

**STRATEGIC RESPONSES BY JAMES FINLAY
(KENYA) LIMITED TO COMPETITIVE ENVIRONMENT
IN KENYA**

BY:

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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DEDICATION

This project is dedicated to my parents, Mr and Mrs Benjamin Kitur, who sacrificed a lot to see that we went to school.

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First, I would like to thank God for his care and providence which has helped me through the MBA programme without any major issue. My supervisor, Dr. John Yabs deserves special gratitude for being always ready to help and guide throughout the project. I will also like to thank my employer KCB for paying my school fees in time which made my study possible.

The entire faculty of the School of Business shaped my intellectual abilities through the lectures and discussions which excited and equipped me for future responsibilities-May God bless you richly. My thanks go to fellow students who greatly assisted during classes and assignments and made my study both enjoyable and rewarding. I also wish to thanks my respondents at JFK who were willing to provide the data without which this project could not have been possible.

LIST OF ABBREVIATIONS

MNC	Multinational Corporation
KTDA	Kenya Tea Development Agency
KTGA	Kenya Tea Growers Association
TBK	Tea Board of Kenya
TRFK	Tea Research Foundation of Kenya
EATTA	East African Tea Trade Association
Cap	Chapter
EAB	East African Breweries
KCB	Kenya Commercial Bank
JFK	James Finlay (Kenya) Limited
MNE	Multi National Enterprise
TNC	Trans National Company
BP	British Petroleum
RFA	Rainforest Alliance
R&D	Research and Development
HCDA	Horticultural Crops Development Authority
KFC	Kenya Flower Council

NTZDC	Nyayo Tea Zones Development Corporation
Qty	Quantity
M. Kgs	Million Kilogrammes
BSI	British Standards Institution
CTC	Cut, Tear and Curl
OSHA	Occupational Safety and Health Administration
ICT	Information Communication Technology
Kshs	Kenya Shillings
US	United States of America
UK	United Kingdom
PESTEL	Political, Environmental, Social, Technological, Economic, and Legal
SOMO	The Centre for Research on Multinational Corporations
m ³ /ha	Metres cubed per hectare
KHRC	Kenya Human Rights Commission
SAN	Social Audit Network

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ABSTRACT

This study was conducted to find out the strategic responses employed by James Finlay Kenya Limited to counter competition in the market and how effective these strategies are. This research was motivated by the fact that tea and horticulture were the leading foreign exchange earners in Kenya in 2010. It therefore follows that firms in these industries must have adopted very successful strategies and more so those with interests in both tea and flowers like James Finlay Kenya Limited. Since the liberalization of the tea and flower sectors, many players have entered the market. Most players are involved in one or more stages of the value chain. Some of these stages include growing, processing, blending, packing, logistics and marketing. A few players participate in all these stages thus must seek partnership or outsource that stage.

A case study approach was chosen as it enables a focused and detailed study. Primary data was collected through interviews with selected managers. The interview guide had different sections. The first section sought the respondent profile while the second sought the challenges faced by the company. The third section was about strategic responses used by the firm with emphasis on four chosen strategies; diversification, vertical integration, research and innovation and certification. The last section was about how successful the strategic responses had been. Secondary data was collected from published industry sources and in house magazines.

The data collected was analyzed using content analysis. From the data, it emerged that the firm has adopted successful strategies that has enabled it to compete successfully in the Kenyan market. It also emerged that there is a benefit in diversifying to a

related field and keeping abreast of the latest technological developments through research. In order to ensure stability and continuity, vertical integration is important. Though this process requires huge capital outlay, it pays in the long run. As international customers are most of the time discerning and seek assurance that the goods they consume have been produced ethically, it becomes necessary to seek international standards and certification by relevant bodies like the Rain Forest Alliance and Fair-trade Association. The market is dynamic and those which will remain relevant are those which will continuously innovate.

This study has useful recommendations for various stakeholders. It is the implementation of these recommendations that will give value to the study. The government as the regulator should aim at creating an enabling legal environment for industry to thrive. The tea and flower industries are very critical as they earn a lot of necessary foreign exchange.

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Multinational Corporations (MNCs) play an important role in the economic development of developing countries like Kenya. They provide the necessary capital required for investment, enable the transfer of technological know-how, earn foreign exchange, and provide employment among others. This is very important in augmenting the efforts of Governments. James Finlay therefore plays an important role in the Kenyan economy. It has interests in tea and flower industries. Tea and flower are the two leading foreign exchange earners in Kenya. This study is aimed at reviewing how James Finlay has positioned itself on the Kenyan market in face of fierce competition from companies which specialize in either tea only or flower only business.

The success of JFK has largely been to its ability to successfully apply several strategies like diversification, vertical integration, innovation and certification. It is the mix of these strategies rather than each individually that has greatly enhanced their position. They have been very responsive to changes in the environment.

1.1.1. The Concept of Strategic Response

Strategy refers to the ideas, plans, and support those firms employ to compete successfully against their rivals. Strategy is designed to help firms achieve competitive advantage. Strategy is therefore designed to cope with competition. The main purpose of strategy is to get a fit between distinctive capabilities and the

environment (Pitts & Lei, 2003). A business ideally should seek an environment that favours it while discouraging rivals.

Pitts further points out that the most important of these is to discover new opportunities, avert potential threats, overcome current weakness, sustain existing strength, and apply strength to new fields. Strategic response refers to the various means through which firms respond to environmental changes. As the environmental changes are diverse, so are strategic responses. The major ones include diversification, integration and innovation.

There are three components of strategic responses—magnitude, domain, and speed. A response is likely to include one or more of the three components. Response magnitude, or the intensity of a firm's response to new technology, can be assigned to a spectrum whose endpoints represent ignoring the new technology or assimilating it completely. Response domain pertains to the business process, such as supply chain management, new product development, or CRM (Customer Relationship Management) that is affected by the new technology.

Response speed represents the timeliness of the response, in that faster responses can preempt competitive actions and provide the firm with greater opportunities to learn the benefits of the new technology. First-mover advantage arises when learning curves generate barriers to the entry of other firms and it enables the first mover to preempt scarce assets, such as physical resources, and shape consumer preferences, which lead to high switching costs. Speed also has been shown to be vital for diverse strategic issues, including introducing new products, entering new markets, and responding to competitive threats. Thus, we expect that firms that respond to a new technology more quickly than their rivals will be able to garner first mover advantage.

Most responses to new technologies are likely to encompass two or more of the three response components (Lee & Grewal, 2004).

1.1. 2. The Tea and Flower Industries

The tea and flower industry are the leading foreign exchange earners in the country. In 2010, tea earned 97 billion shillings toppling horticulture which earned 78 billion shillings (Odhiambo, 2011). This was as a result of favourable weather and stable foreign exchange rate.

According to Maharaj and Dorren (1995), historically, the production of flowers for European consumers has mainly been located in the Netherlands. However, since the 1960s, the production of commercially-grown cut flowers for European and North American markets has increasingly taken place in economically less developed countries, e.g. Colombia, Ecuador, the Gambia, India, Kenya, Uganda and Zimbabwe. The flower industry therefore is much younger compared to tea. Our discussion will begin with tea industry.

Tea was introduced to Kenya in 1903 by G.W.L. Canine and in the 1930's commercial planting began. Although planting was cut back in 1933 because of a depressed market, tea is today one of Kenya's most important cash crops. The first tea bushes have grown into large trees, forming an historical feature on what is now Unilever's Mabroukie Tea Estate.

In Kenya there are both large plantations and what are called smallholdings. Kenya is the largest producer of tea in Africa, and it has quadrupled its exports over the last decade. Tea is also one of the most important drinks in the country itself (Tea Board of Kenya, 2010)

The industry is structured into various bodies with the Tea Board of Kenya (TBK) being the apex. Other key bodies in the industry are Tea Research Foundation of Kenya (TRFK), Kenya Tea Development Agency (KTDA) Ltd, Kenya Tea Growers Association (KTGA), Nyayo Tea Zones Development Corporation (NTZDC), and East African Tea Trade Association (EATTA).

The Tea Board of Kenya was established in 1950 under the Tea Act (Cap 343) of the laws of Kenya. It is mandated to regulate the tea industry in all aspects of tea growing, research, manufacture, trade and promotion in both the local and the international markets. The Board also disseminates information relating to tea and advises the Government on all policy matters regarding the tea industry through the Ministry of Agriculture. In 1999, the Act was amended to allow for licensing of private tea manufacturers. The Tea Amendment Act 2010 was given Presidential assent this year and gives a grower a right to deliver tea to a factory of his own choice and a right to uproot the tea crop without approval from the Tea Board. It also reduces the number of directors from eighteen to thirteen. As of 2010, there are around 100 licensed tea manufacturers. The Tea Research Foundation is the technical arm of the Tea Board of Kenya with a mandate to carry out research on tea and advice growers on general tea husbandry.

Tea growing and manufacturing activities are carried out under the KTDA, KTGA and NTZCC. The Kenya Tea Development Agency (KTDA) manages 54 tea factories owned by over 400,000 small scale farmers in the country. It has no tea estates of its own. It was incorporated as a private company in June 2000. It posted 38.2 billion shillings in the 2009/2010 financial year. Kenya Tea Growers Association was established by large-scale tea producers to promote the common interests of the

members in the cultivation and manufacture of tea and promote good industrial relations and sound wage policies for the workers. The Kenya Tea Zones & Conservation Corporation is a state corporation established to manage tea belts around forest zones in order to protect the natural forests from human encroachment. Various multinationals such as Unilever Tea, Williamson Tea, and Eastern Produce have both tea estates and tea factories. Currently, it is only James Finlay which produces tea extracts in the entire African continent.

The tea industry in Kenya is fully liberalized and trade members independently carry out the marketing of tea. 85% of Kenyan tea is sold through the Mombasa auction which is the second largest tea auction centre in the world. The auction is conducted under the auspices of East Africa Tea Trade Association, the body that brings together tea manufacturers, brokers, buyers and packers. Producers also sell some of their tea directly through private arrangements with tea importers across the world. This accounts for about 10% of the total production. The local tea market absorbs the remaining 5%. The leading export destinations are Pakistan, Egypt and United Kingdom.

The outlook for tea is optimistic. Africa produces 600 million kgs of tea annually, accounting for 15% of the world's tea production. Out of this, Kenya produces 65%. The countries of Uganda, Malawi, Tanzania, Rwanda, Zimbabwe and Mozambique together produce 35% of the total. Overall, the continent accounts for 13% of the global tea production and 32% global tea exports. Over the last five years consumption in Africa has increased by 12% from 274 million kgs to 307 million kgs (Tea Board of Kenya, 2011).

