Strategies for Competitive Advantage in Global Trade: A case study of Kenya Tea Development Agency

Pauline Kerubo Ratemo
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DECLARATION

This management research project is my original work and has not been presented for a degree award in any other University.

Signature _ f j j q W ^ _____ Date

Ratemo Pauline Kerubo

D61/7010/2002

This management research project has been submitted for examination with my approval as a University of Nairobi supervisor.

Signature " Date 6th/11/2009

Name: Dr. Martin Ogutu

Department of Business Administration

School of Business

The University of Nairobi

DEDICATION

This research paper is dedicated to first and foremost to God for seeing me through thick and thin in this life. To my loving mother Hellen Nyagucha for her encouragement and support. To all my family and friends who believe in me, thank you and God bless you all.

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Acronyms and Abbreviations

Common Market for Eastern and Southern Africa

Cut, Tear and Curl

Dubai Tea Trading Centre

East African Tea Traders Association

Food and Agricultural Organization

General Agreement on Tariffs and Trade

Gross Domestic Product

Information and Communications Technology

International Tea Business Conference

Kenya Tea Packers Limited

Kenya Tea Development Agency

Less Developed Country

Research and Development

Rain Forest Alliance

Special Crops Development Authority

Strengths, Weaknesses, Opportunities and Threats

Tea Board of Kenya

United Arab Emirates

Value Added Tax

United Nations Conference on Trade and Development

Working Group on the Interaction between Trade and Competition Policy

World Health Organization

World Trade Organization

ABSTRACT

This paper analyzed the challenges faced when trading tea globally and the competitive advantages that a major player, KTDA, could employ in the global trade. Kenya being an agricultural country needs to sustain agricultural development for economic growth. A lot of the income for small scale holders comes from trading tea. Therefore improved sales can lead to improved lifestyles for the farmers. A country's Gross Domestic Product will also improve leading to overall economic development.

The research method involved a case study of KTDA and the findings were analyzed using content analysis to determine the current challenges faced when trading with tea globally and the competitive advantages KTDA was employing in view of this. Previous studies had shown weaknesses in the management and organizational structure of the company leading to a suboptimum performance in global trade.

The respondents consisted of managers who were interviewed and the information collected from them was checked for accuracy and completeness and then analyzed to arrive at the various conclusions.

The study concluded that the competitive advantages that KTDA entails in its management include quality enhancement and product differentiation strategies. The objective is to maintain an edge over its competitors and also sustain a position as the global market leader.

The findings from this analysis are a guide for policy recommendations and suggested strategies will improve the tea sector and the overall economic development in Kenya, and hence aid in the attainment of vision 2030 given that Kenya is an agriculturally inclined country in terms of production for export. The agricultural sector consists of four major sub-sectors namely industrial crops, food crops, horticulture, and livestock and fisheries. Tea falls under the food crops sub-sector and is a major contributor to export earnings.

CHAPTER ONE i INTRODUCTI ON

1.1 Background

Kenya is a major tea-producer and has more than 110,000 hectares of land for tea cultivation. The main tea growing areas is in the Kenyan Highlands, west of the Rift Valley which have adequate rainfall and low temperatures with altitudes between 5,000 and 9,000 feet (www.ktdateas.com). The bushes are harvested throughout the year with the best quality being produced in January and February and again in July.

World tea trade is dominated by five countries namely; India, Sri Lanka, Indonesia, China and Kenya, India being the largest producer and consumer of tea globally. Tea is a major foreign exchange earner and produces 17 to 20 percent of Kenya's total export revenue (Kinyili, 2003). Kenya became the largest exporter of black tea in Africa and fourth largest in the world. Small scale farmers grow more than 80 per cent of it; the rest is by large-scale producers (FAO, 2002). However, before independence, the cultivation of this crop by the indigenous people was barred by legislation until the dawn of independence.

The majority of the Kenyan tea production is sold through the Mombasa auction with Pakistan, the United Kingdom and Egypt being the biggest purchasers of Kenyan tea. The tie up with Dubai Tea Trading Centre (DTTC) has led it to be the new sales source of bulk of the teas produced in Kenya as compared to Mombasa Tea Auctions. Kenyan teas are now being shipped to this centre which is facilitating sales in these teas through sampling and building awareness (www.teauction. com).

Among other global players, Dubai is emerging as a significant player in the global tea industry and Kenya has the task to come up with strategies in order to create competitive advantages in the tea industry and face the challenges of trading tea internationally. Strategy is concerned with matching a firm's resources and capabilities to the opportunities that arise in the external environment (Pearce and Robinson, 2007). The first step in a formal planning process is determining the business starting by a mission and forming a strategic vision. Defining the

business begins with thinking strategically about the firm's future make up and forming a vision of the firm's future (Thompson and Stickland, 1992).

1.1.1 Concept of Competitive Advantage

Competitive Advantage is where a firm sustains profits that exceed that of the industry average (www.quickmba.com).The aim of many business strategies is to achieve a sustainable competitive advantage over its rivals. A resource based view of competitive advantage emphasizes that a firm utilizes resources and capabilities to create a competitive advantage that ultimately results in superior value creation. In an international business level strategy, the home country of operation is often the most important source of competitive advantage. The resources and capabilities established in the home country frequently allow the firm to pursue the strategy into markets located in other countries (Hoskisson, Ireland and Hitt, 2007).

Resources are the firm specific assets that are useful for creating a cost differentiation advantage and that few competitors can acquire easily. Some of these resources include brand equity, installed customer base, reputation of the firm, patents and trade marks and proprietary skills (Porter, 1986). Capabilities are the firm's ability to utilize its resources effectively and these capabilities cannot be easily documented as procedures and are therefore difficult for competitors to imitate. Competitive advantage is about achieving and sustaining superior business performance and will be reflected in terms of either financial outcome and or balanced score card. Balanced score card may not be in the public domain, so that external measurement of competitive advantage tends to be reflected to financial performance in some way (Ellis and Williams, 1995).

Whether strategy is deliberate or emergent, it is the relative position of a firm and its product within its industry that ultimately determines its success or failure (Porter, 1980). The strengths or weaknesses of the firm's relative position requires understanding of the firm's operations in the context of its industry, that is, the external forces that drive a firm's industry structure, the types of 'generic' strategy that determines a firm's competitive positioning within its industry structure, and the internal organization of the firm as embodied in its "value chain" or its internal

sources of competitive advantage. Companies seeking to develop an international business strategy will wish to build a permanent market position in their chosen international product market. This contrasts with a transient concern in making occasional opportunistic sales to international markets sometimes referred to as the sales approach (Root, 1987).

1.1.2 Concept of Global Trade

According to Daniels, Radebaugh and Erwee (2000), global business involves all those commercial activities between two or more countries. These activities may be undertaken by private companies with a view to profit making or by government organizations in which case there is generally no profit motive. Robock and Simmonds (1989) state that international business as a field of management training deals with the special features of business activities that cross national boundaries. International trade are economic activities involving exchange of goods and services between countries or nations. Its nature is that it involves goods and services, different countries and different traders (Yabs, (2007).

Globalization is the strategy of approaching worldwide markets with standardized products (Pearce and Robinson, 2007). Business has entered the era of the one-world market. Companies are increasingly going overseas to attain sales and profits unavailable to them in their home markets (Ball and McCulloch, 1993). As a result, every firm including those with purely domestic operations is facing increasing pressure from foreign competitors. The increasing internationalization of business requires managers to have a global perspective.The concept of globalization refers both to the compression of the world and the intensification of consciousness of the world as a whole (Roland, 1992). The new form of globalization is an interconnected world and global mass culture, often referred to as a "global village."

