Strategy Development by Tea Exporting Companies in Kenya

By

Shadrack Mayende Wasike

A Management Research Project Submitted in Partial Fulfillment of the Requirements for the Award of Degree of Master of Business Administration, School of Business, University of Nairobi

October, 2010

DECLARATION

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

Signed____________ Date 15/11/2010.

Wasike, Shadrack Mayende

D61/P/9255/05

This management research project has been submitted for examination with my approval as the university supervisor.

Signed____________ Date 15/11/2010

Jackson Maalu

Lecturer,

Department of Business Administration,

School of Business,

University of Nairobi.

ACKNOWLEDGMENT

I wish to acknowledge the invaluable support, love and inspiration I received from those I love most namely Marie, Frank, Ivy, Melvin and Daniel which has enabled me to complete this assignment.

Thank you very much for your patience and understanding during my long hours of absence studying.

I greatly appreciate efforts of Benjamin and Joan for encouraging me to reinvent myself and remain focused for a great future.

Special thanks goes to my Supervisor Mr. Jackson Maalu for his patience and guidance. May the Almighty God bless you abundantly.

DEDICATION

This management research project is dedicated to the Almighty God for giving me good health, strength, removing me from the valley of death and giving me a fresh life full of hope and success.

ABSTRACT

Various approaches to strategy development have been advocated by two different schools of thought namely the planning and design school and the emergent school. The planning and design school proposes a rational logical view to strategy development where strategy is formulated through rational analysis of the context of the business environment and the organization. The emergent school of strategy development holds that strategy development is the result of continuing organizational decisions that take a form or pattern over time. The third approach is the lens (experimental) strategy development model. This approach views strategy development as a deliberate development of strategy by learning through doing or crafting of strategy by managers who have a view of where they want the organization to be in years to come and try to move towards this position incrementally. Consequently, the study sought to determine the approaches to strategy development and the factors that have influenced strategy development by tea exporting companies.

To this end a descriptive census survey was undertaken with questionnaires distributed to all the 72 CEOs of tea exporting companies in Mombasa. This effort produced a 63 per cent response rate. The data was thereafter analyzed using frequencies, percentages, mean scores and standard deviations. Further, to establish relationships between different variables cross-tabulation analysis was applied with the results presented in tables and discussed in narrative form.

The findings revealed that only 20 per cent of sampled firms have documented vision and mission statements. The number of firms with formal and informal strategic plans was evenly distributed at 49 and 51 per cent respectively. This statistic is consistent with the percentage of respondents non-responsive to the statement related to the

frequency that strategic plans are reviewed (51%). Incidentally, all the respondents affirmed that long-term planning is important to the success of their organization. Sixty-four (64) per cent of respondents indicated that their environment is fairly to very stable. Also very few sampled firms (9%) have any form of quality certification.

The analysis further indicated that strategy development by the majority of firms was neither planned nor deliberate. The findings also do not support the use of lens approach to strategy development in tea buying firms. However, it was clear from the findings that the most pervasive approach to strategy development is the emergent strategy development model. Respondents affirmed all the variables related to this model. These were; commitment to strategy tentative to review (2.17); strategy emerges gradually in response to change (2.15); and strategy developed based on daily operations (2.22).

The results of the study further determined that strategy development at sampled firms is influenced by; senior management (2.24); organizational politics (2.6); past experience (2.4); groups controlling resources in the organization (2.6); and customers (2.22).

Cross-tabulation analysis revelaed that; foreign owned firms consist of the majority of large firms (71%), that is firms purchasing over 15 million kilograms of tea per year; 94 per cent of predominantly foreign tea buying firms follow the formal and design approach to strategy development as compared to a meagre 29 per cent of predominantly local firms; all large firms have formal strategic development modes as compared to 43 per cent of small to medium-sized firms. Likewise it is clear that firms with formal company structures adopt formal strategy development modes, 100 per cent as compared to 40 per cent for firms with informal structures. Lastly the analysis reveals that 100 per cent of firms led by foreign CEOs have adopted formal strategic development modes as compared to 55 per cent of Kenyan led firms.

Based on the findings of the study, the following recommendations would made; tea exporters should craft and document vision and mission statements to provide greater strategic focus; small and medium sized tea exporters should emulate their larger and more successful counterparts engage in long-term planning as it is important to the success of their organizations; there is an urgent need for them to acquire internationally recognized quality certifications such as ISO 9000 and ISO 22000 for these firms to compete in the global market; and finally the Government of Kenya and relevant authorities should put in place measures such as legislation to encourage greater participation by local-owned firms in the industry.

Time constraints limited the number of respondents. Secondly, due to the nature of the data collected, quite a number of respondents were reluctant to reveal information deemed confidential. Finally it was suggested that similar studies should be undertaken in other sections of the tea industry such as tea broker firms, tea manufacturing companies, and tea warehouses to give a clearer picture of strategy development in the tea industry as a whole.

TABLE OF CONTENTS

Declaration i

Acknowledgment ii

Dedication iii

Abstract iv

Table of contents vi

List of Tables ix

CHAPTER 1: INTRODUCTION

1.1 Background 1

1.1.1 Strategy Development 3

1.1.2 The tea industry in Kenya 4

1.1.3 Tea exporting companies in Kenya 6

1.2 Statement of research problem 10

1.3 Objective of study 11

1.4 Significance of study 12

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction 14

2.2 The concept of strategy 14

2.3 Levels of strategy 17

2.4 Strategy development 19

2.4.1 Approaches to strategy development 19

2.4.2 Factors that influence strategy development 21

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction 26

3.2 Research design 26

3.3 Population 26

3.4 Data collection methods 26

3.5 Data analysis 27

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction 28

4.2 Company Information 28

4.3 The Concept of strategy..30
4.4 Approaches to strategy development..32
4.4.1 Planned and deliberate (rational) approach to strategy development.............33
4.4.2 Emergent Approach to strategy development 34
4.4.3 Lenses approach to strategy develo..35
4.5 Factors affecting strategy development 36
4.6 Cross tabulated data analysis and discussions 38
4.6.2 Ownership and annual tea purchased 39
4.6.3 Ownership and formal strategic plans.. 39
4.6.4 Company structure and formal strategic plans... 40
4.6.5 CEO Nationality and formal strategic plans..40

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction.. 41
5.2 Summary of major findings.. 41
5.2.1 Company Information.. 41
5.2.2 The concept of strategy... 42
5.2.3 Approaches to strategic development..43
5.2.4 Factors affecting strategy development 43
5.3 Discussions 43
5.4 Recommendations 44
5.5 Limitations 45
5.6 Implications for further study................ 45
REFERENCES... 46
QUESTIONAIRE COVER LETTER 48
APPENDICES.. 49

LIST OF TABLES

Table 4.1 Summary of company information.. 28

Table 4.2 Summary of strategy of concept... 30

Table 4.3 Planned and deliberate approach to strategy development........./...... 33

Table 4.4 Emergent approach to strategy development............................... 34

Table 4.5 Lens approach to strategy development.................................... 35

Table 4.6 Factors affecting strategy development.................................... 36

Table 4.7 Ownership & annual tea purchased cross-tabulation...................... 38

Table 4.8 Annual tea purchased & formal strategic plans............................ 39

Table 4.9 Company structure & formal strategic plans............................... 40

Table 4.10 CEO nationality & formal strategic plans................................40

CHAPTER 1: INTRODUCTION

1.1 Background

The concept of strategy is very dynamic and complex with lack of consensus on its precise definition. Ansoff and Mcdonell (1987) who are pioneers of business strategy warned that strategy is an elusive and somewhat abstract concept. Andrews (1987) asserts that strategy is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals and defines the range of business the company is to pursue, the kind of economic and human organisations it is or intends to be and the nature of economic and non economic contribution it intends to make to its shareholders, employee, customers and communities.

According to Johnson et al (2005), strategy is the direction and scope of an organisation over the long term, which achieves advantage for the organisation through the configuration of resources within a changing environment to achieve the objective of meeting the needs of markets and fulfil the stakeholders' expectations. Thus strategy is the link between the firm and its environment which is concerned with its long term survival in the face of changing environmental conditions and situations. Organizations exist in the context of a complex commercial, political, economic, social, technological and legal world. These environmental changes are more complex for some organizations than for others. How this affects the organization could include an understanding of historical and environmental effects, as well as expected or potential changes in environmental variables. Many of these variables will give rise to opportunities and others will exert threats to the organization or both (Johnson *et al,* 2007).

The need to exploit the emerging opportunities may affect the way the companies develop strategies based on existing resources and competences thus ensuring a strategic fit. The emerging threats may prompt companies to develop defensive strategies and those aimed at converting the threats into opportunities. Regardless of the factors contributing to different approaches companies may opt to pursue, they must develop strategies that establish a match between themselves and the environment in which they operate Pearce and Robinson (1999).