In the first half of 2011, dry conditions, depressed and poorly distributed rainfall combined to slow down production of tea. Production in the smallholder sub-sector recorded a decrease of 14.8 % from 124.3 million kgs to 105.8 million kgs while that of the plantation sub-sector recorded a decrease of 18 % from 88.7 million kgs to 72.6 million kgs. Out of the total production, the smallholder sub-sector contributed 59% while the plantation sub-sector contributed 41 %. The auction prices increased from an average of USD 2.81 to USD 2.98. Export destinations increased to 48 from 42 in the same period the previous year. Export volumes dropped marginally from 217 million kgs to 211 million kgs. Egypt (36.9 million kgs), Pakistan (40 million kgs), UK (35.5 million kgs), Afghanistan (24.7 million kgs) and Sudan (13.7 million kgs) remained key markets for Kenya, accounting for 70% of all exports. Kenya's emerging markets Russia and Kazakhstan recorded 20% and 48% growth to reach a combined volume of 15.4 million kgs compared to 11.7 million kgs during the same period the previous year. (Tea Board of Kenya, 2011).

Detmers and Kortland (1996), state that Kenya's involvement in flower production began during the 1960s, initiated by European settlers on semi-marginal land. Maharaj and Dorren (1995), adds that since then, the industry has grown rapidly, largely in an attempt to cover the country's US\$250 million trade deficit affected by a drop in prices for its traditional export commodities of tea and coffee. Expansion continued rapidly throughout the 1990s. In 1992, the value of Kenyan cut flower exports was US\$61.48 million. By 1998, this figure had risen to US\$80.9 million (based on Kenya Flower Council calculations). In volume terms, Kenyan cut flower exports amounted to 30,229,033 kg in 1998, with 65 per cent of this product going to Holland, 7.16 per cent to the UK and 9 per cent to Germany (Kenya Flower Council

1999). Amongst the most common types of flowers grown are roses, statice, alstroemeria and carnations, and these are predominantly cultivated in the main growing regions of Lake Naivasha and Thika. Most of the flower production companies have their own flower farms. These companies grow, harvest, pack and transport cut flowers to airports for export. They are labour intensive and mostly use green houses for cultivation. (Export Processing Zones Authority, 2005)

Hughes (2001) adds that the application of pesticides to the growing process is therefore, at least in part, a response to intense demand for an ever-increasing volume of high quality product. This pressure on growers is further intensified by the seasonality of cut flower consumption, linked to different festivals like Valentine's Day, Mother's Day, Easter and Christmas.

Horticultural Crops Development Authority (HCDA) is a State Corporation established under the Agriculture Act Cap 318 through a subsidiary legislation in 1967, Legal Notice No. 229/1967. HCDA is the Government's regulatory agency for the horticultural sub-sector. HCDA aspires to be at the forefront in providing efficient, effective and quality service.

The Horticultural Crops Development Authority is mandated to regulate the horticulture industry through licensing and application of rules as prescribed under the Agriculture Act, Cap 318. HCDA also provides advisory and marketing services to the stakeholders in the industry for planning purposes. The main horticultural products are fruits, flowers and vegetables among others.

The Kenya Flower Council is a private voluntary association of independent growers and exporters of cut-flowers and ornamentals. KFC was formed to foster the

responsible and safe production of cut flowers in Kenya while protecting the natural environment and promoting the welfare of all farm staff.

KFC was established in 1996 with the purpose of bringing together independent growers and exporters of cut flowers and ornamentals in Kenya. KFC seeks to provide a common platform for these growers and exporters and ensure the implementation of acceptable local and international standards.

As of January 2011, KFC had a producer membership of 56 flower-growing and exporting companies who own 68 farms situated throughout the country. The current KFC membership represents about 50 - 60% of the flowers exported from Kenya. Associate membership stands at 53 members representing major Cut Flower Auctions and Distributors in UK, Holland, Switzerland, Germany and Kenya. Associate members are involved in the flower sector through flower imports, provision of farm inputs and other affiliated services. (Kenya Flower Council, 2011)

1.1.3. James Finlay Kenya Limited

Finlays was founded in 1750. As a wholly owned subsidiary of the Swire Group, the company has extensive tea and horticultural interests in East Africa and Sri Lanka complimented by global trading, packaging and extraction activities, with the primary markets being in the UK and US. The main business areas are horticulture, tea estates, tea trading, tea extraction, beverage packing and logistics and services.

Flamingo Holdings, a wholly-owned subsidiary of Finlays, is a substantial horticultural business that includes growing, processing, packaging, marketing and distribution of cut flowers and premium prepared fresh vegetables, supplying several

leading UK retailers. Finlays is now one of the largest growers in Kenya, with over 100 million stems of Fairtrade certified cut flowers grown each year.

The company produces over 40 million kilos of black tea every year from tea estates in Sri Lanka and Kenya. The tea estates in Kenya are Rain Forest Alliance accredited. Tea trading with volumes in excess of 100 million kilos each year is carried out from offices in the UK, Kenya, Dubai, Malawi, Vietnam and the USA. As the world's largest supplier of quality tea extracts, JFK deals with all of the world's top beverage companies. Beverage Packing is carried out from the state of the art facilities in the UK and Sri Lanka, blending, sourcing and packaging, primarily private label tea and coffee for customers in the UK, the Middle East and Japan. Logistics and services are carried out in Sri Lanka with the first modern refrigerated storage facility of any scale and a variety of primarily service-related businesses in both Sri Lanka and in Pakistan.

This reputation is based upon over 100 years in this business. They take pride in their product expertise, attributable to loyal and knowledgeable workforce and an ongoing investment in research and development. The Company also takes pride in the longevity of customer relationships and the partnerships forged.

James Finlay globally employs over 50,000 people, many of whom reside on the tea estates and flower farms in Sri Lanka and Africa and for whom housing, schooling and medical facilities are provided. The company is very serious about its responsibilities towards her people and their communities as well as the local and global environment. Their flower farms and many of their tea estates are Fair Trade accredited. Finlay Flowers is a producer member of KFC with silver and gold certification. However, while operating to high ethical and environmental standards

and audited by numerous external audit bodies, they recognize that the environmental and social situation is never a constant and are committed to continually looking for ways to improve their performance.

It operates mainly in Kericho. The company produces 23 million kilogrammes of made tea. They are self-sufficient in sustainable timber and power (85% hydro-electric) and employ nearly 16,000 people who live on their estates and are provided, and their families, with housing, schooling and medical services. This amounts to more than 11,000 houses, one 106 bed hospital, 25 medical dispensaries, 14 primary schools, 17 nursery schools and one secondary school.

Although violence has been reported in the Rift Valley Province since 1991, the Company as well as many other organizations has not been affected to the scale witnessed during the Post-Election Violence of 2007. Despite of this, the company managed to meet the demand for flowers and all the tea factories kept running. Further, no lives were lost in the Company during the violence (James Finlays, 2011). This calls for action from all those concerned especially in the light of the fear of a repeat (Yamano, Yuki, & Gitau, 2010).

The company has seven factories, five process black tea while two process instant tea. According to the Managing Director, the company remains committed to the plantation sector of their business but have been motivated by a desire to narrow the focus of their operations geographically and managerially and therefore the range and extent of the challenges that they must address and to which they must do justice. However it is the case that the downstream businesses of packaging, tea extracts and tea trading benefit directly in some instances, and always by association, from a shared knowledge derived from their ownership of plantations. It is also the case that

some of these businesses are based in Kericho and there are opportunities there and in Sri Lanka for diversification of land use as well as the production of tea (Hogg, 2006).

1.1.4. Competition in the Tea Industry

Kenya's fiercest competitors in the global tea market, India and Sri Lanka have developed industries in both CTC and orthodox production, giving them a strong showing in the large CTC markets of the UK, Pakistan and Egypt, as well as the huge orthodox market in the US (Koigi, 2010). According to the Tea Board of Kenya — the regulator — in 2007, 3,726m kgs of black CTC tea were produced, against world consumption of just 3,600m kgs, representing an oversupply of 126m kgs. Kenya was hit heavily by the over-supply, suffering sharp falls in both export volumes and prices, even as competitor nations such as India enjoyed continuing growth in tea sales. Koigi adds that Kenya lacks the buffer zone of a vibrant domestic tea market as it exports 95 per cent of the 200m kg of tea it produces annually. The issue of preferential trade agreements also affects the market. Sri Lanka, one of the fierce competitors enjoys duty-free market access for 206 products into the Pakistan market, with tea high on the list.

On the local scene, there is competition between small holders who contribute 60 per cent and plantations which produce the remaining 40 per cent. The plantations have diversified to produce other types of value added teas which are still in great demand as opposed to the traditional CTC teas whose demand has been reducing. The value added activities include blending like that done by KETEPA (Kenya Tea Packers), branding and production of instant tea. This is mostly aimed at the local market.

1.1.4. Competition in the Flower Industry

In the flower industry, the high cost of doing business and lack of sector-specific incentives is costing Kenya foreign direct investment in the flower industry. The scenario is in favour of Ethiopia where the government provides electricity and constructs roads for investors. This, coupled with low interest government loans and favourable climate has seen the country's flower industry grow to cover 9,000 hectares in five years, compared to Kenya's 200,000 hectares built over the past 50 years. Industry players are now concerned that at this rate Ethiopia — the fastest growing horticultural frontier — could overtake Kenya in the long run. To sustain Kenya's competitive edge, Mr Mureithi urged the government to expedite the process of converting flower farms into Export Processing Zones or Special Economic Zones for them to enjoy tax holidays and other rebates including duty free imports for vital inputs to reduce costs and make the country's produce more competitive. (Riungu, 2010)

1.2. Research Problem

Changes in both the industry and remote environments cause businesses to continuously realign their strategies in order to remain competitive. The success of these responses depends on various factors like the response domain, the response magnitude and the response speed among others. These include changes in the political, economic, ecological, technological and social fields. The organization has very little other than to adapt to these changes in order to remain competitive. Some of these changes like legal have timelines within which they must be responded or complied with while others depend on the speed chosen by the firm. A change that

affects the entire range of activities a firm is engaged will require a wider response domain.

Changes in the industry environment are the ones which elicit much response from the players in the industry. These include the action of competitors in regards to positioning in the market, entry to new markets and location among others. To remain competitive, a firm must continuously monitor the dynamic environment and act proactively rather than reactively to gain first over advantage. How this advantage will be sustained will be influenced by the domain, magnitude and speed of the response.