Core elements of global trade are; strategic sourcing which is a systematic corporate or institutional procurement process that continuously improves and re-evaluates the purchasing activities of a company. Another is e-procurement which is the counterpart to e-sourcing. This is the electronic implementation of the procurement cycle which is concerned with the requisitioning, receiving, and reconciliation of the received goods as opposed to the analysis, auction, and award that takes place in the sourcing cycle. Purchasing managers use the internet to

find new suppliers, communicate with current suppliers or place an order. While providing a rich base of information, purchasing over the internet is also very efficient (Hutt and Speh, 2007). There is also the supply chain finance which is the optimization of both the availability and cost of capital within a buyer-centric supply chain. Trade document creation entails the creation of the necessary documentation to satisfy import, export, customs, security, safety, port, and carrier requirements. Finally, there is the logistics which involves determining how the goods are going to get from the point of origin to the point of destination, for instance the methods of transportation that are going to be used (www.amazon.com).

1.1.3 Kenya Tea Development Agency

The Kenya Tea Development Authority now Kenya Tea Development Agency was established by the order of 20th January 1964 through a legal Notice No. 42 of 1964 and took over the functions of the then Special Crops Development Authority (SCDA). In 1961, tea was declared a special crop under section 191 of the Agricultural Act Chapter 318 of the Laws of Kenya. Therefore any crop classified as a special crop was placed under the management of SCDA (Sarkar, 1972). KTDA took over the functions of SCDA to promote and foster the growing and development of tea growing among the indigenous tea fanners (www.ktdateas.com). KTDA's objectives are to foster and promote the country's tea growing amongst the small holder tea growers.

June 2000 saw the incorporation of the Kenya Tea Development Agency (KTDA) as a private company to replace the Kenya Tea Development Authority. This was a management step of small holder's tea growers through the provision of extension sendees, green leaf collection, production inputs and processing and marketing of processed tea on behalf of the small holders (KTDA, 2008).

KTDA's mission is to promote effective management services to the tea sector for efficient production, processing and marketing of high quality tea for the benefit of farmers and other stakeholders. KTDA's vision aims at being the best Tea Management Agent in the production, processing and marketing of high quality tea in Africa and beyond. After the remarkable growth in the tea industry over the years, the success in the development of the small holder sector began

to slow down in the 1990s which saw a reduction in the tea yields far below those of the estate sector. The factors leading to decline in yields included factors such as low levels of fertilizer usage, poor husbandry practices and poor management of factories. The government stepped in to improve the situation in 1997 in a series of changes to liberalize the small holder tea sector. This necessitated the restructuring of Kenya Tea Development Authority to Kenya Tea Development Agency in the year 2000 (www.ktdateas.com).

KTDA has subsidiaries and managed companies namely Majani Insurance Brokers Ltd which caters for KTDA Insurance concerns, Chai Trading Ltd which is a wholly owned subsidiary of KTDA based in Mombasa and KTDA Farmers Company Ltd owned by small scale tea growers. The KTDA is among the 16 members of Tea Board of Kenya (TBK) which was established in 1950 under Tea Act Chapter 343 of the laws of Kenya. TBK is mandated to control the tea industry through licensing of tea growers; licensing of tea factories; regulating, controlling and improving tea cultivation and processing; controlling pests and diseases; controlling tea marketing; controlling investigations as regards tea; disseminating information relating to tea and advising the government on all policy matters regarding the tea industry through the ministry of agriculture. KTDA therefore is a direct communication channel between the farmers and the government. In addition it markets their produce through KTDA which acts as an umbrella body, who is in charge of collecting, processing and selling of processed leaves (KTDA, 2008).

1.2 The Research Problem

Given KTDA's main competitors in tea trade, India and Sri Lanka, there is need for KTDA to examine its strengths and weaknesses, build on its advantages in order to be the global market leader. If it fails to do so it will loose customers to emerging producers like Vietnam, Nepal, Malawi and Rwanda, who are aiming at Kenya's traditional markets.

KTDA has yet to aggressively market its tea and take that advantage of adding value to its teas. KTDA is facing this challenge as it continues to sell most of its tea in bulk form. Exporting in bulk however does not establish confidence in a product because people will pay for the security of having a reliable brand (Spencer, 1998). The company attempted to develop a brand with an

aim of pushing it into the international market but the idea seems to have stalled due to high costs involved in promoting it in key markets in Europe. In fact, Ketepa had conflict of interest in terms of KTDA indulging in selling of loose teas at their premises and yet they own the premises (Kenei, 2006). One therefore wonders whether they have serious strategies for giving competitive advantage in global trade. It is necessary to look at the strategies they are using and challenges they are encountering.

Prior studies of Kenyan tea have focused on improving Kenyan tea production which narrowed down to the use of Porter's generic strategy at Ketepa by Kenei (2006).The researcher focused on generic strategy to improving tea production. Biegon (2007) research focused on value addition to Kenya's tea. This study however expounds on the strategies for competitive advantages that the tea industry can employ to deal with its present challenges through KTDA for global trading. This research therefore seeks to address the following questions. What challenges are faced in trading tea internationally? What strategies has KTDA adopted to gain competitive advantage in the global market?

1.3 Research Objectives

The research objective will be to:-

i) establish the challenges that KTDA is facing when trading with tea in the global market.

ii) determine the strategies KTDA has adopted to gain competitive advantage in global trade.

1.4 Importance of the Study

The study will benefit KTDA through the recommended competitive advantage strategies and policies such as having a full - fledged research and development centre that focuses, for example, on the branded business. ..Another example is re-introducing external bodies to control KTDA for the purpose of checks and balances to remove political interference.

The government will also benefit because tea is an important agricultural sector that earns the country foreign exchange and hence improves the GDP. Under the economic pillar, the

agricultural sector has been identified as a priority sector for attainment of vision 2030. Kenya has favorable weather and fertile agricultural land to meet this goal.

Kenyans will also benefit through creation of employment opportunities from the good performance attained from the sub sector given that a large percentage of tea production is from small scale farmers who are mostly in the rural areas. KTDA deals mainly with small scale farmers who get their income depending on the weight of kilograms produced.

CHAPTER TWO: LITERATURE REVIEW

2.1 Competitive Advantage

The state of competition in an industry depends on five basic forces. The collective strength of these forces determines the ultimate profit potential of an industry. These forces include: Threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and sendees and rivalry among existing firms (Porter, 1985). The firm's resources and capabilities together form its distinctive competences. These competences enable innovation, efficiency, quality and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage. Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm can position itself in the industry' through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy (Porter, 1980). This is illustrated in the diagram below.