No longer is strategy purely about the external world, nor qualitative process. Neither is it any longer seen as a process that is geared towards predicting the future, but instead it seeks to shape or create the future Joyce and Woods (2001). Indeed, writers and practioners from different backgrounds and countries such as Hamel and Prahalad (1994), Mintzberg, et al (1986), Ohmae(1986) and Stacey (2003), have argued that it is not a process at all, but the outcome of a process: an outcome that is not in a mathematical model but by human creativity (Burnes, 2004). The strategy of an organisation is affected by both environmental and company factors. The Business environment is very dynamic and with increasing complexity making it difficult for organisations to predict the future. These changes have necessitated managers of organisations to adopt proactive strategies for survival, growth and development. The challenge to management is how to come up with the right strategy.

The liberalizations of economies and effects of globalization, development of advanced technology have reduced the world into a global village which has exposed companies to high level local and international competition forcing them to adopt effective strategy development measures in order to survive.

1.1.1 Strategy development

Strategy development aims to provide explanations of how strategies come about in organisations. Organisations exist in the context of a complex commercial, political, economic, social, technological and legal world. This environment changes and is more complex for some organisations than for others. Strategy development in a fast changing environment is not likely to be the same as in an environment in which there is little or no change. Managers of organisations in dynamic conditions need to consider environment of future not just of the past whereas those in charge of organisations in complex situations facing an environment difficult to comprehend have far much more variables to consider (Johnson and Scholes, 2007)

Various theories have been advanced about strategy development in organisations. The emergent school of strategy development holds that strategy development is the result of continuing organisation decisions that take form or pattern overtime. Thus strategy is not the result of a deliberate plan, but rather an emergence of consistent and coherent pattern of decisions and actions by individuals in an organisation. Mintzberg (1987) notes that most successful companies do not start with detailed strategic plans. That their plans emerge overtime from the pattern of decisions they make on key aspects of their activities. According to Mintzberg *et al* (1998), deliberate strategy focuses on control making sure that managerial intentions are realized in action while emergent strategy emphasizes learning. According to them emergent strategy is strategy that evolves according to need, constantly adjusted and adopted. Therefore "crafting strategy" is a process by which managers develop strategy according to the needs of their organisation and environment.

Organisations intended strategies may be different from realized strategies due to emergent factors. Strategy development is influenced by two critical factors acting simultaneously one deliberate and other emergent. The planning and design school of thought proposes a rational logical view approach to strategy development. Thus strategy is formulated through rational analysis of the context of business environment and the organisation and then communicated. The strategy process is looked at as being deliberate, explicit and planned. Chandler (1962) notes that the process of strategy development in the planning school is based on formal procedures, training and significant qualifications. The process school advocates and emphasises on intuition and experience downplaying the role of rational analysis.

According to Hax and Majluf (1996), the strategy process should be managed consistently in accordance with the overall strategic objectives of the firm, its management style, and its organisational culture. The approach preferred by the management to strategy development is determined by various contextual factors. Aosa (1992) identified some of these factors as company's history and experience, its size, management style, ownership, the industry in which it operates and the business it is presently in, resources and dependence.

1.1.2 THE TEA INDUSTRY IN KENYA

The first tea (Camelia Sinensis) seedlings were introduced to Kenya from India by one G.W.L. Caine in 1903 and planted in Limuru near Nairobi. According to Tea Board of Kenya (2009), commercial cultivation of tea in Kenya began in 1924 and has developed into the tea industry today. The Kenyan teas are mainly black cut, Tear and curl (CTC) being the only category of tea traded at the Mombasa tea auction. There is very little green tea produced and recently tea research foundation developed "purple" tea for commercial utilization (TBK, 2009). Tea exports was the second foreign exchange earner contributing about 26% of the total exchange earnings for Kenya in 2009 and supports livelihoods of more than 3 million persons directly and indirectly.

All the tea industry players operate under the umbrella body of East African Tea Trade Association which affords the traders a disciplined environment in which to interact commercially and promote the best interest of the tea trade in Africa. These players fall into various classes of membership namely tea producers, brokers, exporters, packers and warehousemen and are registered as such by EATTA after fulfilling mandatory requirements as set out under appendix D pp. 31 rule book 2010 version. The Tea Board of Kenya which was established under the Tea Act (cap 343) with legal mandate to regulate and promote Kenya tea under Ministry of Agriculture vets prospective members and ensures they comply with stipulations under form G as per the tea act.

According to Tea Board of Kenya, Kenyan tea industry has attracted other tea producing countries such as Uganda, Tanzania, Rwanda, Malawi, Democratic Republic of Congo, Zambia, Madagascar, Mozambique and Ethiopia to join the East African Tea Trade Association as producers and allow their tea to compete with Kenyan tea producers such as KTDA, James Finlay, Unilever, Williamson Teas among others at the Mombasa tea auction.

Kenya teas are mainly exported in bulk to six core markets of Egypt, UK, Pakistan, Yemen, Afghanistan and Sudan. Other minor destinations include UAE, Germany, Poland, Iran, Russia, Ukraine, Ireland, South Africa among others (TBK, 2009). In view of global trends and the need to align the country's tea industry to both national and international standards, The Tea Board, in conjunction with the Kenya Bureau of Standards, has come up with a tea industry code of practice. The code stipulates compliance on various aspects along the tea value chain. The code is essentially a self regulating consumer oriented document, about the quality of the industry's products, services and activities.

1.1.3 TEA EXPORTING COMPANIES IN KENYA

Tea exporting companies in Kenya consist of all those companies registered with East African Tea Trade Association as tea buying members. These companies buy tea either at the Mombasa tea auction or through private treaties mostly for export purposes to various tea consuming countries around the world. These companies consist of multinational corporations, private limited companies, listed companies, partnerships, sole proprietorships and subsidiary companies among others and are managed by owners, expatriates, local professional with varying degree of experience and exposure to both local and international world tea trade markets.

These companies can be categorized as small, medium and large depending on the annual volume of tea purchased from the Mombasa tea auction in any given year. For instance, during the year 2009, about 79% of the total tea traded at the auction was bought by ten (10) companies with the top five controlling 54% of total sales (EATTA, 2009). The tea exporters import additional tea stocks from countries such as Vietnam, India, Indonesia China and Bangladesh under private treaties for purposes of blending/bulking with otherwise good quality and high price Kenya tea. These teas act as price reducers.

According to Tea Board of Kenya, Kenya produces the best quality black tea in the world. The tea exporters deal mainly in black, Cut, Tear and Curl (CTC) teas being the only category of tea traded at the Mombasa tea auction. To a very small extent, green tea is produced and exported on order. These teas are majorly exported in bulk and in original form, with very little in value added form. Daley (2005), the chief buyer at

Barry's tea limited, in his publication states that his company accounts for 35% of Irish tea retail trade and that Ireland has the world's highest per capita consumption of high quality teas. Together with other big retrial chains like Lyon's tea and Bewley's, the bulk of these companies tea purchases are sourced from Kenya and Rwanda. He states that Irish blends have a large proportion of East African teas accounting for up to 80% of the total output.

Tea exporters are faced with many threats and opportunities emanating from both local and global business environment. They experience high degree of competition from tea exporters from other advanced world tea producing countries such as Sri Lanka, India, China among others as well as local competition at Mombasa tea auction. In particular Sri Lanka traders are very advanced in value addition with developed brands unlike the case for Kenya tea exporters who export their teas in bulk and without brands. The Kenyan tea exporters mainly deal in CTC teas whereas their competitors deal in many tea varieties such as CTC, orthodox, green tea and other advanced varieties in value added form.

Tea consumers in the world are becoming increasingly health conscious with demands of evidence of good manufacturing practices by the players in tea industry. In an interview with African Tea Trade Journal, William Gorman Gorman, executive director, United Kingdom Tea Council said "UK consumers tend to think in terms of the continent of Africa first perhaps Kenya because of the volume we buy) but they desire to buy products that they believe are ethically sourced and properly produced and manufactured to high standards". The volatile exchange rates are impacting negatively on the consumer prices in consuming world. Overseas packer stocks are being maintained at the lowest levels to the point of being just-out-of-time in order not to be caught with higher priced stocks when the market drops.

The exporters are faced with more challenges as a result of credit squeeze that resulted from the world recession which limited access to credit lines locally and for overseas buyers of tea, existence of trade barriers to countries like Sudan and USA, UN sanctions and United States of America on Iran which have succeeded in cutting the country from normal financial institutions and are therefore expected to map out strategies that will mitigate against the challenges and enable them long term survival. In recent years, multinational organisations in tea business from countries such as Sri Lanka, India and Sudan have been registered locally and allowed to compete in the Kenyan tea business for the limited world tea markets. The establishment of the Dubai Tea Trade Centre (DTTC) offering a multi-origin source of tea has offered both traders and opportunities to the tea industry.