Many studies have carried out in the field of strategic responses. A total of 92 projects have been carried out at the University of Nairobi between 1974 and 2009 on the subject of strategic response. Some have targeted particular firms like E.A.B Ltd (Muturi, 2000) and KCB (Kiptugen, 2003). Others have targeted an entire industry like commercial banks (Goro, 2003) and mobile phone companies (Rumba, 2008). The agricultural sector has also been researched in areas such as the competitive strategies used by agricultural chemical suppliers (Kagwe, 2009), strategic responses used by horticultural exporters (Mburu, 2007) and real time strategic issue management by large scale tea producers (Nyandoto, 2010). Particular agricultural firms have also been researched such as competitive strategies used by Mumias Sugar Company (Jowi, 2006) and strategies used by Kenya Tea Development Agency for competitive advantage in Global Trade (Ratemo, 2010).

This study aimed at studying the strategic responses of a company with interests in both tea and flower industry to competition in the environment. This had not been

studied in the past. How has JFK responded to challenges in the competitive environment and how effective are they?

1.3 Research Objectives

This study aimed at:

- i. Finding out the strategies employed by James Finlay Kenya Ltd in responding to increased competition in the industry environment which has enabled her to remain competitive despite of the challenges.
- ii. Studying how effective the strategic responses employed have been in assisting the firm achieve a competitive position in the market.

1.4. Value of the Study

This study will help James Finlay Kenya Limited in assessing the effectiveness of her strategies in the Kenyan market. Recommendations will be made on the strategies which have worked and which should be strengthened and those which should be changed or abandoned altogether.

It will also help other tea and flower firms in responding to competition in the market. Owing to the similarity of the competitive environment, some of the successful strategies can be replicated by other firms while avoiding those which may not work for them based on their resource capacity. It will help to avoid repetition of similar mistakes.

The study will help Government ministries and other policy making bodies like the Tea Board of Kenya and Horticultural Crops Development Authority in formulating policies that affect the industry. This is especially for issues that affect the entire industry like taxation given the high foreign exchange earned by these industries and

employment given the labour intensiveness of the operations of the company. It will also help in formulation of policy on effective land use, value addition of exports and research among others.

Finally, the study will add to the body of knowledge available for academic research purposes. JFK is a special company with interests in tea and flower. James Finlay has diversified to other areas in the past but has had to divest and concentrate on tea and flower. The company has also sold their interests in other countries like neighbouring Uganda and have increased their investments in Kenya. These are fertile areas for further academic research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the literature on the concept of concept of strategy and strategic responses will be reviewed as well as those in related areas like the environment, strategic imperatives and strategic fit.

2.2. The Concept of Strategy

Strategy has its roots in the military where fighting was involved. In modern business, competition is the equivalent of fighting in the military. Unlike the military, there can be many winners in business each pursuing a different business portfolio. It is the strategy pursued that makes the difference. Strategy has evolved to become multi-disciplinary with application in most spheres of life.

Strategy can be defined in terms of 5Ps –plan, ploy, pattern, position and perspective (Mintzberg, Lampel, Quinn, & Ghoshal, 1996). A strategy as a plan is a consciously intended course of action, it is not accidental. The strategy precedes action and can be either specific or general. Strategy as a ploy infers the outwitting of a competitor through maneuvers that ultimately sheds off a competitor. A strategy as a pattern infers what is produced as a result of a stream of actions. It is developed in the absence of intentions without pre-conception. A strategy is a consistency in behavior, whether or not intended. A strategy emerges as a position for locating a firm in the environment. This can be seen in association of an organization with high quality or

durability. Finally, strategy can be seen as a perspective which gives the organization an identity and shows how it views the outside world.

Strategies can be further divided into realized strategy and emergent strategies (Mintzberg, Lampel, Quinn, & Ghoshal, 1996). Deliberate strategy is where intentions that existed previously are realized while emergent strategies develop in the absence of intentions. However, most strategies in real life lie in between these two as a continuum. We can have different types of strategy based on this including planned, entrepreneurial, ideological, umbrella, process, disconnected, consensus and imposed strategies. Strategy is also dynamic, what is tactical today may be strategic tomorrow.

Strategy can be collective, pursued to promote cooperation between organizations. They can sometimes be described as political strategies, strategies to subvert the legitimate forces of competition (Mintzberg, Lampel, Quinn, & Ghoshal, 1996). They further add that strategy is a concept, a figment of someone's imagination. All these definitions complement. Not a single definition can be comprehensive enough to capture everything.

A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (Mintzberg, Lampel, Quinn, & Ghoshal, 1996). Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action (Johnson, Scholes, & Whittington, 2006).

Strategic positions emerge from three distinct sources, which are not mutually exclusive and often overlap. First, positioning can be based on producing a subset of an industry's products or services. This can be termed as variety positioning. The second basis for positioning is that of serving most or all the needs of a particular group of customers, also called needs-based positioning. The third basis for positioning is that of segmenting customers who are accessible in different ways. Although their needs are similar to those of other customers, the best configuration of activities to reach them is different. This is also called access-based positioning (Mintzberg, Lampel, Quinn, & Ghoshal, 1996). Strategy is the creation of a unique and valuable position, involving a different set of activities.

2.3. Strategic fit

There are three types of fit (Mintzberg, Lampel, Quinn, & Ghoshal, 1996). First-order fit is simple consistency between each activity (function) and the overall strategy. Second-order fit occurs when activities are reinforcing. Third order fit requires optimization of effort. In all three types of fit, the whole matters more than the individual.

Mintzberg adds that strategic fit plays an important role in the sustainability of a competitive advantage. It is harder for a rival to match an array of interlocked activities than is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features. Positions built on systems of activities are far more sustainable than those built on individual activities.

Strategic decisions are about the long term direction of an organisation, the scope of an organisation activities, gaining advantage over competitors, addressing changes in

the business environment, building resources and competences (capability) and values and expectations of stakeholders (Johnson, Scholes, & Whittington, 2006). Pitts adds that strategic decisions are characterized by large financial outlay, long-term impact and controversial nature.

2.4. Strategic Imperatives

Pitts has summarised three strategic imperatives that every business must strive to deal depending on their situation: sustaining advantage, building advantage and extending advantage. Large established firms possess substantial knowledge of their customers' needs, and considerable experience in competing in their respective industries and individual segments. A firm must strive to sustain these advantages in the face of changing environment. A newly established firm needs to build advantages for entering a new market segment without facing retaliation from the more established firms. Generally, new firms offer a different kind of experience to the customer that will change their preferences. A firm can extend the capabilities and skills it has acquired in one business to another related or completely new area. The success depends on the ability to transfer the skills and capabilities well to the new environment.

When making strategic decisions, key stakeholders must be considered. They include shareholders, customers, employees, communities and senior managers. There are many challenges in accommodating all stakeholders which include legal obligations, societal expectations and personal standards including ethical standards.

2.5. Environment, Strategy and Organizational Ability

A business operates in a dynamic environment which affects its operations. How a business adapts itself to this environment is of crucial importance. According to

Porter, there are five forces which shape the position of a firm in the environment. Figure 3 illustrates the forces that shape the strategic position of an entity; the stronger the forces, the stronger the competition in the industry. Since industry dynamics differ, each of the factors exerts differing influence on the choice of overall strategy. In some entities, the barriers to entry are the controlling forces. This is particularly true of those industries which are capital intensive in nature with little or no chance of resale with medium returns. This creates high switching costs which ties a firm to a particular industry. Switching costs also affect suppliers, substitutes and affects the rivalry in the industry.

The five forces model has been criticized as focusing on the firm from the outside while almost neglecting internal forces which also play an important role. Others have included that it assumes that buyers, competitors, and suppliers are unrelated and do not interact and collude. It also assumes that the source of value is structural advantage (creating barriers to entry) and uncertainty is low, allowing participants in a market to plan for and respond to competitive behaviour (Wikipedia, 2011). As the environment of an organization changes, it is necessary that the firm continuously adapts its activities and internal configurations to reflect the new external situation. Failure to do this endangers the future success of the organization (Aosa, 1998)

2.6. Strategic Responses

From the discussions above, it follows that organizations must respond adequately in good time at a scale that can make a difference. Four of these responses are discussed in this section, diversification, vertical integration, certification and research and innovation.

2.6.1. The Strategy of Diversification

Diversification is a strategy that takes the firm into new industries and markets. Related diversification is a strategy that expands the firm's operations into similar industries and markets; extends the firm's distinctive competence to other lines of business that are similar to the firm's initial base. Unrelated diversification is a strategy that expands the firm operations into industries and markets that are not similar or related to the firm's initial base; does not involve sharing the firm's distinctive competence across different lines of business.

The goal of related diversification is to achieve synergy. This objective is realized when the value of the whole firm is greater than the discrete value of its individual business units. Firms can attempt related diversification through various channels. For example, firms could identify and exploit an underlying technology or skill that defines the way a product is designed or manufactured; start up new products or services where key value-adding activities can be shared across a wider base; develop and commercialize new products that borrow from the firm's brand name recognition, manufacturing prowess, or R& D capability; or acquire new businesses that closely match and complement the firm's existing strengths or distinctive competence in its original activity. Note that the most common steps to achieve synergy are through internal development as opposed to acquiring other firms or businesses. Internal development seeks to share or transfer the firm's resources and skills to other business units.

Central to related diversification is the notion of building mutually reinforcing, closely fitting business units. Strategic fit occurs when the value chains of different business units are similar enough to create a corporate wide basis for competitive

advantage. The first step in building synergy is identifying the potential for close fit among the firm's different businesses. By leveraging and combining skills from one business to another, a firm is able to offer its customers a full range of products and services. The firm's distinctive competence should be leveraged for competitive advantage across all of its business units.

The more distinctive the firm's set of resources (capabilities, skills and technologies), the more difficult it is for competitors to copy and imitate the firm's strategy. A truly distinctive skill or competence will enable the firm to lower costs, enhance differentiation, or accelerate learning in ways faster or better than its competitors. Related diversification works best when firms can build a competence that is so distinctive and utilized system wide that it is nearly impossible for competitors to duplicate it. Durable, specialized assets or skills are a key pillar in attaining successful related diversification.

Managers with similar levels of entrepreneurial qualities, technical knowledge, marketing savvy or engineering backgrounds provide an important foundation for building synergies. A convergence of managerial mind-sets can reduce the coordination costs among the businesses. Transfer or rotation of managers across different business units can help solidify the firm's management fit. The more closely fitting and related the various business units are, the more important a managerial fit becomes. This fit helps management understand both the characteristics of individual business and the overarching distinctive competence of the firm. Value creation at both business and corporate levels becomes easier when managers work jointly to develop ways to extend the firm's competence across businesses.

When pursued successfully, related diversification enables the firm to lower its costs across a wider base of activities; to increase or heighten the differentiation of its businesses; and to accelerate learning and transfer of new technologies, skills, or other capabilities at a rate faster than if the business units remained separate.