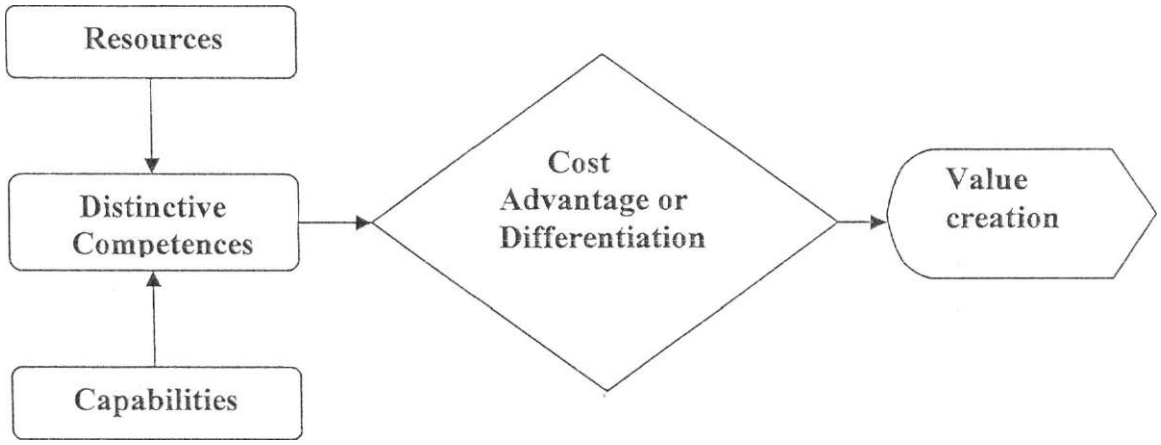

Figure 1: A Model of Competitive Advantage
Source: www.quickmba.com

The competitive advantage model is also known as the market opportunity analysis model. The main aim of the model is to enable a firm to enter foreign markets that are a viable market

opportunity for the firm, that is, the firm is likely to have a competitive advantage. The first step in the model analysis is to identify foreign market business opportunity as represented by the unsatisfied needs in the foreign market. The next step is to determine the specific success requirements of the foreign market business opportunity whereby the resources that are required to effectively exploit that opportunity are identified. "Social embeddedness" or the ability to create competitive advantage based on a deep understanding of and integration with the local environment could be considered (London and Hart, 2004).

Thirdly, the firm's core competences are determined. These are activities or things that the firm can do better than others. The main question here is how well the core competences match the success requirements of the foreign market. Normally the resources and capabilities lead to core competencies. Core competencies may include technological know-how. According to Sundaram (2000), technological development is a support activity of the value chain which revolves around know-how and the tools or equipment related to the exercise of that know-how. The last and fourth step is where the firm determines the distinctive competences regarding the foreign market business opportunity. The firm's distinctive competences should match the success requirements much better than its potential competitors meaning that it has a competitive advantage in the market.

A firm can analyse the above using the Strengths Weaknesses, Opportunities and Threats (SWOT) analysis before selecting a potential market location. This is because the strengths of a firm in relation to its resources should be analysed to determine if they are easily available at a cheap cost (Pearce and Robinson, 2007). Externally, we have to identify the industry attractiveness and trends and the characteristics of the major competitors. This generates opportunities and threats to be reckoned with (Hax and Majluf, 1991). Distinctive competences are identified and analyzed so that the firm can establish if they will have a cost advantage or differentiation advantage. If no differentiation exists then competitors will serve as a threat to the firm. However a firm can have capabilities such as specialized labour which leads to differentiation in terms of product or service delivery and hence ultimately value creation.

Superior value is created through lower costs or superior benefits to the consumer (Porter, 1980).These become a feasible opportunity for the firm in the foreign market.

For the first thirty years of the century, success went to the firm with the lowest price. Products were largely undifferentiated and the ability to produce at the lowest unit cost was the secret to success (Ansoff and McDonnel, 1990). In contrast to the early thirties, the new secret to success has shifted to a marketing orientation. This has meant a shift from the internally focused introverted perspective to an open extroverted one. In view of this, there is a call for differentiation strategy which involves competing by offering goods or services that customers perceive to be unique in ways that are important to them. Focused differentiation strategy involves competing in a specific niche by serving the unique needs of certain customers or a specific geographic market (Helldriegel, Jackson and Slocum, 2005). Cost leadership strategy means competing by providing goods or services at a price as low as or lower than competitor's prices while the focused cost leadership strategy refers to competing in a specific customer or geographic niche by providing goods and services at a price as low or lower than competitor's prices.

In order for a firm to have competitive advantage or edge over its competitors, managers should have a proactive approach in expanding the firms internationally. Proactive measures include measures such as taking advantage of lower tax rates through trade tariffs. It can also do so by making use of the excess resources that exist in that country including excess capacity like human labor (Plunkett, 1984). A firm can also use incentives such as cheaper fertilizers offered in the home country. A firm can also take advantage of lower costs in other countries by delegating some of the production activities to those countries with lower costs of production. Maintaining flexibility in the product and the business model can allow local entrepreneurs who are more familiar with local culture and customer needs, to innovate proactively (von Hippel, 1998).

Other proactive measures include increasing power and prestige by promoting an international image through an effective public relations strategy. This has a positive impact on the domestic

and international market including stakeholders. Another measure which may have ethical debate is by protecting the home market by taking offense in the competitor's country. A strong offense will have the possible result of having the competitor pull back from foreign activities to protect its self at home. Finally, the synergistic proactive measure can be used whereby certain markets offer synergistic advantages so that when operations are extended to these markets, they provide opportunities to combine benefits from different locations (Chan, 2001). This can be done in such a way that the total value far outweighs the sum of the benefits that would accrue if business in each of the locations were dealt with in isolation of the other locations. This means that particular operations may be widened to other locations without incurring as much expenditure.

2.2 Global Trade

The width of a firm's international involvement is important in determining whether a firm is globalised or not. The depth of such involvement is also important because globalised firms usually operate in foreign markets through foreign direct investment which represents the greatest involvement in foreign markets. The global marketing concept views an entire set of country markets as a unit, identifying groups of prospective buyers with similar needs as a global market segment and developing a marketing plan that strives for standardization wherever it is cost and culturally effective. This means a company can have a standardized product but country specific advertising (Cateora, 2004).

An extremely important consideration in any economic integration for all firms is the potential economies of scale which may be realized by various companies as their sales increase (Farmer and Richman, 1966). Economic integration is concerned with the removal of trade barriers or impediments between at least two participating nations, and the establishment of cooperation and coordination between them.

Global economic integration also occurs through "multilateral cooperation" in which participating nations axe bound by rates, principles, or responsibilities stipulated in commonly agreed upon agreements which may be designed to govern general trade, service, and

investments. Barriers to international trade and investment have been considerably lowered since World War two at the multilateral level through international agreements such as the General Agreement on Tariffs and Trade (GATT). Particular initiatives, carried out as a result of GATT and the World Trade Organisation (WTO), for which GATT is the foundation, have included promotion of free trade of goods by reduction or elimination of tariffs and construction of free trade zones with small or no tariffs. WTO represents a series of negotiated understandings regarding trade and related issues among the participating countries (Hellriegel et. al, 1995). Other initiatives include promotion of capital through reduction or elimination of capital controls, and reduction, elimination, or harmonization of subsidies for local businesses. The Intellectual Property Restrictions harmonizes intellectual property laws across nations and supranational recognition of intellectual property restrictions in global trade.

According to Fugazza (2004), export performance is determined by both internal and external factors. Exports demand is influenced by income of trading partners, relative price or the terms of trade and the exchange rate. While on the export supply side, it depends on domestic absorption and domestic price level. Developing good relationship with information providers such as embassies or chambers of commerce is essential for success in global trade.

Global trade reforms have significant potential to generate additional trade opportunities that could lift a large number of people out of poverty, in the process helping to achieve the Millennium Development Goals. Pvelative to the status quo (no multilateral reforms), World Bank research suggests an additional 140 million people could be lifted out of extreme poverty as a result of an ambitious set of Doha-WTO reforms if Africa, East Asia, south Asia, and Latin America were each to increase their share of world exports by one percent (World Bank, 2003).