The bodies which play a significant role in activities of tea exports are:- The Tea Board of Kenya: - Established under the Tea Act (cap 343) with legal mandate to regulate and promote Kenya tea under ministry of agriculture. The East Africa Tea Trade Association (EATTA):- mandated to run the auction function in Mombasa but represents the needs of African members not just Kenya. Kenya Revenue Authority (KRA):- All tea exporting companies are licensed and regulated by Kenya Revenue Authority through enforcements. Tea Research Foundation: - Established to promote research and investigate problems related to tea and such other crops and systems of husbandry as are associated with tea throughout Kenya including the productivity (yield), quality and suitability of land in relation to tea planting and matters ancillary thereto.

The Tea Board of Kenya has enforced its regulatory authority by embarking on promoting Kenyan tea and with assistance of Kenya Bureau of Standards (KBS) have minimized importation of foreign teas from countries such as Vietnam, India, Indonesia, China among others. In addition to the above, the Tea Board of Kenya is involved in promotion of Kenya tea both locally and in international markets but does not have the capability to guarantee market exploitation which is left to tea traders. Various tea promotions have been held in Iran and China while the Japanese Tea Association undertook a market assessment mission in Kenya between 24th and 30th June 2009 (TBK, 2009). EATTA has stepped efforts to enhance acquisition of standards in the tea production and sale chain in Africa (EATTA, 2010).

On the other hand the Kenya Revenue Authority (KRA) in collaboration with EATTA have enforced rules and regulations relating to handling of transit teas bought at the auction by tea exporters sealing tax leakages and eliminating errant traders amongst the tea exporters . The fact that demand for tea remained robust, despite the global recession, support the assertion that tea consumption is habit forming and is relatively price inelastic for most except for the higher priced quality teas (EATTA, 2010). Tea remained relatively recession proof particularly in the 1st world consuming countries while consumption is rising in the middle and far eastern countries, Russia and former CIS and North Africa mostly in line with population growth is eye opening for industry players.

Tea exporters have maintained a strong presence in their core markets and have continued to expand their worldwide market share by increasing exports to already existing markets and opening up new destinations like Russia, Iran, Iraq and Kazakhstan among others. They have continued to outdo global competition from players in other ten tea auction Centres in the world like Colombo in Sri Lanka, Calcutta in India (out of seven centres operational), Chittagong in Bangladesh, Limbe in Malawi and Jakarta in Indonesia.

1.2 STATEMENT OF RESEARCH PROBLEM

Various approaches to strategy development have been advocated by two different schools of thought namely the planning and design schools and the emergent school Johnson and Scholes (2007). The planning and design school proposes a rational logical view to strategy development where strategy is formulated through rational analysis of the context of business environment and the organisation. The emergent school of strategy development holds that strategy development is the result of continuing organisational decisions that take a form or pattern over time. Mintzberg (1987) notes that most successful companies do not start with detailed strategic plans. That their plans emerge over time from the pattern of decisions they make on key aspect of their activities. Strategy development can be viewed through the lens of design, experience and ideas. Organisations differ in their approaches to strategy development with some preferring formal approach while others take the informal approach depending on both environmental and organisational factors affecting them.

Tea exporting companies form a special category of tea industry in Kenya. These companies consist of multinational corporations, private limited companies, partnerships, listed companies, sole proprietors among others. The companies are run by the owners, expatriates, local professionals with varying degree of experience and exposure to both local and international world tea markets whose demands are increasing and shifting in focus. All these companies source their teas from an open tea auction mainly and less through private treaties in order to compete for the same limited market which is slow in expansion. These scenarios lead to unfair competition among the tea exporting companies. The market leaders may intimidate the smaller companies while bidding for teas at the auction. These may lead to development of cartels within the tea industry and limit growth of other companies who may shy away from certain markets out of fear of the reaction of the market leaders leaving the entire export trade in the hands of a few large companies.

Researchers in Kenya have carried out studies on strategy development. Muhoro (2004) conducted a case study on the process of strategy development in Kenya Bus Services Ltd and established that strategy development process was highly formalized and was greatly influenced by both environmental and company factors. Okiro (2006) conducted a case study on strategy development process and factors influencing them at Kenya Pipeline Company Ltd and established that the process of strategy development was heavily influenced by political considerations, the government and preference of the chief executive officer. Njoroge (2008) conducted a case study on strategy development among water services boards in Kenya and established inadequacy of resources both financial and human in addition to poor communication between various stakeholders compromising strategy development process. The researchers concentrated mainly on state corporations. Other researchers have also carried out studies in other areas of strategic management to establish application in tea industry. These include Bett (2003), Nguulu (2006), Nzeki (2008) and Kenei (2006).

There are no studies targeting strategy development by tea exporting companies in Kenya despite the stake they hold for the survival of the tea industry. The study seeks to answer the following questions:- What approaches to strategy development do the tea exporting companies in Kenya use?. What factors influence strategy development by these companies?

1.3 Objectives of the study

i. To establish approaches that tea exporting companies have used in their strategy development.

ii. To determine factors that have influenced strategy development by tea exporting companies in Kenya.

1.4 Significance of study

The study will enable understanding of extend of application of concept of strategy development by researchers and other stakeholders among tea exporting Companies. From the study, approaches to strategy development and factors affecting strategy development in a regulated industry whose members are separate individual entities will be established and this will add value to the concept of strategy development as earlier researchers studied the concept but relating mainly to state corporations. To the scholars it will form a basis for further researcher in studies related to strategy developments in other business units or arrangements such as coffee exporting Companies, tea manufacturing Companies among others.

To the Tea Board of Kenya, the study will enable the Board to identify possible areas of building synergy with the tea exporters to further interest of tea industry and play regulatory role. To the manufacturers/producers, the tea exporters act as a link between them and the world tea markets and are thus interested to know future plans and what affects the development as this trickles back to them. To the tea exporters, the study will serve to open up the operations in the tea industry assess areas of common interest and possibilities of building working relationships. Those interested in registering as tea exporters will be able to understand the field they plan to venture in and make informed decisions as to whether or not to execute their plans. To the EATTA, to understand whether the strategies being pursued by the tea exporters are in line with those of the company (EATTA) and design winning strategies based on findings. Tea research foundation and scholars will use findings of the study in capacity building and developing of careers for the tea industry and ensure enough professionals are available to run tea exporting firms in the long term.

The tea manufacturers (farmers) will benefit if tea exporters develop effective strategies which will enable them increase the market share and presence of Kenyan tea in the world tea markets and hence more demand and higher price per kilogram payable to them. The government will be enlightened on the challenges facing tea exporters while developing strategies to enable them grow and overcome international competition and create a basis for assessment of the long term sustainability of the tea industry as tea is a leading foreign exchange earner majority controlled by the tea exporters. The government generates a lot of revenue in the form of taxes from tea exporting companies plus number of people working in the various sections of the industry estimated to be over three million. This is important for policy formulation and planning. The study will shade some light on operations of the tea exporters who are perceived to be operating in cartels by other stakeholders.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter represents literature review related to the field of study. Firstly a brief discussion of concept of strategy then followed by detailed literature on strategy development. In line with the objectives of study, the researcher focuses on approaches to strategy development and factors that influence strategy development by organizations as separate subjects.

2.2 The concept of strategy.

The concept of strategy can be seen as a multidimensional aspect that embraces all the critical activities of the firm providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by its environment Hax and Majluf (1996). Like many other concepts in the field of management, there are many approaches to strategy but non are universally accepted Stacey (2003). Indeed even one of the pioneers of business strategy, Igor Ansoff (1987), warned that strategy is an elusive and somewhat abstract concept. Henry Mintzberg argues that it is necessary to recognize explicitly that there are multiple definitions of strategy and that we need to use these to manoeuvre through this difficult field.

According to Mintzberg, et al (1987b), there are five main and interrelated definitions of strategy. These are strategy as a plan, ploy, pattern, position and perspective. These draw attention to the distinction between conscious and unconscious strategy, and between emergent and planned strategy. Barry and Elmes (1997), viewed strategy as a narrative. Strategy as a plan implies that it is some form of consciously intended course of action which is created ahead of events and can be general or specific. According to Ansoff (1984) and Porter (1980), strategy is regarded as a deliberate effort, which is formulated with the objective of defining the long term direction of an organization. As a plan, strategy can be a ploy which is a specific manoeuvre to outwit an opponent. For example when a firm threatens to lower its prices substantially to deter new entrants into its market, it is the threat to lower prices that is the consciously intended course of action and not any actual plan to do so.

Strategy as a pattern arises where it is observed after the event, that an organization has acted in a consistent manner overtime. This may not be the strategy it intended to pursue, however but it is the one that has emerged from the action of the organization. Strategy as position is about positioning the organization in order to achieve or maintain a sustainable competitive advantage. Mintzberg, et al (1987) argues that most organizations try to avoid head-on competition and what they seek is a position where their competitors cannot or will not challenge them. Strategy as a perspective sees strategy as a somewhat abstract concept that exists primarily in people's mind but what is important is that everyone in the organization shares a common view of its purpose and direction which whether people are aware of it or not, informs and guides decision making and actions. He argues that successful companies do not start out with detailed strategic plans instead their strategies emerge over time from the pattern of decisions they take on key aspects of their activities. According to Mintzberg *et al* (1998) deliberate strategy focuses on control, making sure that managerial intentions are realized in action while emergent strategy emphasizes learning. The concept of emergent strategy opens the door to strategic learning because it acknowledges the organizations capacity to experiment. A single action can be taken, feedback can be received and the process can continue until the organization converges on the pattern that becomes strategy. Strategy can be viewed as building defences against competitive forces or as finding a position in an industry where the forces are weaker. Changes in the strength of the forces signal changes in the competitive landscape critical to on going strategy formulation (Porter, 2008).