2.6.2. The Strategy of Vertical Integration

Under this, a firm seeks to control the source of inputs or customers (Pearce & Robinson, 2003). We have forward and backward vertical integration when a source of raw materials and customer is acquired respectively.

Vertical integration can aim at full intergration (participating in all stages of the industry value chain) or partial integration (building positions in selected stages of the industry's total value chain). (Thompson, Strickland III, & Gamble, 2007). The integration can be achieved through acquisition or by starting own operations. Integration can also be pursued when a company has proprietary know-how that is beneficial to keep way from rivals. For backward integration to be a a viable and profitable strategy, a company must be able to achieve the same scale economies as outside suppliers and match or beat supplier's production efficiency with no drop-off in quality.

Backward vertical integration can produce a differentiation-based competitive advantage when a company, by performing activities internally rather than using external suppliers, ends up with a better-quality product/service offering, improves the caliber of its customer service, or in other ways enhances the performance of the final product. Integration can enable a company build or strengthen its core competencies, better master key skills or strategically-critical technologies, or add features that

deliver greater customer value. It also reduces dependency on suppliers and lessens a company's vulnerability to powerful suppliers inclined to raise prices at every opportunity. (Thompson, Strickland III, & Gamble, 2007).

Vertical integration can increase the risks and locks a firm into relying on its own in-house activities and reduces flexibility in accommodating shifting buyer preferences. It also creates the problem of capacity matching and radical changes in skills and business capabilities.

2.6.3. The Strategy of Certification

Certification is when an accredited third party such as BSI Management Systems visits an organization, assesses their management system and issues a certificate to show that the organization abides by the principles set out in the standard, so following industry best practice (British Standards Institution, 2011). They further add that the benefits of certification include helping to demonstrate to stakeholders that the business is run effectively. The process of achieving and maintaining the certification also helps ensure that the firm is continually improving and refining their activities while the regular assessment process will improve staff responsibility, commitment and motivation. Finally, certification can improve overall performance, remove uncertainty and widen market opportunities.

The link between certification and business performance has been questioned. Researchers agree that quality leads to improved performance but doubt if certification can lead to the same benefits. They clearly suggest that effective process control, quality control and better conformance quality are linked to competitive advantage. The researchers noted that the principal motivation for pursuing

certification was the ability of the certificate to open customers' doors that were previously closed, or would close, if certification were not achieved.

They claim that the purpose of seeking certification plays a critical role. Firms which seek certification as a result from pressure from customers may only reap minimum benefits compared to firms that sought the certification for other reasons. They finally conclude that ISO certification may just be the lowest quality standard that firms need to build on rather than taking as the ultimate goal. Other standards include Total Quality Management (TQM)

2.6.4. Research and Innovation

Many countries that have seen rapid growth over the last fifteen years (especially in Asia) have done so by making the transition from labour-intensive, low-value added production (e.g. agricultural products, primary commodities) into higher stages of the value chain, i.e. capital-intensive, high-value-added products (e.g. manufactured products, automotive parts) (Subramanian & Matthijs, 2007). This shows that firms must strive to increase the value of their exports.

Innovation is seen as the ability to “change the rules of the game”. (Johnson & Scholes, 1999). The successful innovatory organisation is likely to be one which is acutely aware of, but likely to challenge, its traditional competences so as to be able to “stretch” these into new opportunities. In such circumstances it is unlikely to be the formal procedures of organisations that matter so much as the type and quality of the people, the sources of knowledge in the organisation and the extent to which prevailing culture encourages the transfer of knowledge and the questioning of what is taken for granted perhaps on the basis of the diversity of past experience. Innovation will also be influenced by how people are managed and how they interact. The

support of information technology (IT) in addressing global challenges in agri-food sector is bound to increase beyond the present advanced IT solutions. (Schiefer, 2003)

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This research aimed at identifying the responses of James Finlay in the face of competition. A case study approach was chosen. Primary and secondary data were collected to help in meeting the objectives of this study.

3.2. Research Design

The research was a case study on James Finlay K Ltd aimed at finding out the strategic responses to competition. A case study involves a careful and complete observation of a social unit- a person, institution, family, cultural group, or an entire community- and emphasizes depth rather than the breadth of a study (Kothari, 1990). James Finlay is a good model as most of her operations are based in one location in Kenya and can greatly help to show the relationship between choice of strategy and location.

This research design was chosen because the objectives of the study required an in-depth understanding of the challenges facing JFK, and the specific strategic responses it has made in the context of its dynamic competitive environment. This is confirmed by other researchers (Texas State Auditor's Office, 2011). The respondents were interviewed using the pre-prepared questionnaire as a guide. The findings from the study cannot be generalized since it represents just a single unit. Several studies may therefore be required in order to draw generalizations.

The study was carried out at Kericho where the headquarters of James Finlay is. It will target senior managers who are involved in the formulation and implementation

of the strategic response variables being studied-vertical integration, certification, diversification, and research and innovation

3.3. Data Collection

Secondary data was collected from published sources like books, journals and internet and unpublished sources like student thesis. It also included industry publications and in house magazines.

Primary data was collected from JFK through an interview. This method was chosen as it provided more reliable data. Also there was room for clarification by the respondents. The people interviewed were managers who are directly involved in the formulation, implementation and control of the strategies of JFK. There were open ended questions to elicit further responses from the respondents. This method has been used before by researchers (Kiptugen, 2003).

The interview guide was designed on the basis of the objectives of the research and the literature review. The interview guide was divided into four sections. Section A sought data about the respondent's position in the organization and the length of service in the given area. Section B sought information on the respondent's assessment of the challenges facing JFK. Section C sought the strategic responses to competitive challenges and Section D finally prodded the respondent on whether JFK has achieved a strategic fit.

3.4. Data Analysis

There are 15 methods of data analysis in a case study (Ratcliff, 2011). They include typology, taxonomy, and content analysis among others. Content analysis involves looking at documents, text, and speech to see what themes emerge. What do people

talk about the most? See how themes relate to each other. Find latent emphases which can be implicit or look at surface level - overt emphasis.

Content analysis is theory driven. Rules are specified for data analysis. Standard rules of content analysis include the size of data analyzed at a time (a line, a sentence, a phrase, a paragraph) must be stated and stay with it. The units of meaning and the categories used must be inclusive (all examples fit a category) and mutually exclusive. They should be defined precisely. Finally, all data fits some category (exhaustive).

The content analysis method was best suited for this research. The data gathered was edited for completeness and consistency. Thereafter, the data was coded to facilitate categorization. The data was analyzed to establish patterns and relationship in the responses. Content analysis was used to analyze qualitatively the in-depth qualitative data on strategic responses. Account was taken on the three aspects of strategic responses, magnitude, speed and domain.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter details the findings of the study and discussions with respect to the objectives of the study. The study was designed with the aims of getting the strategic responses used by JFK and how effective they are. The study involved the collection of primary data through the use of an interview guide which was administered through personal interviews. The ten respondents were managers who had more than 8 years of service and a supervisor who had five years of service at JFK.

4.2. Challenges Facing James Finlay Kenya Ltd

The study was about the strategic responses of JFK to competition in the environment. Although competition is a major driving force that alters the way a business is run, there are other forces that do not emanate from competition. These are forces in the remote environment which the firm has very little control over but must respond to them. These are discussed in detail later in this chapter. They are mentioned briefly in this section.

All the respondents were aware that the business environment has changed. Some of the changes cited include unstable foreign exchange rates. The exchange rate against the local currency has been rising to a peak of around Kshs 106 to the US Dollar. Since the primary markets for JFK is outside Kenya (mainly US and UK), they fetch relatively high amounts of money in local currency. The main problem is that they source most of their inputs such as fertilizer, machinery and spare parts from those developed countries. They are forced to pay large amounts of the local currency to

obtain the foreign currency for paying the goods. This wipes a substantial amount of the gains. The company employs different tactics to cope with this including hedging, maintaining accounts in foreign currency and entering into forward contracts with their bankers.

Another major challenge is high labour costs, since most of the processes are labour intensive like tea plucking, flower picking and factory processing. The labour costs involved include direct labour charges which vary with the output. This can be controlled by increasing the output to ensure that the costs break even and there is a gain. The main problem is the indirect labour costs like medical costs which do not depend on the output. Owing to the large number of employees living with their dependents on the company premises, there is need to provide these services to all of them. This is being managed by ensuring that those being employed are fit to work through a medical examination and encouraging employees to seek treatment early to avoid complication and educating the employees on the importance of prevention than cure. The automation of tasks like tea plucking is partly a response to curb this cost. Use of welfare groups to address local problems like funerals and disagreements also helps to ensure harmony.

Another labour related challenge is staff turnover. A firm employs people and invests in training and equipping them for them to be productive. When an employee is separated from a firm, it leads to the need to incur another cost in training of new staff. When many people leave a firm, it sends negative signals to the market about the company. JFK offers her employees an attractive package to attract and retain competent workforce which includes housing, free medical cover and car loans.

However, like most other companies, they have been forced to review their benefits structure.

Changes in the physical weather are a major problem worldwide and especially in agriculture and related industries. The main concern is global warming which has changed the way that our environment behaves. Droughts have become common with the resultant famines due to crop failure have become common. Records of natural disasters which have held for long are being broken every year throughout the world. The most disturbing thing about climate change is the fact that action of one group can adversely affect another group which may not have played any role in its creation. It therefore calls for responsible use of the resources for the benefit of all.

This climate change has manifested itself in various ways including hailstorms which have affected flower farms and tea plantations as it destroys the vegetative parts, drought leads to drying of crops and frost which leads to frost bite on both humans and plants. Other climatic conditions that have affected the business include the volcanic ash dust which disrupted flights from Kenya to Europe including the UK. For example, on 29th April, 2010, Kericho was hit by the worst hail storm with hail stones the size of table tennis balls damaging 90% of all green houses. This even affected the rose plants (Wilsher, 2010). The ways to cope include lobbying for all to take action in reducing emission of greenhouse gases, adopting green technologies of production, use of drought resistant crops, increasing the forest cover, preserving the wetlands and training people on the importance of preserving the natural environment.

Another challenge is the rising cost of energy which threatens the profitability of the company. This is caused by erratic power supply from the national grid. The firm generates its own electricity from hydropower, generators running on diesel and steam

to meet this shortfall. Although these alternatives enable production to run smoothly, the cost is high. For example, the steam generator uses steam which is normally then fed to the production plant for use. However, the amount of steam that the plant requires is not much especially when the plant is running at half capacity. The excess steam is just vented to the air.