2.3 Challenges of Global Trade

The global environment variable is very important and needs to be understood before any considerations are made in global management. The environment variable is the main determinant of the difference between domestic business and international business. The major forces in the international business environment are the economic, political-legal and the social-cultural. The factors involved in each of the above environmental variables can either impede international business operations depending on their particular disposition or promote international business which may be favorable or unfavorable to the foreign business. The growing discontent of the world's poor can no longer be easily ignored by the global institutions and companies (Stiglitz, 2002). Global firms and institutions are therefore increasingly being expected to consider the societal and environmental impacts of their activities (Soros, 2002).

Although industries can be characterized as global or multi domestic firms, few "pure" cases of either type exist. A global firm competing in a global industry must be responsive to some degree, to local market conditions. Similarly, a global firm competing in a multi domestic industry cannot totally ignore opportunities to utilize intra corporate resources in competitive positioning. Thus each global firm must decide which of its corporate functional activities should be performed where and what degree of coordination should exist among them.

According to Johnson and Scholes (1999), external and internal analyses are conducted so as to match environmental opportunities and threats with resource based strengths and weaknesses. An integrated understanding of the external and internal environments is essential for firms to understand the present and predict the future. As shown in the illustration, a firm's external environment is divided into three major areas; the general, industry and competitor environments (Hoskisson, et.al 2007).

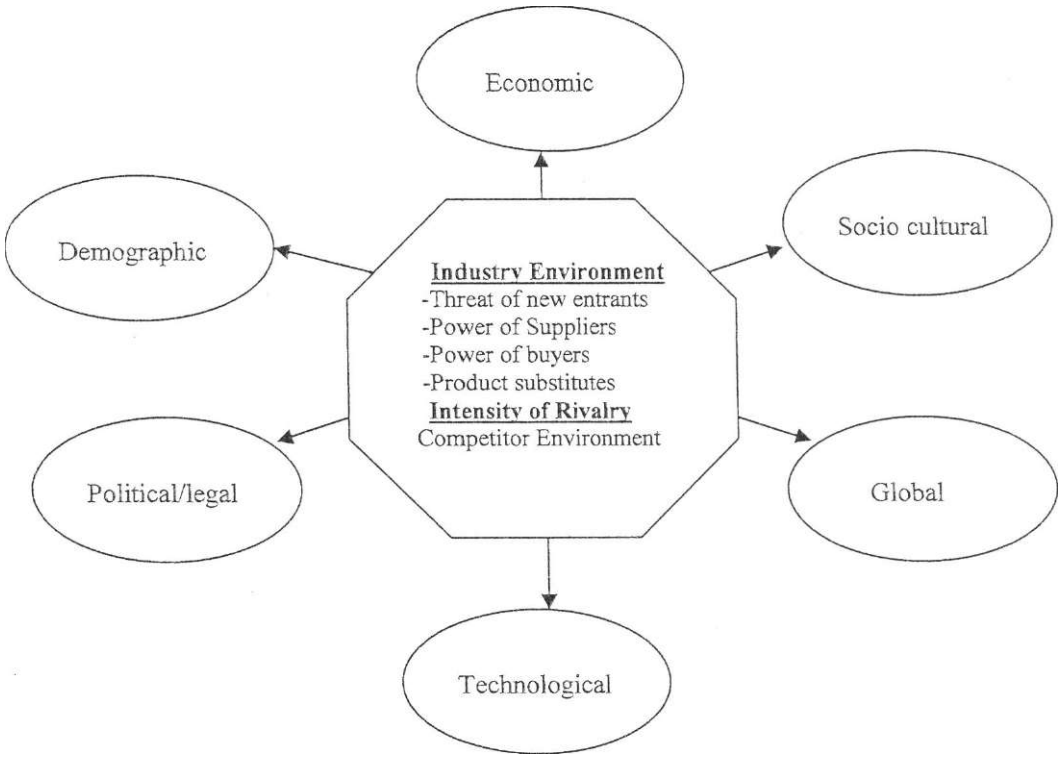

Figure 2: The External Environment
Source: Hoskisson, Ireland, Hitt. *Management of Strategy Concepts and Cases* (2007 p.3 5).

The major components of the international economic environment trade factors include balance of payments, exchange rate and international groupings. A weak exchange rate for example poses as a global trade challenge because few countries will be willing to trade with a country whose exchange rate is low because of the low returns that will be experienced compared to the home country. According to Deresky (1997), a country's ability or intention to meet its financial obligations determines its economic risk. Most industrialized nations pose little risk of economic instability whereas Less Developed Countries (LDCs) pose more risk. According to Porter (1980), economic impediments include transportation and storage costs, differing product needs, established distribution channels, sales force, local repair, sensitivity to lead times, complex segmentation within geographic markets and lack of world demand.

The political-legal environment is the outcome of the national and international political climate, for example, the political-legal factors that a Kenyan international firm would encounter will be as a result of that foreign country's political climate as well as the international political climate

which can impinge on the business undertakings. Political climate is the likelihood that a government will swing to the far left or far right politically (Hellriegel et. al, 1995). It is therefore very important for the firm to contemplate the country of choice's capitalistic, nationalistic, socialistic or non-democratic disposure.

According to Deresky (1997), an international firm must conduct some form of political risk assessment either by consultation with experts familiar with the area and development of internal staff capabilities. Political risk can be managed through for example political risk insurance which provides coverage for new investments in friendly LDCs. However in a number of countries, consistency and stability that were apparent on the surface have been quickly swept away by major popular movements that draw on the bottled-up frustrations of the population (Czinkota and Ronkainen, 2007).

The laws of the country also act as a challenge for example the antitrust laws which intend to maintain free competition by limiting the concentration of economic power in one or a few firms. Copyright and patent laws vary between countries and a real problem for any complex firm is to protect such rights for its international operations (Farmer et al., 1966). There could also be laws regarding product promotions and pricing in that particular country which need analysis before engaging in business, as well as international and regional laws such as international standards organization which will need to be studied.

Managers must be aware of the legal systems in foreign countries because they differ in various countries. Both totalitarian and democratic countries have legal systems but the independence of the law from political control may differ markedly from one to the other (Hough and Neuland, 2000). Some totalitarian systems notably that of China, are not well equipped to deal with market economies in a legal sense, primarily because their legal system does not provide for issues that arise in such an economic environment.

Demographics are also important where data on the population characteristics is selected with the view of determining the marketing strategy to be used based on its size, growth, density and distribution. The social-cultural factors are marked in the people's way of life. The most

significant challenge for firms therefore is the ability to adjust to a workforce of varied cultures and lifestyles and the capacity to incorporate cultural differences for the benefit of the company's mission (Pearce and Robinson, 2007). Social factors include social organizations such as kinship, common territory and special interest groups, all which can offer or limit opportunities for business in the society and also dictate how business operations can be successfully carried out. Cross - cultural clashes have caused people to retreat into their company groupings, with little informal interaction across company lines The task of the global marketer is to recognize both the similarities and the differences and incorporate this perception into the working planning process so that strategies, products and marketing programs are adapted to significant important differences (Keegan, 1998).

Some of the major challenges faced in technology are the transfer of technology either formally or informally. Some of the factors to consider are that technology should be adapted to local conditions and this often possess as a major challenge in international trade because it often involves adaptation to factors that are often contradictory to the firms policies. During transition periods, control becomes infinitely more difficult, because an unknown rate of change is super imposed on an unknown pattern of random variations (Ingham, 1971). Sometimes performance requirements at the transfer location may be even more challenging. The costs of the various input elements for the production process may also vary from market to market.