Andrews (1998) defined strategy as a pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and no-economic contribution it intends to make to its share holders, employees, customers and communities.

Strategy is an action plan by management of an organization to grow its business, attract and achieve customer delight, compete successfully, conduct operations and improve its financial and market performance. It is a game plan employed by management that combines competitive and operating approaches to move the organizations in its intended directions, to strengthen its market position and competitiveness and boost performance. Thus strategy is the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration resources within a changing environment and to fulfil stakeholders' expectations (Johnson *et al*, 2007). In essence, strategy is the link between the firm and its external environment. It focuses on matching the resources and activities of an organization to the environment in which it operates. This is essential for the long term survival of organizations as it ensures strategic fit. According to Porter (1998), the essence of formulating competitive strategy is relating a company to its environment and thus aims to give direction and purpose, to deploy resources in the most effective manner and to co-ordinate decisions made by different individuals.

According to Ansoff (2006), strategy formulation and strategies are context sensitive, which might explain the fact that there are many competing models in development and strategic planning. The strategy development therefore is geared towards generating strategies that enable the organization to match the operating environment. For Stacey (2003) strategy comes to be understood as the evolving patterns of an organization's identity. Thus strategy as the identity of an organization is continuously constructed and enacted in the interaction of organizational practice. The plan is not precise, but provides a framework for managerial decisions. It reflects a company's awareness and preparedness to deal with emerging issues in the industry in which it operates. "No longer is strategy purely about the external world, no longer is it solely seen as a rational quantitative process. Neither is it any longer seen as a process that is geared toward predicting the future (Joyce *et al*., 2001). Indeed writers and practitioners from different background and countries, such as Hamel and Prahalad (1994), Mintzberg, et al (1986b), Ohmae (1986) and Stacey (2003), have argued that it is not a process at all, but the out come of a process; an out come that is shaped not by mathematical models but by human creativity" (Burnes, 2004). In summary therefore, strategy is the long term direction that the organization is following, not a written document on an executive's shelf (Johnson *et al.,* 2007).

2.3 Levels of strategy

There are three levels of strategy decision making in organizations namely: corporate, business and functional (Burnes, 2004). Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of owners or major share holders and add value to the different parts of the enterprise (Andrews, 1980). The corporate level strategy is said to deal with the 'game plan' for managing diversified enterprises whose activities cut across a number of different areas of business (Flesher *et al.*, 2003).

Business level strategy relates to the operation and direction of each of the individual business within a group of companies. It is concerned with how a firm competes within a particular industry or market (Grant, 2004). Lastly the functional or operational level strategy concerns individual business functions and processes such as finance, marketing, manufacturing, technology and human resources. Its prime focus is to achieve efficiency in the utilization of organizational resources, these are short term in nature. The three levels of strategy interact in an iterative and dynamic fashion (Lynch, 1997). Mintzberg (1994) argues that just as business level and functional level strategy can be seen as being imposed or driven by corporate level decisions, so corporate level strategy can be seen as emerging from, or being shaped by functional level and business level decisions and actions. In practice it is so difficult for large diversified organizations to identify and pursue a consistent strategy through all areas of their activities (Joyce and Woods, 2001; Lynch, 1997).

For small organizations, corporate level and business level strategy are merged together. Corporate level strategy is formulated by corporate level executives (Johnson *et al.*, 2005). They indicate the business in which the firm should be involved, set objectives and formulate strategies that span the whole form. Decisions at this level are more value oriented, more conceptual, and less concrete than at the other two levels (Pearce and Robinson, 2007). On the other hand, operational strategies look at how the corporate/ business level strategies can be translated into concrete operational functions and processes in areas like marketing, research, development, manufacturing, personal and finance.

2.4 Strategy development

Strategy Development aims to provide explanations of how strategies come about in organisations. Organisations exist in the context of a complex commercial, political, economic, social, technological and legal world. Strategy development in a fast changing environment is not likely to be the same as in an environment in which there is little change (Johnson and Scholes, 2007).

2.4.1 Approaches to strategy development

Various approaches to strategy development have been advocated by two different schools of thought namely the planning and design school and the emergence school (Johnson and Scholes, 2007). The planning and design school argue that organisations strategy is the result of deliberate planning and design. This school of thought proposes a rational logical view to strategy development where strategy is formulated through rational analysis of the context of business environment and the organisation. Chandler (1962) notes that some of the contextual environmental factors analyzed include the political, economic, social and technical environment in which the organisations operates.

Environmental analysis identifies changes in the environment that may impact significantly on the organisation either negatively or positively. The process school of thought tends to downplay the role of systematic analysis in strategy development while advocating and emphasizing on intuition and experience. Accordingly managerial judgement, intuition and skill are of great importance in making the eventual strategy decisions and rational analysis is not a substitute for such managerial skills.

The emergent school of strategy development holds that strategy development is the result of continuing organisational decisions that take a form or pattern over time. This school contends that strategy is not the result of a deliberate plan, but rather an emergence of consistent and coherent pattern of decisions and actions by individuals in the organisation. According to Mintzberg (1987) emergent strategy is strategy that evolves according to need constantly adjusted and adopted. Thus according to him, "Crafting strategy" is a process by which managers develop strategy according to the needs of their organisation and environment.

Strategy development by organizations can be viewed through the lenses of design, experience and ideas. The design lens views strategy development as the deliberate positioning of the organization through a rational, analytic, structured and directive process. The experience lens views strategy development as the outcome of individual and collective experience of individuals and the taken for granted assumptions.

The ideas lens sees strategy as the emergence of order and innovation from a variety and diversity which exist in and around organizations (Johnson and Scholes (2007). Chandler (1962) notes that the planning school is based on formal procedures, training and significant qualifications. From Mintzberg (1987) view, strategy development process can be seen as continuous with deliberate strategy at one end and emergent at the other. Between these two extremes are strategies that combine varying degrees of different dimensions like openness, participation, negotiation, being proactive or reactive. Different organizations pursue different approaches to strategy development because of various contextual factors which include the company's history and experience, its size, ownership, the industry in which it operates and the business it is presently in, resources and dependence. Thus the management approach to strategy development is influenced by both environmental and company factors.

Not all organizations face similar environments and therefore, they differ in their form and complexity and the way of thinking about strategy development. The degree of formality in strategy development is the degree to which participants, responsibilities, authority and discretion in decision making are specified vary in different organizations. The sizes of the organization, its predominant management styles, the complexity of its environment, its production process, its problems and purpose of its planning system all play part in determining the degree of formality. Some firms especially small ones follow an entrepreneurial mode which are basically under the control of a single individual and they produce a limited number of products and services. Here strategic evaluation is informal, intuitive and limited (Pearce & Robinson, 2005).

Very large firms make strategic evaluation part of a comprehensive, formal planning system, an approach that Henry Mintzberg called the planning mode. Mintzberg also identified the adaptive model which he associated with medium sized firms that follow the adaptive mode, the identification of alternative strategies are closely related to existing strategy. The informal approach to strategy development is characterized by lack of design, in that there are no clearly set guidelines to follow. Decisions tend to be made independent of each other and with little regard to objectives. To some extent, actions here are guided by experience, precedent or doing what the boss may want which in itself may not be clear (Aosa, 1992). This approach may be adopted by sole proprietorships, partnerships or private limited companies with limited resources.

2.4.2 Factors that influence strategy development

Strategy development may be strongly associated with a strategic leader who may be personally identified with the organizations. Such an individual may be central because he or she is its owner or founder as often the case in small businesses. The political view of strategy development holds that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external groups (or stakeholders)

(Johnson and Scholes, 2007). The bargaining and power politics that go on between important executives who are trying to position themselves such that their views or control resources of the organizations has influence on strategy development process. As per the design lens, such political activity gets in the way of thorough analysis and rational thinking. Thus political activity has to be taken seriously as an influence on strategy development in organizations.

The way managers view where they want the organization to be in years to come may cause reluctance by them to specify precise objectives too early as this might stifle ideas and prevent experimentation. The variety of these managers' experience emphasized by the ideas lens is critical because it ensures sufficient diversity in the way the complexities of the environment and organisations capabilities are understood and interpreted (Johnson and Scholes, 2007). Thus logical incrementation view of strategy development is a deliberate development of strategy by learning through doing or crafting of strategy by managers who have a view of where they want the organization to be in years to come and try to move towards this position incrementally. Strategy development can be viewed as a learning process. Thus the learning organization is the one capable of continual regeneration from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge.

