letter of Introduction

KHADIJAH HUSSEIN

P O BOX 26235-00200

NAIROBI

15th August, 2011

The Managing Director

Mumias Sugar Company

NAIROBI

Dear Sir,

RE: LETTER OF INTRODUCTION

I am a post Graduate student at School of Business in the University of Nairobi. I am carrying out a research project a requirement of partial fulfillment of the award of a Masters Degree in Business Administration. My area of specialization is strategic management and my chosen area of study is “Competitive Strategies employed by Mumias Sugar Company to achieve competitive advantage”.

To complete my study, I will need to collect relevant information from Mumias Sugar Company. I am therefore hereby requesting for permission to collect and use the Company information which will be collected using the attached interview guide.

The information collected will be treated confidential and will be used for academic purposes only. A copy of the completed project will be availed to the company for reference. Thanking you in advance for your assistance.

Yours faithfully,

Khadijah Hussein

APPENDIX II - Interview Guide

SECTION A: MUMIAS SUGAR COMPANY BACKGROUND INFORMATION

1. How is Mumias Sugar Company owned?
2. How long has it been in operation?
3. What services and products does Mumias Sugar company offer?

SECTION B: Strategies For Achieving Competitive Advantage

1. Has Mumias Sugar Company adopted any formal strategies for achieving competitive advantage?
2. Who is responsible for formulation and implementation of such strategies?
3. Do you think such strategies are geared towards owning competitive advantage?

1. Competitive Strategy

- (i) Who are the Mumias Sugar Company main competitors?
- (ii) What is the nature of competitors that Mumias Sugar Company faces?
- (iii) What specific strategies has the company put in place to withstand such competition?
- (iv) How have these strategies contributed towards achieving competitive advantage?

2. Grand Strategy

- (i) What guides the Mumias Sugar Company major actions?
- (ii) What is the nature of these actions?
- (iii) What specific strategies have the Mumias Sugar Company has put in place to achieve such?
- (iv) How has these strategies contributed towards achieving competitive advantage?

3. Resource Based Strategy

- (i) Does Mumias Sugar Company own any resources and capabilities?
- (ii) What is the nature of these resources and capabilities?
- (iii) What specific strategies has the company put in place to exploit such resources and capabilities to its advantage?
- (iv) How have these strategies contributed towards achieving competitive advantage?

4. Collaborative Strategy

- (i) With whom does the company collaborate with in the Sugar Company Industry in Kenya
- (ii) What is the nature of this collaboration?
- (iii) What specific strategies has the company put in place to work together with other players in the Mumias Sugar Company?
- (iv) How have these strategies contributed towards achieving competitive advantage?

Section C: Challenges Faced in implementing the strategies for competitive advantage

- (i) Do you think Mumias Sugar Company faces challenges in implementation of strategies?
- (ii) If so, what challenges follow under of the indentified strategies?

APPENDIX 111 - Letter Seeking Authority to Study Mumias Sugar Company

KHADIJAH HUSSEIN

P O BOX 26235-00200

NAIROBI.

14TH August, 2011

THE MANAGING DIRECTOR

MUMIAS SUGAR COMPANY

NAIROBI

Dear Sir

RE: PERMISSION TO USE MUMIAS SUGAR COMPANY AS A CASE STUDY

I am currently pursuing an MBA Degree at the University of Nairobi and I have successfully completed my course work. I am now required to submit a research paper on an area of my choice in order to meet the requirement of the award of the said degree.

I have chosen to carry out a research in the area of Strategic Management and identified the topic “Competitive Strategies employed by Mumias Sugar Company to achieve competitive advantage”. I therefore kindly request for your approval to use the company a case study and avail to me relevant information will assist me to complete my study.

On completion and approval of the paper, I will avail copy to the company library for reference purposes. Thanking you in advance.

Khadijah Hussein