Where external sources of technology are external to an industry, technological lead is generally more difficult (Porter, 1985). External technology sources decouple a firm's access to technology from its technological skill and R and D (Research and Development) spending rate because many companies can get access to external developments. To be a technological leader, the * strategy is to capture the best of those sources through coalitions or exclusive arrangements in order to sustain their lead or have a superior ability to adapt externally developed technology to the industry. An example is Global satellite communications have made it possible to access vital information on a worldwide basis at an unprecedented speed (Edosomwan, 1989). According to UNCTAD (2003), Africa's difficulty m breaking into trade in market dynamic products is also related to significant changes that have occurred in recent years in information technology in

agricultural products. Structural changes in information technology have increased the premium on accurate market information, timely delivery and packaging which have become critical for gaining competitive advantage in global markets.

The global environment also poses as a challenge because the firm has to conform to the global environment in international trade given that there are certain global standards that the firm will have to adhere to. A company may contend with a transnational strategy whereby the firm seeks to achieve both global efficiency and local responsiveness and which also requires building of a shared vision and individual commitment through an integrated network. A transnational model is the predominant view of global strategy and focuses on global integration, national responsiveness, and worldwide learning (Bartlett and Ghoshal, 1989).

Wagacha (2000), states that the measurements of the sources of Kenya's export growth failures indicate the sources of decline in failure of export diversification, failure to maintain competitiveness and failure to diversify markets. Kenya still faces a major challenge with regard to changing consumer demands especially with regard to food safety, socio-economic and environmental concerns of the production system (Songa and Gikonyo, 2005).

2.4 Competition in Global Trade

According to Kotler (2001), competition includes all the actual and potential rival offerings and substitutes that a buyer might consider. Competition is therefore all about value, creating it and capturing it. Individual businesses have always been faced with a range of competitive market conditions which threaten their survival. In many cases, requirements for improved environmental performance are perceived to add to this threat. Companies which respond to this challenge will see themselves at the forefront of industry, developing new products in new markets and gaining a competitive edge over their competitors (Welford and Gouldson, 1993).

Global competition requires competitor analysis. Competitor analysis starts with identifying current and potential competitors (A'aker, 1998). One first examines the perspective of the customers who must make choices among competitors. This approach groups competitors

according to the degree they compete for a buyer's choice. The second approach attempts to place competitors in strategic groups on the basis of their competitive strategy. After competitors are identified, the focus shifts to attempting to understand them and their strategies through an analysis of the strengths and weaknesses of each competitor or strategic group of competitors. Competition analysis may be difficult because data on foreign firms are generally less available and may involve institutional considerations that are hard for outsiders to understand such as managerial structures. However, the use of proven strategy methods can be used to regularly produce findings for business clients (Craig and Bensoussan, 2002).

The biggest single problem in international planning is the lack of efficient and good competitive information. There is therefore need for 'competitive intelligence'. The term 'competitive intelligence' is any information obtained from sources external to the firm that can help improve the firm's performance (Heidi and Lawrench Wortzel, 1997). A company has to have a new competitor assessment through, for example, talking to competitor's customers and distributors, test competitors products and stop at competitor's exhibits at trade shows (Ball, et al., 1993). To have prior knowledge is to be forearmed in global competition. Without knowledge about the competitor's strategies in use and products in circulation, a company will lack the idea of how to aggressively attract the customers in the market by having the customers prefer their products and services compared to the competitor's.

The majority of (WTO) member countries (both developed and undeveloped) already have competition laws, such as antitrust or anti-monopoly laws that regulate or prohibit such things as price fixing, mergers, and vertical agreements. However, others do not have such regulatory policies, and no body existed to oversee competition standards internationally (World Bank, 2003). As a result, the WTO Working Group on the Interaction between Trade and Competition Policy (WGTCP) was created, and began meeting in 1997. The group's mission is to simply explore and analyze the link between competition and trade, without venturing into policy proposals about how to curb anti-competitive behavior in order to increase trade.

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Although most members have accepted that there is a strong relationship between trade and competition, there is a great deal of controversy on whether or not measures should be taken to

create a multilateral set of rules governing competition regulation. This issue is particularly complex because the absence of antitrust or other competition policies can affect markets not just in the home country, but also in other countries as well. Developing countries are actually at odds on the issue competition policies because some developing countries fear that large, multinational corporations, which tend to be headquartered in developed nations, will expand into their domestic markets and threaten the young and growing domestic firms. Many developing countries also disagree with multilateral competition measures because they view them as too intrusive; they believe that competition policy is something that a government should create at its own discretion because such policy depends on a country's unique market conditions. Finally, some developing countries are reluctant to add more issues to the agenda of the WTO before existing ones can be resolved (www.cid.harvard.edu).

A firm that competes globally should consider what (if any) recourse should be taken should it be shrinking firm in a shrinking industry in order to have temporary relief from global market pressures, from normal competition policy and from creditors repayment schedules. A firm should have a number of strategic recourses if it is to remain in the global market competition. A firm should also check how easily it can abandon weak product lines or sell them to other firms. Sometimes the past success of a company is attributable to a single product, whereas future success in the industry must be built upon an ability to develop new products (Newman, Logan and Hegarty, 1989). In order for a firm to be ahead of its competitors, it should have strong product lines and have a degree of autonomy in the production process and in access to raw materials.

Other factors to consider are how well a firm works its intellectual property. It should also analyze whether its favorable market position in current technology or product varieties allow it to slow down its own innovations or that of its rivals. The firms should consider the optimal amount of protection that can be given to intellectual property to encourage the right amount of innovation. According to Graham and Richardson (1997), a firm should consider how easily outsiders can purchase enough equities to gain control of the firm and alter its basic decisions (free entry in the market for corporate control). Therefore international firms are becoming

competitors, seeking to match the competition, not to avoid it. Their strategies are determined in the light of assessing the plans of the competition and matching them (Brooke, 1992).

Global competitors have to be confronted with issues such as industrial policies where the government industrial policy can shape the company's goals and provide R and D funds thereby influencing their position in global competition. In systematic competition, it may be necessary for firms to make defensive investments in particular markets and locations so as not to let competitors reap advantages that can be factored into their overall global posture (Porter, 1980).

2.5 Strategies for Competitive Advantage in Global Trade

In order for any firm to prosper and sustain its business in the global business environment, a firm must be competent in how to apply its strategies in order to compete globally. There are various strategies for competitive advantage in the world market but the main ones for gaining competitive advantage in the global market are worldwide integration strategy, the national responsiveness strategy, the national focus strategy, the administration coordination strategy, co-opetition strategy, broad-line global competitive strategy and the protected niche strategy.

A global competitive strategy is a strategy a firm employs to maintain an advantage over its international competitors for example access to the wealthy top of the pyramid or poor bottom of the pyramid in an economy. Internationalization, or the modifying (national responsiveness), leveraging (global efficiency), or sharing (worldwide learning) of existing products or resources within firm boundaries will allow multinational corporations to overcome liabilities of foreignness in serving the wealthy top of the pyramid (Buckly and Casson, 2002). It is worthy noting that it might be appropriate to develop strategies for rising middle class and poor farmers (Hart and Milstein, 1999). Hence entry into the base of the pyramid markets requires a global capability beyond the adoptive skills of national responsiveness or the centralized control of inherent global efficiency.