There are cases where strategies are imposed on organizations by agencies or forces external to the organization regardless of whether they are in private or public sector for example the government may dictate a particular strategic course or direction or choose to deregulate or privatize an organization previously in the public sector. The multinational corporations seeking to develop business in some parts of the world may be subjected to government requirements to do things in certain ways, perhaps through joint ventures or local alliances. An operating business within a multinational organization may regard the overall corporate strategic direction of its parent as a kin to imposed strategy. Such strategy is not developed by the managers in the business units concerned.

Large organizations with sophisticated and extensive planning systems prefer formal approach to strategy development. This encourages longer term view of strategy, is used as a means of co-ordination, control, communication of strategy to create ownership and enables a structured means of analysis and thinking about complex strategic problems. According to experience Lens, strategy actually develops on the basis of more informal sensing of the environment on the basis of people's experience or through the cultural systems of the organizations. Ideas Lens argues in favour of emergent strategy. Small and medium organization may prefer informal approach to strategy development. The political view of strategy development is that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external groups (or stakeholders). Thus political activity has to be taken seriously as an influence on strategy development. In "transforming corner – office strategy into frontline action," Gadiesh and Gibert stresses the power of an overarching, well communicated strategy that allows a company to maintain its focus, encourages workers to innovate and take risks and creates products and services that meet subtle shifts in customer needs.

Different organizations pursue different approaches to strategy development because of various contextual factors which include company's history and experience size, ownership, the industry in which it operates and the business it is presently in, resources and dependence. Designing viable strategies for firm requires a thorough understanding of the firms industry and competition. This includes an understanding of the boundaries of the industry, the structure of the industry, the competitors and major determinants of competition. The operating environment also called the competitive or task environment, comprises factors in the competitive situation that affect a firms success in acquiring needed resources or in profitability in goods and services. Among them are the firms' competitive position, its reputation among suppliers and creditors and its ability to attract capable employees (Pearce and Robinson, 2005).

According to Porter (1998), the nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services (where applicable), and the jockeying among current contestants. New entrants to an industry bring new capacity, the desire to gain market share and often substantial resources. Companies diversifying through acquisition into the industry from other markets often leverage their resources to cause a shake-up. The seriousness of the threat of entry depends on the barriers present and on the reaction from existing competitors that the entrant can expect. Powerful suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased good and services. Powerful suppliers thereby can squeeze profitability out of an industry unable to recover cost increases in its own prices. Powerful buyers can force down prices, demand higher quality or more service and play competitors off against each other all at the expense of industry profits. Substitute products or services limit the potential of an industry by placing a ceiling on the prices it can charge. Rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price competition, products introduction, and advertising slug test.

Environmental assessment is more complicated for multinational corporations (MNCs) than for domestic firms because multinationals must evaluate several environments simultaneously. Thus the design of business strategies based on the conviction that a firm is able to anticipate future business conditions will improve its performance and profitability. Despite the uncertainty and dynamic nature of business environment an assessment process that narrows even if it does not precisely define, future expectations is of substantial value to strategic managers (Pearce *et al.,* 2005). Uncertainty requires a new way of thinking, about strategy. All too often executives take arbitrary view: either they under estimate uncertainty to come up with forecasts required by their companys' planning or capital budgeting processes, or they over estimate it, abandon all analysis, and go with their gut instinct (Courtney *et al.,* 1997), According to Ansoff (2006), strategy formulation and strategies are context sensitive, which might explain the fact that there are many competitive models in strategic planning. For the manager, "making good decisions is crucial at every level". In practice many well formulated strategic plans are never implemented for various reasons (Barry and Elmes, 1997). Although companies are always formulating and reformulating strategies, this comes to the fore when they are at crossroads, facing new threats or attractive opportunities, (Mintzberg *et al.,* 2002). The management of organizations must always ensure long term survival of entities by ensuring a strategic fit and by creating an environment conducive for effective development and implementation of strategies.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design that was adopted, the population of the study, sampling, data collection methods that were used and the data analysis technique that was employed to analyze and organize data.

3.2 Research design

A descriptive cross sectional survey was used as the researcher collected data from many study subjects. The descriptive study was deemed necessary as the researcher aimed to generate detailed information regarding key aspects of population of study. Survey designs were most appropriate in collecting information from the entire spectrum of the population. Although the size of the population was large, all the companies were strategically located in Mombasa and thus the researcher carried out a census survey.

3.3 Population

The population of study was all tea exporting companies in Kenya registered with East African Tea Trade Association (EATTA) as tea buyer members. According to EATTA membership list of May, 2010, they are 72 in number. The composition of these companies range from multinational companies, local companies, sole proprietorship, private limited companies, listed companies and are of all sizes: large, medium and small, depending on annual volume of teas they buy at Mombasa tea auction.

3.4 Data collection method

The researcher aimed to base his findings on analysis of primary data. The data was collected using a structured questionnaire addressed to individual chief executive officers of the various companies under study. Given the sensitivity of the information requested, the researcher employed several approaches to administer the questionnaires to increase response rate. In addition to the “drop and pick” method the researcher made telephone follow ups calls to the chief executive officers of the companies under study a week after dropping the questionnaires. Other questionnaires were sent through e-mails to reduce associated costs of the research proposal. Njoroge (2008) employed this method and increased response rate. Cooper and Emory (1995) cites this approach as a way of improving response rates which improve on the ultimate outcome by as high as 70%.

3.5 Data analysis

Each collected questionnaire was checked for completeness and consistency. Incomplete questionnaires were considered invalid and subsequently discarded from analysis. Since the data collected was quantitative in nature, data analysis techniques included; frequencies percentages mean scores and standard deviation measures. To establish relationship between different variables, cross-tabulation analysis was used. The data was then presented in tables and the results discussed in narrative form. The results of the analysis were used to establish the approaches to strategy development by tea buying firms in Kenya.

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter comprises an analysis and interpretation of the data collected. The findings are presented in tables, bar graphs and in narrative form. The objective was to determine approaches to strategy development and the factors that affect strategy development by tea buying companies in Kenya. To achieve the study objectives, a four-page questionnaire was distributed to the Chief Executive Officers (CEOs) of respondent firms. The questionnaire contained questions related to; company information; concept of strategy; strategy development approaches; and factors affecting strategy development. Since the study was a census survey, questionnaires were distributed to all the 72 CEOs of tea buying companies in Mombasa. However, 45 completed questionnaires were collected and validated for the purposes of the study. Subsequently, this effort represented 63 per cent response rate.

4.2 Company information

Table 4.1 Summary of company information

Variable	Responses	Percentage
Company type		
Sole proprietorship	6	13.3
Partnership	3	6.7
Limited company	32	71.1
Listed company	4	8.9
Ownership		
Predominantly local	28	62.2
Predominantly foreign	17	37.8

Directorship		
Predominantly family	11	24.4
Predominantly non-family	18	40.0
All family	16	35.6
CEO nationality		
Kenyan	35	77.8
Non-Kenyan	10	22.2
Company structure		
Formal	13	28.9
Informal	32	71.2
Organizational culture		
Dynamic	14	31.1
Static	25	55.6
Indescribable	6	13.3
Annual tea purchased		
<5 million	30	66.7
5>=15 million	8	17.8
>15 million	7	15.6

The majority of the firms are private limited companies accounting for 71 per cent followed by sole proprietorship at 13 per cent. Of these firms 68 per cent are predominantly local with Kenyan CEOs accounting for 78 per cent.

The company structure of seventy-one (71%) of the firms is informal with 55 per cent indicating that their company culture is static rather than dynamic. As Chandler concludes structure follows strategy – that is – changes in organization strategy leads to changes to organizational structure. Subsequently having an informal organizational structure may mean that these firms can quickly adopt and adapt to changes in corporate strategies. Corporate culture shapes the behaviour of people in an organization. Because these cultures have a powerful influence on the behaviour of people at all levels, they can strongly affect a corporation's ability to shift strategic direction. Wheelen and Hunger (2003) argue that a culture emphasizing constant renewal may help a company adapt to a changing, hypercompetitive environment and therefore become a source of distinct advantage. As such it can be inferred that static organizational culture may hinder strategic renewal.

The approach preferred by the management to strategy development is determined by various contextual factors such as firm size. To give an indication of the firm sizes, the volume of tea purchased in 2009 was used and classified as follows; Up-to 5 million kilograms - Small; 5 to 15 million – Medium size; whilst above 15 million represents Large tea buying firms. Small, medium and large firms accounted for 67, 18 and 16 per cent respectively.