Another challenge is stiff competition from other players in the field. With the liberalisation of the tea and flower sectors in Kenya, many new players have entered the market while the traditional players have been allowed to compete with each other for customers. Most of the competitors have targeted the last stages of the value chain like manufacturing, blending and packing. We now have many varieties of tea such as those with ginger flavour, ice teas, and instant tea. Although JFK has a primary market in the US and UK, it produces instant tea for the local market in addition to its factory door sales. It meets with competition from other beverages like coffee, cocoa and soda which are well established. It becomes hard to penetrate the market. Many flower firms have also been established. Although they may have different product offerings, many of them produce roses.

Technology has also advanced greatly. The main concern with changes with technology is the switching costs. The new technology may need a total overhaul which leads to high costs especially if the old machinery cannot be sold easily. There is manpower which must be trained on the use of the new technology and the need to be the first in order to reap first mover advantages. JFK has adopted new technologies in instant tea production, machine harvesting of tea and flower pack house operations.

The global economic downturn which has affected Europe adversely has affected sales volumes especially since the primary markets are the United States of America

and United Kingdom. When there is an economic crisis, most citizens lose their jobs and thus demand is reduced significantly. It becomes hard to satisfy the basic needs and luxuries are reduced to a bare minimum if not totally eliminated. The consumption of products like flowers suffers greatly. If the crisis persists, the damage will be great.

JFK is a multinational corporation with investments in tea and flower. Although distinct in operations, the challenges they face are similar. Using the PESTEL framework, the main challenges are highlighted below.

The main growing areas of Kericho and Naivasha were hot spots in the 2007 post-election violence. Given the fact that the operations are labour intensive, the need to employ a large number of people is important. These people are drawn from various ethnic backgrounds. When there is a disagreement between the tribes, production is affected. Although the firm was able to meet the demand for flowers during the season of Valentine in 2007, there were disruptions with a large number of employees being displaced. It therefore remains that efforts must be made to eliminate these effects on production especially as we move towards another election year.

The firm with others which were established during the colonial era face a challenge that they took away land that belonged to the locals. This fact is always brought to the fore when issues affecting land are mentioned. As pressure on land continues to mount, it is necessary that a long term solution acceptable to all including the local people be sought to avoid a repeat. The company has announced a plan to sell some land to the locals. This can be assisted to a large extent by responsible utterances from the political leaders.

JFK is an agricultural firm that feels the impact of climate change directly. Efforts to manage the effects of climate change are being advocated at various for a including the industry level with TBK coordinating. Others include the development of drought resistant varieties of tea, agroforestry, and preservation of wetlands around the company. In the concern for environment, JFK has a subsidiary Dudutech which is a leader in integrated pest control. This firm employ alternatives to chemicals in pest and weed control which is more environmentally friendly. It is also out of this that it has secured certification of an organic farm- Chemase Tea Estate.

There is resistance to change mostly by trade unions and political leaders to the use of machinery in the harvesting of tea to replace human labour. These leaders have in the past even called strikes which led to the suspension of the process. JFK has tried to manage this by ensuring that no employee is laid off as a result of the switch to mechanical tea harvesting by offering them an opportunity to engage in other activities within the firm depending on their skills and availability. When the firm was closing down their instant tea plant, it managed the change by offering employees a voluntary early retirement with compensation to those who could not be absorbed in the new plant or elsewhere within the group.

Given the large number of employees almost all of whom reside in the vicinity of the company. Social problems like drug abuse, alcoholism and the effects of Aids and HIV are issues that must be addressed. The health facilities operated by the firm including the main hospital cater for these needs.

The firm has been awarded Fairtrade certification which seeks to improve conditions for employees. It seeks to ensure that there is ethical trading throughout the value chain. It tries to eliminate problems such as the use of underage labour, forced

overtime and substandard health and safety conditions. It also concerns issues to do with low wages, long hours of work and poor working conditions.

However, there is still room for improvement for the majority low cadre staff whose housing has no electricity supply and has to rely on firewood from the firm tree plantations. The size of their houses is relatively small for those with families and there is a lot of disparity in compensation between management and the so called labourers. In the current negotiated Collective Bargaining Agreement, the employees were awarded 21% increase.

It was also observed that despite heavy downpour in the area which is common due to its proximity to the Mau Forest, employees plucking tea do not leave the tea plantations. It was explained that this was voluntary as the weight of tea leaves is high when there is a lot of moisture though a clear policy could help to avoid the possible health repercussions.

Technology like other environmental variables is dynamic. What is being used today will have been improved, modified or totally abandoned in the next few years. Technological change is driven by the desire to produce the best using the least unit cost in the simplest manner. A need for change must therefore be identified using the above variables. Customer preferences is a very strong force that drives businesses to modify their technology while other forces like the government and regulatory bodies also play a part. This includes regulations to reduce the emission of greenhouse gases, the preservation of wetlands and noise control among others. The action of competitors in adopting a new technology is a significant force that alters the marketplace. As discussed in the section on strategic responses, technological change has three components when implemented: speed, magnitude and domain.

The firm has invested in the latest technology for the production of tea including instant tea, growing of flowers and manufacturing of black tea. It pioneered research into tea extracts and has provided leadership in the field. It now boasts of being the only producer of tea extracts in the whole of Africa. It is evident that other players have not been able to marshal enough resources to compete on this area or the prospect of a viable market is small. The latter could be a major reason as the firm explained when it closed the first instant tea factory and as the second plant is yet to run at its full capacity throughout the year. This calls for marketing to increase consumer awareness about instant tea with the aim of changing their preferences. Some of the markets, especially Japan, have very stringent conditions imposed on producers. It requires a lot of effort to satisfy these requirements.

The condition of the economy of a country affects all the firms in it. The variables here include the stability of the exchange rates against major world currencies, the growth of the economy, sovereign debt and macroeconomic stability among others. The government provides the enabling environment for private enterprises to thrive through provision of infrastructure, security and trade regulations. Kenya is developing a good road network to link producers and the market. There is also a rail system which has served for over a century and air transport with international airports in Eldoret and soon Kisumu.

In the recent past, the Kenyan shilling had depreciated much against major world currencies. This affects firms which trade with foreign countries. Although exporters will get greater value, the gains can be wiped by the cost of inputs most of which are imported. The tea and flower sectors of the economy were the largest foreign exchange earners in Kenya. The British pound has also suffered uncertainty with

rising inflation and joblessness affecting the market. The riots that were witnessed in this year could be a manifestation of these problems.

The promulgation of the new constitution in August 2010 ushered in a new dispensation. One of the most controversial changes envisaged is the pegging of a limit on land ownership by foreigners to 99 years on leasehold terms. This is a major challenge that may change the way JFK and other firms operate. Although the implementation of the law will be affected the political leadership, it certainly will have an impact on foreign direct investment. There are also legislation on Industrial Relations, Health and Safety, Factories Act and NEMA regulations that firms must adhere. JFK has strived to comply with these regulations and will continue to advocate for fair labour policies through KTGA.

An amendment to the Tea Act was passed in 2011. This new law allows a farmer to supply his crop to a manufacturer of choice without approval from TBK. This is good news to JFK as they will be able to increase the number of out growers that supply leaf to them among others. It also removes the restriction on uprooting tea crop without approval from TBK. Thus JFK can uproot tea from unsuitable areas and plant trees for timber or other crops easily. This has been done in other countries like Sri Lanka.

The respondents indicated that Michael Porter Five Forces Model has varying severity in the tea and flower industries. Most of the respondents indicated that barriers to entry had a score of 1 in the tea industry while in flower industry it was 4. The main barrier to entry to farming is the land required. Very few companies have large attractive land like JFK that is suitable for the cultivation of tea and flowers. Other players have land that is segregated into many small tracts of land. JFK has the

advantage that most of their land is all situated in a single area. Although they have invested in other areas like Naivasha, Kipkelion and Meru, most of their agricultural operations are still in Kericho. They enjoy economies of scale. Other barriers to entry include the technology, the cost and time of entry. The technology for production of instant tea has been developed in house and many firms may not have the required technology. Most of the equipment used for food processing like instant tea and milk are made of stainless steel which is expensive.

The tea industry has relatively few large scale producers. They have an association KTGA that promote the common interests of the members in the cultivation and manufacture of tea and promote good industrial relations and sound wage policies for the workers. The existence of this association reduces rivalry between the members. However, there are many other players who are not members of KTGA like KTDA. KTGA only negotiates salaries for labourers. Every firm is free to pay their management staff different salaries. Many of the new entrants into the industry have brought serious rivalry with each firm jostling for a position in the market.

In the flower industry, wages are not negotiated centrally. The associations that exist are for ensuring that firms employ ethical means in achieving their results. They try to ensure that health and safety is enforced in the member firms while providing certification that helps in marketing. Rivalry in industry was indicated as having similar rating of 4 in both industries while the threat of substitutes had a score of 4 in the tea industry and 2 in the flower industry.

Buyers can exert a lot of power if they are few or if they have an organisation that controls them. The organisation can be a supermarket chain, importers association or consumers lobby group. Japanese buyers have been known as the most discerning

consumers in the world. They set stringent conditions that must be fulfilled for them to buy. They are consumers of green teas and was purchasing from JFK. However, due to their tough conditions, they cancelled the order. That could be part of the reason why the instant tea factory was running at half capacity.

UK supermarkets have also set standards that must be fulfilled. These include Marks and Spencers which require Fairtrade accreditation for them to buy the flowers. It is these demands by customers that have necessitated the acquisition of these certifications by JFK. Other demands include setting the maximum amount of time between picking and arrival in the shop. This has been met by having a fully owned subsidiary that deals with air transport- Jet Flowers. Middlemen have also been eliminated by having foreign subsidiaries that deals with marketing, logistics and services like insurance. The power of buyers was rated with a score of 3 in the tea industry and 4 in the flower industry.

Suppliers play an important role in ensuring a continuous supply of raw materials, spare parts and machinery. JFK supplies most of the raw materials required for processing of tea and flowers from their own estates and farms. They supply their own fuel wood and electricity. The external suppliers would therefore be for spare parts and machinery. JFK being a large entity can negotiate favourable terms with suppliers. The procurement of these supplies is centralised to reap the benefits of economies of scale. The power of suppliers was equally rated at 3 in both the tea and flower industries.

It therefore follows that the threat of substitutes and rivalry in industry are the most intense forces in the tea industry while Power of Buyers, Barriers to entry and Rivalry in Industry are the most intense in flower industry.

4.3 Strategic Responses by JFK to Competition

All the respondents agreed that JFK has responded to the challenges posed by the changing environment. Each respondent gave responses based on the initial changes they had mentioned in section 4.2 above. For example, those who had mentioned about the fluctuating foreign exchange rate as a change mentioned hedge or forward exchange contracts as a response.