Under the worldwide integration strategy, the firm assigns certain countries as the places where certain activities of the firm are performed. Successful worldwide integration incorporates business strategies that rely on leveraging the strengths of the existing market environment

(London, et al.2004). The choice of the country where the activities will be performed will depend on the cost advantage based on the cost benefit analysis where by the cheaper country will be delegated. This strategy ensures that the firm's activities are integrated worldwide and offers a standardized product globally. The main benefit of this strategy is that the firm will enjoy economies of scale arising from the various sources and therefore the products unit cost will be low. When the cost per unit of output depends on the size of an industry rather than the size of an individual firm, the industry of that country may produce at low costs than the same industry that is smaller in size in other countries.

The national responsiveness strategy is a strategy that sets up subsidiaries in other countries but allows the subsidiary autonomy in their operations. This strategy allows for quick response to differing preferences and regulatory changes across the countries. In this strategy, there is need to understand different consumer tastes in segmented regional markets and different national standards and regulations imposed by autonomous governments and agencies (www.cob.sjsu.edu). Four categories of national attributes that contribute to or distract from the creation of competitive advantage for the firms of that nation include factor conditions such as raw materials, demand conditions, related and supporting industry firm strategy for example opportunities are available for sharing value in their activities, structure and rivalry, chance, for example major technological breakthroughs, and finally government factors, for example, fiscal policies (Keegan, 1998).

The administration coordination strategy is a strategy that combines both worldwide integration and national responsiveness strategy. This strategy allows for firms which are neither entirely global nor multi domestic to develop the ability to integrate globally and at the same time to be locally responsive. Trade-offs between countries, flexibility across countries and flexibility within countries while concentrating on internal efficiency is paramount to the successful implementation of this strategy. However it is difficult to implement due to the rationalization that is required between the two trades-offs because in most cases internal inefficiency occurs (Foss, 2006).

The national focus strategy unlike the national responsiveness strategy focuses on a few particular national markets and tries to surpass the global firms by focusing low costs or product differentiation within these few markets. A national sustainable development strategy should build on existing strategy initiatives such as a national conservation strategy, environmental action plan or development plan, or a sectoral or sub national strategy. Only in exceptional circumstances will it need to start from scratch (www.nssd.net).

The co-opetition strategy is one where firms cooperate rather than compete with one another. This co-operation takes various forms such as strategic alliances, mergers, consolidation or joint ventures. Mergers are combinations of two companies where the acquiring company assumes the assets and liabilities of the merged company. The merged company goes out of existence. Consolidation of companies entails two or more companies come together to form an entirely new company where all the combining companies are dissolved. Strategic alliances are cooperative arrangements between two or more companies where partners in an alliance seek to add to their competencies by combining their resources with other firms with a commitment to attain a specific goal. A joint venture is an agreement which results in the formation of a new company in which the parties have shares. Ventures facing challenging new environments usually need to turn to partner organizations for missing resources and expertise (Eisenhardt and Schoonhoven, 1996). This means that the international firm has an equity position and management voice in the foreign firm.

The notion of "capacity building" is at the heart of the preferred strategic thrust in the cooperation strategy. Capacity building is seen as both a means and an end in the process for strengthening governance (Abbou, 2002). According to Nalebuff and Bradenburger (1996), under co-opetition, imitation is the bugaboo of business strategy if the goal is to secure "competitive advantage"- to do better than others. However imitation is harmful because it erodes the firm's initial gains.

Broad-line strategy is whereby a firm competes globally by offering a wide range of products in a given industry. These products will reach a wider market given that consumer preferences are varied from location to location. Broad-line global competition is directed at competing

worldwide in the fall product line of the industry, taking advantage of the sources of global competitive advantage to achieve differentiation or an overall low cost position (Porter, 1980). The importance of a fall line of products depends on both customer buying habits and the appeal the company elects to stress (Newman et.al, 1989).

Another strategy is the protected niche strategy where governmental protection is sought from competition in certain countries in order to gain competitive advantage. This strategy is advantageous for developing countries although it more so isolates a firm from competition than giving it a competitive advantage because of focusing on a particular consumer needs thereby 'sheltering' it from other competitors. Research has identified a number of ways in which so-called 'non-dominant companies' find their niches. One outcome has been the identification of four strategies used by non-dominant companies which are; extension to less competitive markets, transfer of technology, segmentation of primary markets and reconfiguration of traditional business (Brooke, 1992).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was conducted through a case study design. The data was collected from one study unit only. KTDA. This design allowed for in-depth exploration of the targeted issues and the data collected was therefore qualitative in nature. The research sought to establish the strategies for competitive advantage in global trade that KTDA could employ to improve its current position.

3.2 Data Collection

The data collected was primary data by nature. A semi-structured interview guide was used which consisted of both open ended and closed questions. The interview guide was divided into three parts whereby Section I was designed to obtain general information on KTDA. Section II was designed to collect data on the challenges KTDA was facing in global trade. Section III was designed to establish the competitive advantage strategies KTDA was employing in it operations. The interviews were carried out by the researcher on five senior managers in the organization.

3.3 Data Analysis

The data was analyzed using content analysis. This is an unobtrusive means of analyzing communication and it is useful for ease of reference and inference by any recipient of the study. The method also protects against any selective observation of the subject matter and is therefore valid and reliable. It is also open to computerization for text analysis and model building. The data analysis involved counting, which entailed developing thesauruses so that different terms with like meanings were counted under the same construct. Proper contextual valence was assigned to each counted construct. The unit of analysis was established either by word, meaning, sentence, paragraph, article, news clip or document.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter outlines the data analysis carried out on a qualitative data. The objective of the study was to determine the strategies for competitive advantage in global trade by KTDA. Data was collected through interviews with managers of KTDA. A total of five managers were interviewed. The data was analyzed through content analysis which sought a qualitative description of the content of message between the researcher and the respondents of KTDA. The strategies for competitive advantages employed by the firm focus more on the Kenyan market. Such strategies include training agricultural extension officers, supplying fertilizers on credit terms to the farmers and hand picking tea leaves for quality tea. There is need to improve on the current strategies in order to compete with the global market leaders. KTDA has not partnered with any foreign firms to expand tea trade abroad. It exports tea in bulk through the Mombasa auction.

4.2 Challenges faced by KTDA in Trading Tea Globally

KTDA has faced challenges in applying its competitive advantages. One of the challenges encountered is that the buyer groups in the KTDA market are powerful when they buy in large volume. This is a challenge because KTDA does not have many options as to where sell the tea bulk but at the Mombasa tea auction therefore the buyers control the prices they pay. The prices paid fluctuate and the buyers can bring the prices down drastically. KTDA therefore has a challenge in the application of cost advantage for gaining a competitive edge in the global market.

The ability of the staff in understanding and applying the competitive advantage strategies needs a continuous staff training to update the employees on the importance of the global strategies which need constant review because of the erratic global trade environment. Training means more allocation of funds and careful planning on the calendar schedule. The staff training program is not only for promotion or reward for hard work but for the overall competitive advantage of the firm and capacity building in terms of human resource development.

Value Added Tax (VAT) is a challenge KTDA contends with because if the price increases due to added tax, the affordability of the tea will depend on the purchasing power of the individuals. Most of the global populations are in the lower pyramid where their purchasing power is reduced due to economic factors. This is the target population and therefore the tea packers association has been lobbying for tea to be exempted from tax (zero rated) as one of the government incentives in order to increase the affordability of tea and raise the market share.