4.3 The Concept of Strategy

Table 4.2 Summary of Concept of Strategy

Variable	Responses	Percentage
Vision statement		
Yes	9	20.0
No	36	80.0
Mission statement		
Yes	9	20.0
No	36	80.0
Formal strategic plans		

Yes	22	48.9
No	23	51.1
Periodic strategic planning		
Annually	14	31.1
Every 3 yrs	7	15.6
Every 5 yrs	1	2.2
N/A	23	51.1
Strategy development models		
Formal	14	31.1
Informal	31	68.9
Importance of planning		
Priority	6	13.3
Very important	21	46.7
Important	18	40.0
Business environment		
Very stable	3	6.7
Fairly stable	26	57.8
Very turbulent	9	20.0
Fairly turbulent	7	15.6
Quality certification		
Yes	4	8.9
No	41	91.1

De Wit and Meyer (2005) make a distinction between vision and mission statements. While the corporate mission outlines the fundamental principles guiding strategic choices, a strategic vision outlines the desired future at which the organization hopes to arrive. However the analysis above reveals that only 20 per cent of respondents have vision and mission statements. Subsequently it can be inferred that the majority of the tea buying firms lack strategic direction.

The number of firms with formal and informal strategic plans was evenly distributed at 49 and 51 per cent respectively. This statistic is consistent with the percentage of respondents non-responsive to the statement related to the frequency that strategic plans are reviewed (51%). Incidentally, all the respondents affirmed that long-term planning is important to the success of their organization.

Johnson and Scholes (2005) define strategy as the link between the firm and its environment which is concerned with the long-term survival in the face of changing environmental conditions and situations. According to the analysis 64 per cent of respondents indicated that their environment is fairly to very stable. Also very few sampled firms (9%) have any form of quality certification. This is definitely symptomatic of both the level of informality and firm size of tea buying firms.

4.4 Approaches to strategy development

The current study made use of a 5 point Likert scale to capture data on the approaches to strategy development and the factors affecting strategy development at tea buying companies. As such mean scores and standard deviations were computed to indicate the central tendency of responses. Standard deviation statistics (SSD) was used to reveal the extent of variations of the statistics with the mean score. Hence, a standard deviation (SSD) greater than 1.0 represents a major variance in the opinions of respondents while a standard deviation of less than 1.0 implies similarity in responses. In this section, respondents were requested to rate statements related to the approaches to strategy development and the factors affecting strategy development. To this end, the rating scale ranged from 1 to 5 where; 1 – strongly agree, 2- agree, 3- neutral, 4 – disagree and 5 – strongly disagree. Subsequently the lower the mean score the higher the agreeability with posed statements. A mean score of (1.0 - 2.6) was taken to represent strongly agree and agree responses, (2.61 to 3.4) represented neutral responses, whilst (3.41 to 5.0) disagree and strongly disagree.

4.4.1 Planned and deliberate (rational) approach to strategy development

Table 4.3 Planned and deliberate approach to strategy development

Descriptive Statistics

	N	Mean	Std. Deviation
deliberate strategic planning	45	3.7333	1.2505
strategic planning procedures	45	3.4889	1.0792
strategic devt based on systematic envtal analysis	45	3.4667	1.0574
Valid N (listwise)	45		

The rational model is a formal planned and deliberate approach to achieving stated objectives. The characteristics of strategic plans using the rational model include; documented (written down); the result of a formal, systematized process with a start and end point; and determined or endorsed by senior managers with little or no direct involvement from operational managers (BPP, 2010). According to the analysis, strategy development by the majority of firms was neither planned nor deliberate. This revelation is revealed by the mean scores all above 3.40 indicating disagreement with statements associated with the rational strategy development model. The planned and design approach to strategy development is mostly existent in very large firms that make strategic evaluation part of a comprehensive, formal planning system. This approach requires significant resources in terms of finances and technical ability of senior management. Subsequently, given that large firms in the industry account for only 15 per cent (purchasing above 15 million kilograms of tea annually), this approach is inappropriate for the majority of tea buying firms.

4.4.2 Emergent approach to strategy development

Table 4.4 Emergent approach to strategy development

Descriptive Statistics

	N	Mean	Std. Deviation
commitment to strategy tentative to review	45	2.1778	.8865
strategy emerges gradually in response to change	45	2.1556	1.0651
strategy developed based on daily operations	45	2.2222	1.0636
Valid N (listwise)	45		

The statistics reveal that the most pervasive approach to strategy development is the emergent strategy development model. Respondents affirmed all the variables related to this model. These were; commitment to strategy tentative to review (2.17); strategy emerges gradually in response to change (2.15); and strategy developed based on daily operations (2.22). Mintzberg (1987) argues that the rational approach fails to identify emergent strategies or allow for them. Emergent strategies arise out of patterns of behaviour and are not the result of the conscious intentions of senior managers. Johnson and Scholes (2007) assert that in practice, strategies develop in an adaptive fashion building on the existing strategy and changing gradually, rather than fundamentally changing direction. However, emergent strategies have been criticized as being inappropriate for the long-term direction of the firm, and having future implications for resource use elsewhere in the organization.

Given the nature of firms participating in the study, (small and medium firms account for 85 per cent of the population), this approach may be the most appropriate. As Mintzberg argues the emergent strategies are closely associated with medium sized firms that follow the adaptive mode that is the identification of alternative strategies are closely related to existing strategy. To a large extent actions here are guided by experience, precedent and what the boss may want (Aosa, 1992). Indeed this flexibility can be used as a source of competitive advantage.

4.4.3 Lenses approach to strategy development

Table 4.5 Lenses approach to strategy development

Descriptive Statistics

	N	Mean	Std. Deviation
strategy developed through experimenting new approaches in the marketplace	45	3.9111	.7014
adjustments to strategic plans due to environmental changes	45	3.4000	1.0090
Valid N (listwise)	45		

The way managers view where they want the organization to be in years to come may cause reluctance by them to specify precise objectives too early as this may stifle ideas and prevent experimentation. The variety of these managers' experience emphasized by the ideas lens is critical because it ensures sufficient diversity in the way the complexities of the environment and organizations capabilities are understood and interpreted (Johnson and Scholes, 2007). Thus lens view of strategy development is a deliberate development of strategy by learning through doing or crafting of strategy by managers who have a view of where they want the organization to be in years to come and try to move towards this position incrementally. However, this approach is mostly appropriate in environments that are fairly dynamic and turbulent. The tea industry in Kenya operates mostly in traditional markets that are fairly predictable and stable. This is evidenced by 85 per cent of respondents indicating that their markets are fairly to very stable. Consequently, the findings do not support the use of this approach to strategy development in tea buying firms.

4.5 Factors affecting strategy development

Table 4.6 Factors affecting strategy development

Descriptive Statistics

	N	Mean	Std. Deviation
our strategy is largely influenced by senior management	45	2.2444	1.1313
organizational politics influences our strategy devt	45	2.6000	1.1362
strategy devt influenced by negotiation btw different org groups	45	3.1778	.9603
organizational culture influences strategy devt	45	3.4667	1.0135
past experience influence on strategy devt	45	2.4000	.8893
groups controling resources in org influence strategy devt	45	2.6444	1.1110
influence of external forces on strategy devt	45	3.4889	1.0140
significant barriers from external envt influence strategy devt	45	3.0667	1.0954
strategy dictated by new competition	45	3.6667	.7687
strategy closely related with existing competition	45	3.0222	.3982
customer influences on strategy devt	45	2.2222	.7035
supplier influences on strategy devt	45	4.1778	.8605
Valid N (listwise)	45		

According to the analysis, strategy development at sampled firms is influenced by; senior management (2.24); organizational politics (2.6); past experience (2.4); and customers (2.22). Respondents were neither in agreement or disagreement to whether strategy is developed through; negotiation between organizational groups; external environment barriers; or existing competition.

The political view of strategy development is that strategies develop as an outcome of processes of bargaining and negotiation among powerful internal and external groups (or stakeholders). Thus political activity has to be taken seriously as an influence on strategy development. However, in sole proprietors, partnerships, and small private limited companies, this is hardly the case. Here most of the strategic decisions are the preserve of either the founder or senior management. Invariably the decisions taken often reflect the interests and biases of senior management rather than staff or other stakeholders due to their limited influence (stake) in the business.

The process school of thought tends to downplay the role of systematic analysis in strategy development while advocating and emphasizing on intuition and experience. Accordingly managerial judgment, intuition and skill are of great importance in making the eventual strategy decisions and rational analysis is not a substitute for such managerial skills.

Strategy is the link between the firm and its environment which is concerned with its long term survival in the face of the changing environmental conditions and situations. As such the environment would ideally have a considerable influence on firm strategy. However this influence is blunted in situations where the environment is considered to be stable (64 per cent of respondents opined that their environment is fairly stable to very stable).

Further the finding that environmental factors such as government policy, existing rivalry, the threat of new entrants have a minimal impact on strategy development may be indicative of a severe lack of any strategic orientation in these firms. As such it seems that these firms are more inward-looking thereby overlooking potential opportunities and threats that are consistently presented in any operating environment.

As Porter (1998) argues powerful buyers can force down prices, demand higher quality or more service and play competitors off against each other all at the expense of industry profits. A buyer or a group of buyers are powerful if; a buyer purchases a large proportion of the seller's product or service; alternative suppliers are plentiful because the product is standard or undifferentiated; and the purchased product represents a high percentage of the buyer's costs, thus providing the incentive to shop around for a lower price. All these factors hold true in the tea industry hence the significant influence of customers to strategy development as shown above.