Other general responses mentioned included diversification of product base to include green teas among others and searching for new alternative markets after political unrests in Arab countries like Egypt and Libya. The need to produce quality products was also mentioned to meet international standards. The introduction of mechanized tea harvesting and shear plucking was also mentioned as a way of reducing the rising labour cost. Introduction of factory outdoor sales to tap the local market, strengthening of relations with customers with the help of the sales teams, establishment of value adding department to maximize on returns on its products and streamlining of operations to cut down on high cost of production arising from non-value adding activities such as reworks, reprocessing and wastes among others are some of the responses.

There has been considerable investment on ICT to boost service delivery while improving morale of its employees to realize higher output per head. The firm has also diversified its product base to include harvesting of poles for sale to electricity distribution companies and has revised its strategies to allow processing of tea from small holder farmers thus breaking the monopoly which has been enjoyed by KTDA for a long time. Finally, a consideration to have iron sheets above greenhouses was being considered to help reduce the impact of hail stones.

4.3.1 Diversification

Diversification involves entry into new markets or new products. Related diversification is where the new market or product is closely related to the main product or can be unrelated when a firm breaks into a totally different or unrelated product or market to the main product. For example, a palm oil refining firm diversifying into soap production is related as the soap plant uses the by-products of the oil refining plant. Should the palm oil refining firm diversify into sale of telecommunication equipment, then it is unrelated. The choice of which form to take depends on several factors like the capability of the firm and the expected gains. This study aimed at finding what extent has JFK diversified and the form.

The respondents agreed that there has been diversification in JFK in the last five years. The main type of diversification that the respondents mentioned was the introduction of new product lines to the market and increasing the supply base. This is related diversification. Some of the products introduced include instant tea and flower varieties.

JFK has diversified her source of raw materials. Initially, all the tea processed at their factories came from their own tea estates. However, the firm has enlisted small scale farmers as out growers who supply tea to the company. These small scale farmers are registered and JFK collects the green leaf from them once in a day. In this way, the firm is able to better utilise their production facilities. This has also been done in the flower segment.

JFK acquired Flamingo Holdings which operated the Homegrown flower farms. Through this acquisition, JFK has been able to expand their presence in the flower business. Flamingo was a leading exporter of cut flowers with many years of

experience and great expertise. They also had great interests in vegetables. These skills have now been transferred to JFK making it a large supplier of flowers and vegetables. It has also expanded her operations geographically to Naivasha and Timau.

There has been diversification from the traditional markets of USA and UK to other countries like United Arab Emirates, Saudi Arabia and Germany. JFK continues to strategically locate her businesses to be able to reap maximum benefits. The firm is represented at the Tea Auction in Mombasa as well as at Jomo Kenyatta International Airport.

The reasons for undertaking diversification mentioned included need to improve quality and cut down on cost in addition to sustainability. The process of diversification was carried out by designing new products and investing in new technologies including ICT. There was retrenchment of staff that could not fit into the new system and recruitment of few but competent staff. The suppliers of the raw materials and other inputs were screened to ensure that high standards were upheld. Others included formation of strategic subsidiary to specialise in tea blending, merging of tea estates and other departments and acquisition of other businesses such as Homegrown flower firms in Naivasha.

The respondents indicated that challenges encountered include huge capital outlay required to purchase state of the art equipment and laying off of excess employees for successful diversification. The old equipment may not be sold easily and some may have had to be written off. The laying off of employees was resisted by the union, local community, employees and politicians. This also tended to create negative image in the eyes of the public. There was instability caused by the merger of tea

estates and other departments which at times led to inconsistent products and services. This led to increase in customer complaints and also high competition. The respondents agreed that the objectives of the diversification process have been met to a large extent. They finally concluded that diversification is still on-going although it is almost complete.

4.3.2 Vertical Integration

Some of the respondents were not sure about the meaning of vertical integration and thus could not comment on the status of vertical integration at JFK. A third of the respondents agreed that vertical integration had taken place in the last five years. They described the merging of divisions and business units as one form of vertical integration. It was carried out with the aim of reducing the high cost of production. Others mentioned the establishment of value adding blending department in Mombasa as another example. The main challenge has been resistance from the local community and its objectives has been met to a large extent. It is still ongoing.

Jet Flowers, a subsidiary of Swire & Co, is a specialist freight forwarder dedicated to the handling of perishable shipments between East Africa, Europe and other overseas markets. Their experienced and dedicated team is focused on quality and the careful management of the integrity of the cool chain. Services range from the coordination of vehicle deliveries to product handling, pallet-build, cold store management, air-side handling and requisite documentation. It is a full service offering 24 hours a day, 7 days a week, 365 days a year.

JFK has other subsidiaries like Dudutech which specializes in integrated pest management and Mombasa Trading business for the sale of tea through the auction.

These businesses play an important role in ensuring that the business continues to thrive in the market and that it meets the requirements of stakeholders.

4.3.3 Research and Innovation

All the respondents agreed that there has been research and innovation at JFK in the last five years. The main forms of research and innovation mentioned included mechanical harvesting of tea, and improved machines to improve quality. Other forms of research include energy research, process re-engineering, product developments and Technology assessment and improvements.

Market Research is carried out to understand the complex customers' behaviours, consumers and markets. Here, JFK benefits from having been in the business for more than a century. They have established strong ties with customers. Innovation: newness -it might be a new variety, a fresh improved taste, a stronger scent, a new mix or revolutionary packaging - will be critical to continued success. Finally, innovation aims at sustainability. It is important that any new invention must be sustainable. That is the driving force behind the quest to use sea freight in transporting flowers as opposed to airfreight which uses more carbon fuel.

Research and innovation is carried out by a fully-fledged Applied Research Department and a Research and Development Department which cuts across business areas such as estates, factories and horticulture. The objectives of the research and innovation process were to reduce on labour cost and increase output and to ensure compliance to regulations on health and safety among others. It also aimed at producing high yielding and drought resistant clones of tea.

Innovation has also been seen in the use of water especially in Timau. Efforts at minimizing water usage in production of carnation flowers has resulted in a reduction of 30% from 46 m³/ha to 32 m³/ha. This has been closely monitored for over a period of 10 years. In water harvesting, green houses are being used as a source of water as well as surface run off being collected through drains to dams for storage. Lagoons are built to store the water and purify through the use of natural filters consisting of gravel, rock pools and areas of nutrient rich plants. Water is also extracted from boreholes and dams are being modified to reduce the loss of water through evaporation by making them deep by de-silting and reducing the surface area. (Bartlett, 2010). The company produces flowers on hydroponics. This is an efficient way of using water by feeding water directly to the flower.

The generation of new varieties of flowers is carried out meticulously with input from various departments. The first step is to assess all the varieties available on the market. Next, a trial is conducted during which the fields can resemble an English country garden, as more than 50 varieties from stocks breeders worldwide are on trial. Getting the plants to grow is only the start of the process. Investigating how the different varieties travelled from the field in Kenya to the UK; vase life studies; flower form and scent are all important criteria to get right. Sorting out these questions involves an end to- end effort from the growers, post-harvest and logistics teams in Kenya, through to vase life, technical, new product development and marketing teams in the UK. Finding answers to the questions is the key to ensuring that the best varieties are selected. It requires all the teams to work together, balancing off the often conflicting demands of customer, agronomy and commercial considerations! (Willsher, Sweet Old Newcomer, 2009)

The production of instant tea is another great innovation which greatly reduces wastage. Although the principle of extraction is simple, the scale up of the process to production level is a major challenge. The leaves that remain after tea has been extracted are used as manure for the tea plantation while the vapours that escape are trapped and condensed to obtain tea aroma which is sold as a by-product. The waste waters are treated and discharged to the river safely. The process is highly automated with few operators required to operate.

Innovation has led to installation of new efficient machines. The main challenges faced during the process of research and innovation include high capital required, risk of laying off of employers and the resultant resistance, lack of cheap appropriate technologies in the local market, and lack of appropriate skills set. There was and is high competition from established bodies outside the country which meant higher investment to be at par technologically. As per the respondents, the objectives of research and innovation have been met to a large extent on a scale of 3 out of 5 in a scale of 1 to 5.

4.3.4. Certification

Two thirds of the respondents agreed that there has been certification at JFK in the last five years. They also agreed that the main forms of certification have been international certifications such as Rainforest Alliance and Fair-trade. There is also ISO certification. There is certification on food safety, OSHA and Kenya Bureau of Standards –Diamond Mark of Quality.

The main aims of certification were to get more customers by selling accredited products, compliance to government regulations and customers' requirements. It is

also a way of obtaining customer, government and employee approval. This approval should translate to higher sales volumes. Certification has been carried out by establishing a quality assurance department to spearhead the process and some members of staff were particularly recruited to champion it.

The benefits of Certification can be seen in the award by Marks & Spencer (M & S), a leading UK retailer which recognised Flamingo for being the best in class, over more than 20 years of supplying fresh produce and cut flowers to M&S. The achievements cited by Sir Stuart included packaging reductions; reduced pesticide usage; integrated pest management through their Dudutech Company; a switch to sea freight from airfreight for transportation of their South African chrysanthemums; and their work in Kenya with the small out grower programme. (Hudson, 2009). This award from a reputable retailer serves as a big endorsement of the efforts taken at sustainability which has enabled the firm to be accredited.

The main challenge during implementation is the high capital outlay required. As per the respondents, the objectives of certification have been met to a large extent on a scale of 4 out of 5 in a scale of 1 to 5. Two thirds of the respondents felt that certification has been completed with only compliance audits being done periodically.

4.3.4 Strategic Fit

All the respondents felt that the responses by JFK have been adequate and that they have the necessary capability to adopt aggressive strategies to match the external environment changes. This shows that the individual responses by the firm have been successful.

4.4. Discussion

Under this section, comparison will be made between the research findings and established theories and results of other empirical studies carried in the field.

4.4.1. Comparison to Theories

The research findings resonate with established theories. There was no deviation from published theories that was observed. The firm has benefitted from her responses in diversification, vertical integration, research and innovation and standardisation and certification.

By diversifying into other areas, JFK has ensured her continuity resilience despite of the challenges in the market. It has helped her to remain competitive. JFK has pursued related diversification which is less involving in terms of the adjustments required. The firm has benefitted as a result. This also applies to the other strategic responses.

4.4.2. Comparison with other Empirical Studies

Some researchers have also found that they firms they studied have achieved a strategic fit (Kiptugen, 2003). This study also aimed at analysing only four strategic responses amongst all the many responses that JFK has undertaken. This is the same approach taken by Kiptugen.