Political interference is a local challenge which KTDA has grappled with for some time in trading tea. There has been political salvaging whereby for instance in wanting to get the best price for tea, political interests have funded Tea Board of Kenya (TBK) and empowered it to market tea with the belief that this will fetch more money and benefit the farmer. Globally, the political climates in countries in the Middle East have also hampered global trade due to wars and political tensions.

Entry barriers to global trade pose as a challenge to KTDA. Issues such as strict requirements by the government in the issuance of trade licenses have made it tedious to enter the global market where there have been requirements to partner with the locals. There are also high costs of production in global trade which has made it a challenge in keeping up with the global standards in quality production.

4.3 State of Competition in the Global Tea Industry

The state of competition in the tea industry was found to be stiff. KTDA is mainly producing tea in bulk whereby other competitors are producing value added tea. The other reason for stiff competition in the industry is that the competitors are normally able to offer lower prices for their products which are also highly differentiated. Upcoming global competitors such as Vietnam, Afghanistan and Eritrea are rapidly gaining a niche in the global market because of branding their tea.

4.4 Competitive Advantage Strategies Adopted by KTDA

The main competitive advantage strategies that KTDA uses are the product differentiation strategy in the production of specialty teas (orthodox teas), green and pink tea, which the company has identified as the favorites of mainly Arabic countries and European markets such as Poland. They have maintained the old global market niche of customers in the United Kingdom, Pakistan, Egypt and Sudan who still prefer black or white tea. KTDA holds the traditional markets through customer loyalty skills and quality enhancement. The company's mission and vision statements centre on quality enhancement whereby the company's objective is to provide quality tea to its customers and maintain an edge over its competitors. Other competitive advantage strategies used are accessing global competitor information through strategies such as marketing intelligence by use of the research, business development and marketing departments.

The Information and Communication Technology (ICT) team advises on changes and adoption strategies on the use of technological advancements such as fiber optics and satellite dishes for fast global communication. In market diversification strategy, tea outlets or tea shops are available to show case and sample tea products. Innovations through the R and D department of tea clones have led to varied tea output for competitive advantages. The buyers in the market have full market information and this enables the predictability of the market behavior therefore enabling planning and forecasting future market trends.

KTDA has taken the advantage of the distinctive competence of availability and supply of the raw tea whereby the small sale farmers have been encouraged to produce more through incentives such as bonuses at the year end and the introduction of electronic weighing machines for accurate measurements of plucked tea. Most of the factories are located at strategic points for easy access to the tea farms.

Other competitive advantage strategies used by KTDA include membership of trade organizations such as East African Tea Traders Association (EATTA), International Tea Business Conference (ITBC), Rain Forest Alliance (RFA) and Fair Trade. The advantages of

belonging to such an organization include availability of premium tea prices and ease of negotiations and trade with member countries.

4.4.1 Application of Competitive Advantage Strategies

The competitive advantage strategies are applied are shown in the table below:

Global Competitive Advantage Strategy	How the strategy is applied
Product differentiation	Through specialty teas
Affordable product costs	Cost cutting measures through cheap fuel use
Value addition	Mainly performed by KETEPA
Favorable trade conditions	Member in international trade organizations
Reliable supply of raw tea	Incentives to small scale farmers
Technological advancement	Use current technology in communication
Human Resource capacity building	Staff training

Figure 3: Global Competitive Advantage Strategies Applied by KTDA
Source: Author's interviews

The competitive advantage strategies that are applied to a "very great degree" tending to "a great degree" include product differentiation, reliable supply of raw tea, technological advancement and affordable product costs. Those used to a lesser degree include human resource capacity building and seeking favorable trade conditions. Value addition is applied to a small degree.

4.5 Reasons for Adopting Competitive Advantage Strategies by KTDA

The world is fast becoming a global village. This means that trade will not only be limited to the home market but there will be the possible threat of new entrants in the market. There is also the possibility of a firm being unable to meet the increasing consumer market. In view of this, KTDA wanted to tackle the threat of new entrants through product differentiation where apart from manufacturing specialty tea and the traditional black and white tea, KTDA also has also targeted the youth through iced tea and flavored tea such as ginger though Kenya Tea Packers Limited (KETEPA) to ensure countries such as Eritrea have no gain should they enter the

market. The threat of new entrants has also been tackled through various cost cutting measures in the company to ensure sufficient capital to avoid any hostile takeovers.

Intense rivalry among competitors is mainly due to competitors jostling for market share in tea trade. KTDA is combating this rivalry through the strategy of cutting product prices and switching costs in order to lock in buyers and sustain consumer loyalty. KTDA is aware that most of the world's population is poor and are likely to overlook quality if cheaper tea is available meaning the purchase of loose tea will increase as opposed to branded tea. Product branding focuses on the unique features of the product. The buyers can easily differentiate the teas by the area of production such as Kisii tea and Kericho tea.

Threat of substitute products such as coffee is minimal. Coffee firms do their own marketing therefore lowering their profits. Wrangles within the coffee industry have also hampered coffee trade. To counter this, KTDA has endeavored to increase their profit by spreading costs through economies of scale because of the advantage of the numerous factories in the country and also by reducing its tea production costs.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter addresses the summary and describes the results derived from the study. It also provides conclusions, recommendations, and suggestions for further study including the limitations encountered during the study. The objective of the study was to determine the strategies KTDA could employ for competitive advantage in global trade. This study attempted to answer the questions; what challenges are faced in trading tea internationally? What strategies has KTDA adopted to gain competitive advantage in the global market?

5.2 Summary

KTDA has encountered various challenges when trading tea internationally. These challenges include unstable political climate both locally and globally, difficulty in accessing trading licenses from the government, upcoming global competitors with branded goods and technological know how and aggressive marketing both in the home market and abroad. Another challenge is having the tea zero rated in order to increase its affordability.

In order to address these challenges, KTDA has employed some competitive advantage strategies which include product differentiation, use of research and development, use of modern technology, enhancing human resource capacity, reconfiguring its traditional business and adopting global competitive strategies such as co-opetition strategy to make it a leading global player.

5.3 Discussion

KTDA has competitive advantage strategies in its operations. Research findings signify that it uses both its own controlled decisions and market conditions which include mainly the consumer tastes and preferences. Research and Development department, competition from branded products, consumer tastes and preferences and rapid technological changes have all led to strategies which mainly consist of cost cutting measures and market focus. These strategies include product differentiation in order maintain a market niche and consumer loyalty. Another

competitive advantage strategy engaged by KTDA is by ensuring that the competence of management and staff is maintained by employing qualified staff mainly composed of university graduates. This is in a bid to improve on sendee delivery to the satisfaction of the customers and stakeholders. There is also a periodic staff training program for the employees.

The competitive advantage strategies employed by KTDA are focused on both the local market and the international market. However, the strategies for foreign market entry such as foreign strategic alliances under the co-opetition strategy of the global trade competitive advantage strategies are lacking although in the process of being recommended. KTDA is applying the broad line strategy in global trade to some extent whereby it is offering a wide range of products like specialty teas to achieve differentiation depending on the global market requirements. KTDA is also reconfiguring its traditional business to find its niche by diversifying into other businesses such as insurance, warehousing, tea packing power generation and financial sendees and is a strategy for a non dominant company to become dominant.