4.6 Cross-tabulated data analysis and discussions

4.6.1 Ownership & annual tea purchased

Table 4.7 Ownership & annual tea purchased cross-tabulation

ownership * annual tea purchased (kgs) Crosstabulation

Count

		annual tea purchased (kgs)			
		<5 mil	5>15 mil	>15 mil	Total
ownership	predominantly local	22	4	2	28
	predominantly foreign	8	4	5	17
Total		30	8	7	45

From the table above it can be seen that foreign owned firms consist of the majority of large firms (71%), that is firms purchasing over 15 million kilograms of tea per year. These firms include large multinationals like James Finlay, and Brooke Bond Limited. This is consistent with the stastitic revealing that during the year 2009, about 79% of the total tea trade at the Mombasa Tea Auction was bought by 10 companies with the top five controlling 54% of total sales (Africa Trade Journal, 2009).

4.6.2 Ownership & formal strategic plans

ownership * formal strategic plans Crosstabulation

Count

		formal strategic plans			Total
		yes	no	5.00	
ownership	predominantly local	6	21	1	28
	predominantly foreign	16	1		17
Total		22	22	1	45

The table above reveals that 94 per cent of predominantly foreign tea buying firms follow the formal and design approach to strategy development as compared to a meagre 29 per cent of predominantly local firms. This suggests that the formal planning approach is mostly suitable for large firms and their success may be attributable to this trend.

4.6.3 Annual tea purchased & formal strategic plans

Table 4.8 Annual tea purchased & formal strategic plans

annual tea purchased (kgs) * formal strategic plans Crosstabulation

Count

		formal strategic plans			Total
		yes	no	5.00	
annual tea purchased (kgs)	<5 mil	9	21		30
	5>15 mil	6	1	1	8
	>15 mil	7			7
Total		22	22	1	45

Similarly, to establish a relationship between formal strategic development and firm size, cross-tabulation analysis was undertaken which revealed that 100 per cent of the large firms have formal strategic development modes as compared to 43 per cent of small firms. This is consistent with Johnson and Scholes (2007) observation that large organizations with sophisticated and extensive planning systems prefer formal approaches to strategy development. This encourages longer term view of strategy and is used as a means of coordination, control, communication of strategy to create ownership.

4.6.4 Company structure & formal strategic plans

Table 4.9 Company structure & formal strategic plans

company structure * formal strategic plans Crosstabulation

Count

		formal strategic plans			Total
		yes	no	5.00	
company structure	formal	13			13
	informal	9	22	1	32
Total		22	22	1	45

Likewise it is clear that firms with formal company structures adopt formal strategy development modes, 100 per cent as compared to 40 per cent for firms with informal structures.

4.6.5 CEO nationality & formal strategic plans

Table 4.10 CEO nationality & formal strategic plans

CEO nationality * formal strategic plans Crosstabulation

Count

		formal strategic plans			Total
		yes	no	5.00	
CEO nationality	kenyan	12	22	1	35
	non-kenyan	10			10
Total		22	22	1	45

As expected, the analysis reveals that 100 per cent of firms led by foreign CEOs have adopted formal strategic development modes as compared to 55 per cent of Kenyan led firms.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the conclusions from the research findings. The findings have been summarized alongside the objectives of the study, conclusions drawn from the study and recommendations given. The chapter concludes with the limitations of the study and suggestions for further research.

5.2 Summary of major findings

In the analysis of the data, data was examined under four categories; company information; the strategy concept; approaches to strategy development; and factors affecting strategy development. Before getting into the analysis of the data, a brief summary of the characteristics of the firms will provide help in the interpretation of findings.

5.2.1 Company information

The analysis of company information indicates that;

The majority of the firms are private limited companies accounting for 71 per cent followed by sole proprietorship at 13 per cent. Of these firms 68 per cent are predominantly local with Kenyan CEOs accounting for 78 per cent.

The company structure of seventy-one (71%) of the firms is informal with 55 per cent indicating that their company culture is static rather than dynamic. To give an indication of the firm sizes, the volume of tea purchased in 2009 was used and classified as follows; Up-to 5 million kilograms - Small; 5 to 15 million – Medium size; whilst above 15 million represents Large tea buying firms. Small, medium and large firms accounted for 67, 18 and 16 per cent respectively.

5.2.2 The Concept of Strategy

The analysis of company information indicates that;

Only 20 per cent of sampled firms have documented vision and mission statements. The number of firms with formal and informal strategic plans was evenly distributed at 49 and 51 per cent respectively. This statistic is consistent with the percentage of respondents non-responsive to the statement related to the frequency that strategic plans are reviewed (51%). Incidentally, all the respondents affirmed that long-term planning is important to the success of their organization. Sixty-four (64) per cent of respondents indicated that their environment is fairly to very stable. Also very few sampled firms (9%) have any form of quality certification.

5.2.3 Approaches to strategic development

According to the analysis, strategy development by the majority of firms was neither planned nor deliberate. This revelation is revealed by the mean scores all above 3.40 indicating disagreement with statements associated with the rational strategy development model. The findings also do not support the use of the experimenting lens approach to strategy development in tea buying firms.

However, it was clear from the findings that the most pervasive approach to strategy development is the emergent strategy development model. Respondents affirmed all the variables related to this model. These were; commitment to strategy tentative to review (2.17); strategy emerges gradually in response to change (2.15); and strategy developed based on daily operations (2.22).

5.2.3 Factors affecting strategy development

Strategy development at sampled firms is influenced by; senior management (2.24); organizational politics (2.6); past experience (2.4); groups controlling resources in the organization (2.6); and customers (2.22). Respondents were neither in agreement or disagreement to whether strategy is developed through; negotiation between organizational groups; external environment barriers; or existing competition nor the threat of new competitors.

5.2.4 Cross-tabulation analysis

Foreign owned firms consist of the majority of large firms (71%), that is firms purchasing over 15 million kilograms of tea per year. Secondly, 94 per cent of predominantly foreign tea buying firms follow the formal and design approach to strategy development as compared to a meagre 29 per cent of predominantly local firms.

Thirdly, all large firms have formal strategic development modes as compared to 43 per cent of small to medium-sized firms. Likewise it is clear that firms with formal company structures adopt formal strategy development modes, 100 per cent as compared to 40 per cent for firms with informal structures. Lastly the analysis reveals that 100 per cent of firms led by foreign CEOs have adopted formal strategic development modes as compared to 55 per cent of Kenyan led firms.

5.3 Discussions

Large organizations with sophisticated and extensive planning systems prefer formal approaches to strategic development. This encourages a longer term view of strategy, which is used as a means of coordination, control, communication of strategy to create ownership. In contrast, the small and medium firms may prefer an informal approach to strategy development. These refer to either the emergent or experimental approach to strategy development. This may be attributed to the fact that strategy development in small firms is closely associated with a strategic leader who may be personally identified with the organization. Such a leader is usually central because they may be the business owner or founder as often the case in small businesses. Further, small and medium sized firms usually lack the resources, technical capacity and organizational systems and processes to support formal planning modes. This strategic phenomenon is validated by the study findings.

It is also clear from the findings that the tea industry in Kenya is in the grip of foreign-owned companies. According to the Africa Trade Journal (2009) during the year 2009 about 79% of the total tea trade at the Mombasa Tea Auction was bought by 10 companies with the top five controlling 54% of total sales. It is indeed likely that these established firms erect significant entry barriers to new entrants in the industry, notably indigenous firms.

5.4 Recommendations

Based on the findings of the study, the following recommendations would suffice;

The findings reveal that 20 per cent of the firms lack vision and mission statements. Invariably this means that these firms do not document their desired ideal future and fundamental guiding principles. Consequently they lack a strategic focus that is so critical for any organization. It is recommended that this situation should be reversed.

All the respondents affirmed that long-term planning is important to the success of their organizations. However, only 49 per cent engage in any form of long-term planning. It may not be a coincidence that all the large firms have formal strategy development modes. As such other firs should emulate this approach.

A meagre 9 per cent of the firms have any form of quality certification. This serves as both a stumbling block to growth and a trade barrier to many key markets. For these firms to compete in the global market there is an urgent need for them to acquire internationally recognized quality certifications such as ISO 9000 and ISO 22000.

Foreign owned firms consist of the majority of the large firms (71%) among the tea buyers. The Government of Kenya and relevant authorities should put in place measures such as legislation to encourage greater participation of local-owned firms in the industry.

5.5 Limitations of the study

Time constraints limited the number of respondents. Secondly, due to the nature of the data collected, quite a number of respondents were reluctant to reveal information deemed confidential.

5.6 Suggestions for further studies

Similar studies should be undertaken in other sections of the tea industry such as tea broker firms, tea manufacturing companies, and tea warehouses to give a clearer picture of strategy development in the tea industry as a whole.

References

Andrews, K., (1971), *The Concept of Corporate Strategy,* Homewood: Irwin

Ansoff, I, and McDonell., E. (1990), *Implanting strategic management.* Prentice Hall 2nd Edition.