Other researchers have preferred to study more than four responses. These include Financial Strategies, Production and Operational Strategies, Information Technology and Business Management Information Systems, Sales and Marketing Strategies, Agricultural Operations Strategies, Human Resource Management Strategies, Quality Management Systems Strategies, and Corporate Strategies. This was targeted at Mumias Sugar Company (Jowi, 2006). Under the study, a general picture of the firm

was framed as almost every aspect was studied. He reached similar conclusion on Quality Management Responses concerning the importance of ISO standards. Other researchers have preferred to use a survey rather than a case study like in the study of strategic responses of Small and Medium Audit Firms in Nairobi (Kamami, 2008).

The whole issue of Fairtrade as a development agent has been questioned in a study of Aruka Tea Factory (Blowfield & Dolan, 2010). While the study was conducted in a small scale growers' area managed by KTDA, the authors raised issues about Fairtrade that could apply to large scale producers like JFK which operate in the same tea industry and country Kenya.

First, the promises made of CSR that business can help combat poverty, profit from operating in developing countries, or can serve its own interests by combating exploitation of workers and the environment. No, more than this, the claim is that private enterprise can be managed in such a way as to bring benefit to all involved in it. The authors asserts that the claim is based on scant systematic evidence, and where justification has been sought, this is more likely to take the form of a business case for engaging in poverty alleviation than a case for why the poor should welcome business' participation as a development agent..

Second, the empirical data from Kenya reveal not only the complexity of assessing impact but that even in models such as Fairtrade that seek to foreground the interests of the poor, there are significant problems in identifying and realizing benefits that are recognizable to the intended beneficiaries. The Aruka example shows the significant differences that can lie between what an ethically driven initiative seeks to achieve, and its benefit to the community. It shows also the difficulties such initiatives face in constructing an accurate model of poverty, without which benefit is always likely to

be arbitrary at best, and at worst subject to capture by better-placed elements of the community. As increasing attention is paid to social entrepreneurship, the bottom of the pyramid, and other private sector-related developmental approaches, the challenge is whether the poverty case and the business case can be better integrated so that they both influence the enterprise, and if not whether the private sector is comfortable taking on a role where it universalizes the values embedded in its own normative practices, and is accountable for consequences that may be negative for the poor and marginalized. This study faced similar challenges.

A study at Unilever conducted by the Dutch firm SOMO painted a very dark picture of the working conditions of workers at tea estates (Largo & Wasley, 2011). Though Unilever denied the report, other bodies have also raised the issue like KHRC (Kenya Human Rights Commission, 2008). The main issues which affect employees include sexual harassment and casualization of labour. Housing conditions and lack of representation of employees in unions also featured. The Rainforest Alliance issued a statement refuting the claims (Rainforest Alliance, 2011). However, they admitted that it is possible to find complaints and violations of a comprehensive standard on any large farming operation that involves thousands of hectares and workers. The SAN auditors are trained to discern isolated incidences from systemic problems. Any noncompliance is recorded, but auditors look for patterns of noncompliance that may indicate a systemic fault. This seems to suggest that the cases of sexual harassment and poor housing, for example, are isolated cases. However, casualization of labour is a widespread issue which the firm acknowledged to be in accordance to Kenyan Employment Laws.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section gives the summary of the research findings, conclusions and recommendations for further study. The summary will be given based on the study objectives.

5.2. Summary of Findings

From the research findings, it can be concluded that JFK has responded adequately to the challenges in the environment. This has been due to its strong resource capability, strategic location and strong human resource. It has responded adequately in each of the areas of diversification, vertical integration, certification, Research and innovation. It is therefore poised to play a leading role in the market. The firm has positioned itself nicely on the market by being innovative with research on best agronomical practises, agro forestry, drought resistant tea clones and flower varieties, machine harvesting of tea and instant tea processing being carried out. Its international subsidiaries and parent companies complete the chain with logistics, blending and packing, tea trading and even insurance business.

JFK has diversified from the growing of tea only to the growing of flowers .Even the growing of tea has been diversified with the growth of drought resistant varieties and the manufacture of instant tea. The growing of flowers is carried out in their farms at Kericho and those they acquired at Naivasha. The firm is still considering other areas of diversification with the growing of stevia at experimental stage. The firm has its own flower packing and transport firm to ensure fresh flowers reach the market.

JFK has moved up the value chain until it almost controls the entire value chain from tea estates and flower farms through processing plants to logistics and services. Though most of these firms were not formed by JFK; the firm benefit by sharing a common parent. By controlling the value chain, JFK has minimised interruptions which could cause delay. Flowers are a perishable product that must reach the market within the shortest time possible after harvesting. The relationship with Jet Flowers ensures that.

Tea plucked or harvested from the tea estates must reach the factory within hours to avoid withering. By owning both tea estates and factories, JFK has managed to ensure that production is not interfered with. Some types of green teas are delivered to tea factory within fifteen minutes of plucking. The use of machines has helped processing to be continuous as it can harvest even at night. Factories therefore process hand plucked teas during the day and machine harvested tea in the night thus ensuring efficient use of processing facilities.

The acquisition of various certifications has enabled JFK to compete in the world market effectively. This has enabled them to build and forge cordial ties with their customers. This reputation which spans over 100 years is a valuable intangible asset. It enables JFK to supply their produce to different international markets and meet the demands of regulatory bodies. It enables them to benchmark their products against the best in the world.

Research and innovation defines the leaders of tomorrow. What is being practised now will certainly change over time. What takes over is the product of today's research. Organisations that embrace innovation will continue to be relevant to their customers. JFK has invested in research and innovation that has seen them improve

their product offering like instant tea and improve their processes. Research and innovation is incremental with each small step contributing to the larger picture.

5.3 Conclusion

From the research findings, it can be concluded that it pays for a firm to diversify to a related field like flowers for a tea growing company. This diversification however needs to be supported by research to increase innovation in order to remain competitive. Due to requirements of International customers, it becomes necessary to obtain international certifications and standards.

According to Mr. William Gorman of the UK tea council, powerful branding of coffee has positioned it as a convenient, prestigious product and consumers willingly pay premium prices for it. (Tea Board of Kenya, 2011). This should be replicated in tea and flowers to avoid commoditization. Efforts to have the Kenya Mark of Origin is one such effort which will help to identify and promote Kenya tea while at the same time supporting the efforts of stakeholders in branding Kenya tea in local and International markets. (Tea Board of Kenya, 2011). Following initial audits, JFK has already been awarded a certificate to commence using the Kenya Mark of Origin along with other stakeholders.

With the growing health consciousness of consumers, the health benefits of tea should be promoted. The benefits include anti-heart disease activity, anti-allergic action, anti-inflammatory and antimicrobial properties, potential anti-helminthic (de-worming) properties, ant diarrhoeal properties, antidiabetic activity and also anti-hyperglycaemic activity. (Wachira, Karori, & Kerio, 2011)

5.4 Implications of the study

This study has implications for various stakeholders in the agricultural sector. These include policy makers like the government. The government should encourage firms to diversify into related areas just like JFK has done successfully. Their income is bound to increase and thus the tax revenue to the government. Perhaps the government should enact enabling legislation. This is very important given that it is only the tea industry in the agricultural sector which has not had problems as compared to coffee, pyrethrum and cotton which have faced serious challenges.

Other firms in the tea and flower industry should also learn from JFK. Every firm should aspire to produce certified products to compete in the world market. A move in this direction by KTDA and Unilever is already underway. This will however increase competition for JFK who must continue to innovate in order to lead.

This study also adds to the body of knowledge available for academic researchers and educators. The successful application of different strategies by a practical firm is of immense importance in academic research.

5.5 Limitations of the study

The study only targeted four strategic responses-vertical integration, diversification, certification, research and innovation. It could therefore have yielded different findings had other variables been used. There are other responses that JFK has used including outsourcing of non-core services, retrenching of staff and reorganisation among others.

The study also targeted senior managers who are responsible for the crafting, control and implementation of the corporate strategy. Most of these managers have a different

view of the company owing to their positions. If the interviews were carried with the labourers on the ground or junior managers, the results could be different. Although JFK has operations in Naivasha, Meru, Nairobi and Mombasa, managers from their headquarters in Kericho participated in the study.

The study used an interview as a method of collecting data. Although it eliminates the risk of being misunderstood, it becomes difficult for a respondent to have all the answers in a moment. Some could need some research and consultation. Thus if another method was used to collect the data, the findings could be different.

Most of the respondents felt that confidential information of a proprietary nature was being sought and thus limited their response to what they felt general. Thus some of the information that could make the study more complete was not provided. Finally, the time available for the study was limited, thus the area that could be covered was also limited. The results could therefore change if a longer period of study is used.

5.6. Suggestions for further study

This study targeted JFK which has interests in tea and flower industries. Other studies on other companies with diversified portfolios could be studied to see if the same results could be replicated.

JFK has divested from other countries like neighbouring Uganda but have increased significantly their investments in Kenya. The reasons for this are a fertile area for further research. Other responses such as restructuring could also be studied to see if the same results can be replicated.

JFK has offered to sell land to locals. The effect of this on their performance and their relationship with the local people is a good source of further study especially as it is being implemented and its benefits are reaped.

The effects of on-going rebranding of Flamingo Holdings and affiliated companies on their performance as well as the effects of the acquisition on the corporate culture of JFK can also be studied. The process of integration can be studied as a model to be emulated.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

John K Rotich,
C/o School of Business,
University of Nairobi,
P.O. Box 30197 00100,
Nairobi

James Finlays K Ltd,
P.O. Box 223 20200,

Kericho

Dear Sir/Madam,

RE: STRATEGIC RESPONSES BY JAMES FINLAY (KENYA) LIMITED TO COMPETITIVE ENVIROMENT IN KENYA

I am a postgraduate student at the University of Nairobi, School of Business. I am undertaking the above research project in partial fulfillment of the requirements for the award of the MBA degree. I humbly request your permission to collect data in your organization for the research.

The information provided will be treated as confidential and will be used purely for the purposes of the project. The results of the study will be used solely for academic purposes and a copy of the same will be availed to the organization on completion.

Thank you.

John Rotich

Student

Dr. John Yabs

Supervisor

APPENDIX 2: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 30.08.2011

TO WHOM IT MAY CONCERN

The bearer of this letter JOHN KIPLANGAT ROTICH

Registration No. D61/71023/2009

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


IMMACULATE CIMANGI
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDIX 3: INTERVIEW GUIDE

The respondents will be required to respond to the following questions.