5.4 Conclusions

In conclusion, modern international competition requires companies to compete with global strategies involving not only trade but also foreign investment. Competitive advantages are created and sustained in the home base before the company can successfully dominate the foreign markets. The home base should be where the most productive jobs and most advanced skills are located. Therefore a nation should provide a favorable home base for companies that compete internationally. KTDA has endeavored to make the home market successful by concentrating on production such as quality enhancement and product differentiation. However this should not be done at the expense of marketing for example aggressive promotion. KTDA as a supplier has to keep track of the consumer and make their traded item more attractive in order to receive higher assigned values. The initial value could change drastically from the point of production to the consumer depending on the level of contribution at each stage and the number of stages in the chain. KTDA therefore has to have a prior information in the international market perception in order to "value add". Value added products are important in creating competitive advantage in the global market compared to cheap anonymous bulk of CTC teas.

The structure of the exporting sector continues to pose as a challenge to the exporter. Market regulations such as access to trade licenses can limit the exporter in getting involved in key stages that determine value. Good strategies can begin by building a matrix of products and actors in order to make the implementation process successful. Having national development programs should have actors at the institutional level understand and accept their roles and therefore the need for continued education and training of workers. Finally, KTDA would benefit from external bodies for some checks and balances to avoid political interference and individual interests. A business held up by Kenyan politicians will only exist in Kenya.

5.5 Limitations of the Study

The study focused on KTDA only and cannot therefore be representative of all the players in the industry. The information was also difficult to come by because interviews were required from managers who could only be seen on appointment because of their busy schedule.

5.6 Recommendations for Further Research

Competitive Advantages are essential for the continued existence of a company in the global market given that the global market is complex with various competitors and a wide range of consumer tastes and preferences. There is need for further research on the extent to which competitive advantage strategies can be applied in emerging foreign markets economies targeting the poor base-of-the-pyramid markets. Business models for the base of the pyramid cannot match the consumptive nature of top-of-the-pyramid strategies.

5.7 Recommendations for Policy ana Practice

The government should be supportive of the companies involved in global trade because part of the competitive strategies entails government involvement in finance (the backbone of incentives for increasing agricultural productivity) and technical expertise provision. The review of agricultural policies and performance of the sector indicates that government decisions have a major influence on the growth of the sector. Factors such as weather and external economic

changes can have significant impact on the performance of the tea sector but domestic policies play a bigger role.

The small scale farmers need reforms in the taxation policies and the involvement of the public sector in monitoring, regulating and disseminating information. In support of the small scale farmers, marketing agencies should not double up as traders because it compromises the producer prices. Policies on the issuance of trade licenses should be revised to encourage and not act as a barrier to global trade. The policy concern here is to enhance the workings of the free market by removing all direct or indirect controls which interfere in the production and marketing of agricultural commodities while correcting for market failures like monopolies and information asymmetry.

The role of the government in marketing and processing agricultural commodities in a liberalized market should be increased in order to compete with the world leaders. Currently, KTDA is packing its teas in internationally accepted multi-wall paper sacks which ensure delivery of fresh teas to all parts of the world. Attendance of tea export displays such as the World Tea Expo should be encouraged in order to learn first hand about foreign markets competitors and customer demands. Membership in trade organizations is important in facilitating networking and business development opportunities.

Institutional reforms are required to create appropriate structures for agricultural growth and development. KTDA can improve operations at green leaf collection centers by considering outsourcing green leaf collection sendees to private transporters to supplement factory leaf collection. Last but not least Kenyan tea can be classified as food item and then zero rate VAT on tea to stimulate demand.

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APPENDICES

Appendix I: Letter of Introduetion

Dear Respondent.

RE: MBA RESEARCH PROJECT

This interview guide is designed to gather information on strategies for competitive advantage in global trade. This study is being carried out for a project paper as required in partial fulfillment of the degree of Master of Business Administration, University of Nairobi.

The information on this questionnaire will be strictly confidential and will be used for no other purpose other than academic. I believe the research will enhance understanding of the impact of competitive advantage in global trade.

Your cooperation will be highly appreciated.

Yours faithfully,

Ratemo .K. Pauline	**Dr. Martin Ogutu**
MBA Student	**Supervisor**

Appendix II: Interview Guide

Section I: Company Information

1. What title do you hold in the company?

2. Which department(s) do you manage in the company?

3. What is the firm's mission, vision and core value?

   Mission_

   Vision_

   Core Value_

4. How long have you been employed in the company? Tick where applicable

   a) 5-10 years [ ]

   a) 10-15 years [ ]

   b) Over 15 years [ ]

5. What is the current number of employees in the firm?

   Number

SECTION II: Company's Challenges

1. How would you rate the state of competition in the tea industry? Please tick one.

   { } Very competent { } Fairly competent { } Competent

   { } I do not know { } Not sure

2. Are the distribution channels a challenge cost wise? ( ) Yes ( ) No

   Explain.....*

3. What are the major entry barriers in global tea trade for the company? Name them below.

4. Have the consumer tastes and preferences for tea remained constant?

5. How often are the technical personnel trained to avoid poor supervision of technical operations?

6. What measures have been put in place to deal with rapid technological changes?

7. What measures are in place to deal with threat of new entrants in the market?

Economies of Scale Q Product differentiation Q Sufficient capital Q Switching costs

Other(s) (specify)

8. Are the substitute product industries like coffee earning high profits?

( ) Yes ( ) No

9. State the strategies in place to deal with threat of substitute products.

10. Does the political environment play a major role in the company's operations?

11. Does the company have any constraints on the availability of capital and credit?

12. What percentage of the budget is used on staff training?

( ) Below 5% ( ) 5-10% ( ) 10-20% ( ) Over 20%

13. How would you rate the performance of the Research and Development Department the organization?

{ } Very effective { } Effective { } Less than Effective { } Poor { } Very poor

Why?

14. How has the company encouraged small scale growers through incentives?

15. Do the government policies favor tea exports in any way?

[ ] Yes [ ] No [| Other (Explain)

Section III: Company's Competitive Advantages

1. How many brands of the tea product do you have in KTDA?

Name the identified brands in the space provided below.

2. Does the company package products in another country for cost cutting measures?

( )Yes ( )No

3. What other cost cutting measure(s) has the company put in place?

4. Has the company considered reconfiguring its traditional business to find its niche?

5. Is the company aware of any global competitors?

( ) Yes ( ) No

If yes. name them below:-

6. What strategies has the company put in place to outperform its competitors?

7. Does the company have a public relations department to promote an international image?

|] Yes [| No [| I don't know

8. How is the company's lead time in the production process compared to international standards?

9. What are the key business segments that are unlikely to be sold?

10. How does the company access competitor information? Briefly explain below

11. Which international trade organization(s) does the company belong to?

12. State the advantages of belonging to such an organization, if at all, in the space provided below.

13. Has the company received any award(s) in the last five years? (If yes, list them below)

14. Does the company have strategic alliances or joint ventures abroad?

15. What advantages have arisen from such co-operations if any? Briefly explain below

16. Are the buyer groups powerful when they are concentrated or buy in large volume?

17. Are the products purchased by buyers undifferentiated?

18. Does the buyer have full information hence in a position to receive favorable prices?

19. Is KTDA's tea unimportant to the quality of buyers' products or services?

20. KTDA's tea does not save the buyer money. Tick one True ( ) False ( )

21. In your answer to question 19, why?

22. Are the suppliers in the tea industry concentrated?

23. Have the suppliers in the industry raised the prices of the raw tea in the recent past?

24. Have the suppliers in the industry reduced the quality of goods and services in the industry?

25. How would you describe KTDAs customer loyalty?

Thank you for your cooperation