ATB, (2009) "Buyers Mombasa Tea Auction purchases January – December 2009," *African Tea Trade Journal, Vol. 5(5) pp. 2*

Burnes, B., (2004), *Managing change,* Prentice Hall (4th Edition).

Business monthly East Africa Edition (2010) *"Journal on trade and industry," June issue*

Courtney, H., Kirkland, J., Virguerie, P. (1997) "Strategy under uncertainty," *Harvard Business Review, Vol. 75(6)*

Davis, E., Star, J. (1993) "The world's best performing companies," *Business Strategy Review Journal Vol. 4(2) pp. 1-16*

EATTA, (2010) "Recent development in the world tea markets," *African Tea Trade Journal, Vol. 5(5) pp. 11*

Hamel, G., Prahalad, C.K. (1989) *Strategic intent,*" Harvard Business Review, May – June

Hax, C. A, Maj inf, NS (1996) *The strategy concept and process: A pragmatic approach.* Prentice hall 2nd Edition.

HBS Centennial. Harvard Business Review Vol. 86(1)

Kamunya, S.(2009) "Diversification: Research yields "Purple," *Tea Board of Kenya, Vol. 002 pp.15*

Kenei, Z. K (2006) *Challenges of application of porter's Generic strategies in the tea industries in Kenya: A case study of Ketepa Limited.* Unpublished MBA project Nairobi University

Koskey J. K. (2008) *Responses by clearing and forwarding firms in Mombasa to change in external environment.* Unpublished MBA project university of Nairobi.

Mintzberg, H., Lampel, J., Ahstrand, B. *Strategy Safari.*

Mintzberg, H., (1973) "Strategy making in three models," *California management Review Vol. 16(2) pp. 44-53*

Muhoro, A. W. (2004) *The process strategy development in Kenya Bus services Ltd.* Unpublished MBA project Nairobi University.

Mulande, E. M. (2008) *Competitive strategies adopted by coffee roasters and packers in Kenya.* Unpublished MBA project university of Nairobi.

Nguluu, J. (2006) *Relationship between strategic management and performance of Tea manufacturing firms in Kenya.* Unpublished MBA project Nairobi University.

Njoroge, R. N. (2008) *Strategy development among water services boards in Kenya.* Unpublished MBA project university of Nairobi.

Nzeki, D. (2008) *"Relationship between tea value additions and profitability of exporting companies in the Kenyan tea industry,"* Unpublished MBA project Nairobi university

Ohmae, K (1982) *The mind of a strategist.* McGraw-Hill.

Okiro, P. O. (2006) *Strategy development process and factors influencing them at Kenya Pipeline Company Ltd.* Unpublished MBA project Nairobi University

Porter, Michael E.(2008) "The Five Competitive Forces That Shape Strategy." *Special Issue on*

Pearce, J.A., Robinson, R.B. (2005*) Strategic management formulation, implementation and control.* McGraw-hill, 9th Edition.

Porter, M. E. (1979)"How competitive forces shape strategy," *Harvard Business Review Vol. 57 (2), pp. 137-145*

Porter, M. E. (1998) *Competitive advantage: Creating and sustaining superior performance* Free press.

Porter, M. E (1998) *Competitive strategy: Techniques for analyzing industries and competitors*. Free press.

TBK, (2009) "Kenya Tea Exports by country of destination -2009," *African Tea Trade Journal, Vol. 3(3) pp. 22*

Rimbere, M. (2010) "EATTA members to acquire international standards," *African Tea Trade*

TBK, (2009) "Tea Board of Kenya Special Report," *African Tea Trade Journal, Vol. 3(3) pp. 16*

Volster, D. (2009) "Understanding current market & trends," *African Tea Trade Journal, Vol. 4(4) pp. 20*

William, G. (2009) "Global production prices and the UK markets," *African Tea Trade*

SHADRACK M. WASIKE
P. O. BOX 980-80100
MOMBASA

October 7, 2010

THE CEO
……………………………………………………
……………………………………………………
……………………………………………………

Dear Sir/Madam,

RE: QUESTIONNAIRE

I am conducting a research on Strategic Development on tea exporting companies in Kenya in partial fulfillment of the requirements for the Award of a Masters of Business Administration of the University of Nairobi

In recognition of your company as a key player in this category of business, I attach a questionnaire which I kindly request you to complete as candidly and precisely as possible.

The information provided will be strictly confidential and will not be used for any other purpose other than academic.

Yours faithfully,

SHADRACK MAYENDE WASIKE

Attach

APPENDIX 1

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

STUDY QUESTIONNAIRE

Please note that the information in this questionnaire will be treated confidentially and shall thereby not be diverted to or used for any other purposes other than academic.

Respondent Profile

1. Name of the company...

2. Designation of the person filling the questionnaire...

A. Company information:

(Tick as appropriate)

1. Type of company:

   b. Sole proprietorship: ☐ b. Partnership ☐

   c. Private Limited ☐ d. Listed company ☐

   e. Any other...

2. Ownership of the company:

   i. Predominantly Local (51%or more) ☐

   ii. Predominantly foreign(51% or more) ☐

   iii. Balance between foreign and local (50% each) ☐

   iv. Any other...

3. Directorship of the company:

    ii. Predominantly family (More than 50%) ☐

    iii. Predominantly non-family (50% or more) ☐

    iv. All family ☐

    v. Any other...

4. How many employees did the company have by the end of the year 2009

    i. Permanently employed: ....

    ii. Casuals:..

    iii. Total number: ....

5. Nationality of the Chief Executive Officer (Please tick as appropriate):

    i. Kenyan ☐ ii. Non-Kenyan ☐

6. How can you describe the company structure?

    i. Formal ☐

    ii. Informal ☐

    iii. Any other...

7. How can you describe the company culture?

    i. Dynamic: ☐ ii. Static: ☐ Indescribable: ☐

8. Total volume of teas purchased from Mombasa tea auction for the year 2009 by your company:

    i. Less than 5 Million ☐ iii. 5 Million – 10 Million: ☐

    ii. 11 Million – 15 Million: ☐ iv. Over 15 Million: ☐

B. Concept of strategy

(Tick as appropriate)

1. Does your company have a vision statement?

   Yes: ☐ No: ☐

2. Does your company have a mission statement?

   Yes: ☐ No: ☐

3. Does your company develop strategic plans?

   Yes: ☐ No: ☐

4. How often does your company review its strategic plan?

   Yearly: ☐ Every Three Years: ☐

   Every Five Years: ☐ Every Ten Years: ☐

5. What is the mode of strategy development in your company?

   Formal: ☐ Informal: ☐

6. How important is long term planning to the future success of your organization?

   Priority: ☐ Very Important: ☐ Important: ☐ Not very Important: ☐

7. What factors do you consider while developing your strategies?

   i. Existing Competition: ☐

   ii. New competition: ☐

   iii. Customers: ☐

   iv. Suppliers: ☐

   v. Government policies: ☐

   vi. Emerging technologies: ☐

   Any others...

8. How would you describe your business environment?

(i) Very stable: ☐ (ii) Fairly Stable: ☐

(iii) Very Turbulent: ☐ (iv) Fairly Turbulent: ☐

9. Does your company have any quality certification? If yes please specify.

Yes: ☐ ____

No: ☐

C. Approaches to strategy development

On a scale of 1-5, where 1 = Strongly agree, 2 = Agree, 3 = Partly agree, 4 = Disagree, 5 = Strongly disagree, please tick the number that closely reflect how much you agree with the statements.

For solutions to strategic problems, our strategy is made explicit in the form of precise plan.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
We have precise procedures for achieving strategic objectives:	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
We keep early commitment to strategy tentative and subject to review:	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Our strategies emerge gradually as we respond to the need to change:	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
We more often develop strategy by experimenting and trying new approaches in the market place.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Our strategy develops through a process of ongoing adjustment as changes occur in the market place.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
The strategies we follow develop from the way we carry out our daily operations.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Our strategy develops based on a systematic analysis of our business environment.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

D. Factors affecting strategy development

On a scale of 1-5, where 1 = Strongly agree, 2 = Agree, 3 = Partly agree, 4 = Disagree, 5 = Strongly disagree, please tick the number that closely reflect how much you agree with the statements.

Our strategy is closely associated with particular individuals:	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
The information upon which our strategy is developed often reflects the interests of certain groups:	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Our strategies develop through a process of bargaining and negotiation between groups or individuals:	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
The strategy we follow is dictated by our culture (that is our beliefs and assumptions about the way we do things):	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Our strategy is based on past experience.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
The influence a group or an individual (within the organization) can exert over our strategy is enhanced by their control of resources which are so critical to the organization's activities.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
We have strategy imposed on us by external forces outside the organization (such as the government).	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Barriers exist in our business environment, which significantly restrict our strategy development processes.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
The strategy is dictated by new competition	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
Our strategy is closely associated with existing competition.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐

The strategy we follow is dictated by our customers.	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐
The strategy we follow is influenced by our suppliers	1. ☐ 2. ☐ 3. ☐ 4. ☐ 5. ☐