Section A: Respondent's Profile

1. Position Held
2. Number of Years of Service at JFK

Section B: Challenges Facing James Finlay Kenya (JFK)

1. Please describe the changes that have taken place, within the last ten years in the business environment which have affected JFK
2. What challenges have these posed to JFK?
3. Please indicate the severity of the following competitive forces in the tea industry on a scale of 1 to 5 with 1 being very low and 5 being very intense
 - Barriers to entry
 - Rivalry in Industry
 - Threat of Substitutes
 - Power of Buyers
 - Power of Suppliers
4. Please indicate the severity of the following competitive forces in the flower industry on a scale of 1 to 5 with 1 being very low and 5 being very intense
 - Barriers to entry
 - Rivalry in Industry
 - Threat of Substitutes
 - Power of Buyers
 - Power of Suppliers

Section C: Strategic Responses

1. Has JFK responded to the above challenges?
2. If yes, describe the responses made.
 - a. Diversification
 - i. Has there been corporate diversification at JFK in the last 5 years? If yes, please describe the nature of such diversification.
 - ii. What were the objectives of the diversification process?
 - iii. How was the process of diversification undertaken?
 - iv. Please indicate the challenges that were faced by JFK during the diversification process.
 - v. To what extent have the objectives of diversification at JFK been met?
 - vi. What is the current status of the diversification exercise?
 - b. Vertical Integration
 - i. Has there been Vertical Integration JFK in the last 5 years?
If yes, please describe the nature of such vertical integration.
 - ii. What were the objectives of the integration process?
 - iii. How was the process of integration undertaken?
 - iv. Please indicate the challenges that were faced by JFK during the integration process
 - v. To what extent have the objectives of integration at JFK been met?
 - vi. What is the current status of the vertical integration exercise?
 - c. Research and Innovation
 - i. Has there been research and innovation at JFK in the last 5 years?
If yes, please describe the nature of such research and innovation

- ii. What were the objectives of the research and innovation?
 - iii. How was the process of research and innovation undertaken?
 - iv. Please indicate the challenges that were faced by JFK during the research and innovation process
 - v. To what extent have the objectives of research and innovation at JFK been met?
 - vi. What is the current status of the research and innovation exercise?
- d. Certification
- i. Has there been certification at JFK in the last 5 years? If yes, please describe the nature of such certification.
 - ii. What were the objectives of the certification process?
 - iii. How was the process of certification undertaken? Please indicate the challenges that were faced by JFK during the certification process.
 - iv. To what extent have the objectives of certification at JFK been met?
 - v. What is the current status of the certification exercise?

Section D: Strategic Fit

- i. Do you consider JFK's responses to competition adequate? If no, what else should JFK do to be competitive?
- ii. In your assessment, does JFK currently possess the necessary capability to adopt aggressive strategies to match the external environmental changes? If no, please indicate the possible means by which JFK can acquire these capabilities

APPENDIX 4: TEA PRODUCTION, EXPORT AND LOCAL CONSUMPTION.

Table 1: The Tea Board of Kenya 10-Year Monthly Tea Production

(Qty in M. Kgs)

MONTH	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
JANUARY	29.2	27.3	32.8	31.1	34.1	17.9	41.6	29.7	25.5	37.7
FEBRUARY	27.8	21.3	23.6	28.1	25.8	11.7	34.8	24.1	21.5	34.8
MARCH	26	21.5	15	28.9	24.8	19.9	32.2	16.9	18.8	39.2
APRIL	24.4	27.9	19.3	29.4	29.1	30.4	30.7	27.4	18.3	35.9
MAY	28.2	24.1	26	28.4	28.8	26.4	32.1	36.4	29.8	35.6
JUNE	19.3	21	19.5	23.9	24	27.7	27.3	22.8	25.3	29.8
JULY	17.4	19.2	18.9	18.6	20.8	23.8	22.7	24.2	21.5	24.4
AUGUST	21.5	18.7	19.9	18.9	21.8	23.2	22.7	24.5	21.2	23.1
SEPTEMBER	22.9	23.1	26.4	23	26.9	28.6	28.9	32	27.4	28.8
OCTOBER	24.5	27.1	31.6	27.4	32.3	34.8	35.2	35.3	32.8	34.1
NOVEMBER	23.6	25.9	27	32	30	31.6	32.3	34.4	35.9	37
DECEMBER	29.8	29.9	32.9	34.6	29.8	34.4	28.8	37.9	36.1	38.3
TOTAL	294.6	287	292.9	324.3	328.2	310.4	369.3	345.6	314.1	398.5

Table 2: The Tea Board of Kenya 10-Year Monthly Tea Export

(Qty in M. Kgs)

MONTHS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011

JANUARY	23	26.3	24.9	28.8	27.3	29.7	35	30.4	34.9	39.2	33.6
FEBRUARY	24.5	24	26.4	26.2	30.6	24.7	31.9	27.9	25.1	37.6	
MARCH	26.6	22.3	30.8	35.2	31.6	20.9	33.4	23.9	33.8	40.2	
APRIL	18.9	25.3	23.4	30.4	27.6	17.8	29.8	35.2	24.8	31.8	
MAY	23	23.3	23.4	29.4	26.5	28.1	33.8	28.8	22.4	31	
JUNE	25	22.6	25.8	22.6	28.3	26.2	32	33	26.9	36.8	
JULY	23	26	26.7	27.2	35.5	29.6	24.7	31.6	32.4	38.3	
AUGUST	22.1	20.2	23.6	24.3	35	30.4	28.3	40.2	25.6	37.7	
SEPTEMBER	16.4	19.2	23.1	28.2	28.6	26.7	21.2	36.6	30.9	43.8	
OCTOBER	19.7	19.3	25.9	22.7	21.3	22.2	21.4	34.1	27.1	27.8	
NOVEMBER	20.1	21.3	25.3	30.4	25.1	31.9	36.4	32.6	30.3	41.5	
DECEMBER	14.7	17.9	26.9	28.4	32.5	25.5	17.9	29.1	28.3	34.9	
TOTAL	257	268	306	334	350	314	345.8	383	343	441	

Table 3: The Tea Board of Kenya 6-Year Local Consumption

(Qty in M. Kgs)

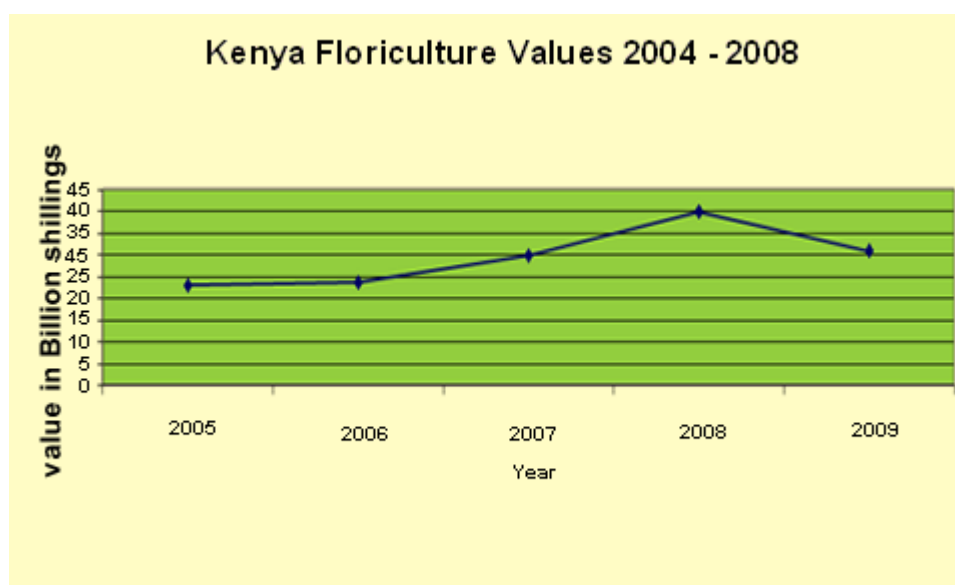
MONTH	2004	2005	2006	2007	2008	2009	2010
JANUARY	1.1	1.2	1.2	1.3	1.1	1.5	1.4
FEBRUARY	1.2	1.1	1.1	1.2	1.1	1.5	1.3
MARCH	1.2	1.1	1.1	1.2	1.1	1.4	1.3
APRIL	1.1	1.2	1.4	1.4	1.5	1.6	1.5
MAY	1.2	1.1	1.3	2	2.1	1.6	1.6
JUNE	1.1	1.2	1.2	1.2	1.7	1.5	1.6

JULY	1	1.1	1.5	1.5	1.1	1.3	1.5
AUGUST	1.2	1.2	1.5	1.6	1.6	1.4	1.6
SEPTEMBER	1.1	1.2	1.5	1.2	1.3	1.4	1.8
OCTOBER	1.1	1.1	1.4	1.5	1.4	1.5	1.6
NOVEMBER	1.2	1.1	1.6	1.5	1.5	1.5	1.7
DECEMBER	1.3	1.5	1.6	1.8	1.9	1.8	1.8
TOTAL	13.8	14.1	16.4	17.4	17.4	18	18.7

(From <http://www.teaboard.or.ke>)

APPENDIX 5: FLORICULTURE MARKET DATA

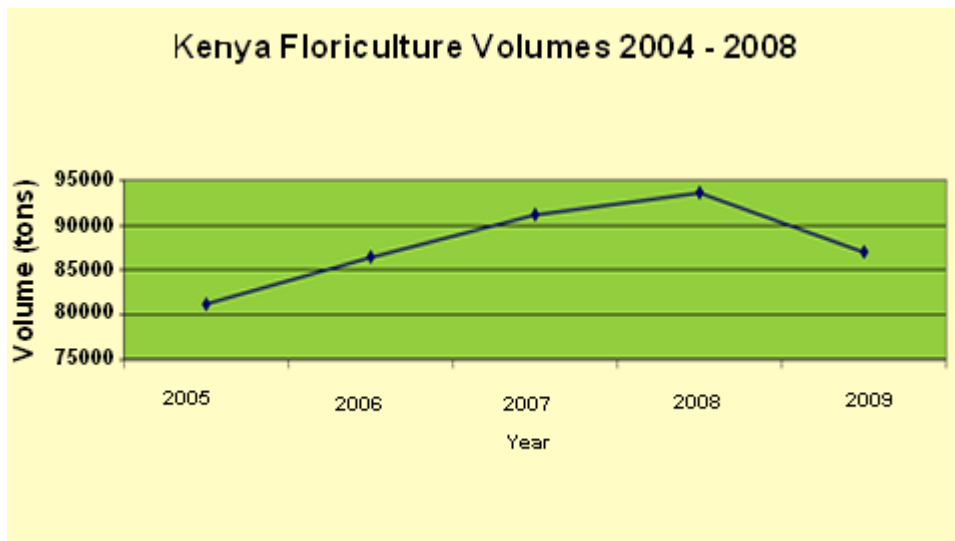
Figure 1: Flower Production Values



(From

www.kenyaflowercouncil.org)

Figure 2: Kenya Flower Production by Volume



(From www.kenyaflowercouncil.org)

Figure 3: Michael Porter Five Forces Model



(Maxi Pedia, 2011)