LIBERALIZATION AND COMPETITIVE STRATEGIES ADOPTED BY SUGAR PROCESSING FIRMS IN KENYA

BY

ELIAS MUTHOMI KABURU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OFTHE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2014

DECLARATION

This research project is my original work and has never been submitted for examination to any other University.

Signature…………………………….. Date………………………………

ELIAS MUTHOMI KABURU

REG. NO: D61/60408/2013

This project has been submitted with my authority as the university supervisor.

Signature……………………………………. Date...

MR. ELIUD MUDUDA

LECTURER,

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.

DEDICATION

I wish to dedicate this project to my family: my wife, Judy Karimi Njiru, my children: Claire Kinanu Muthomi and Mike Mwenda Muthomi who encouraged me when writing this project and persuing the course.

My dedication also goes to my parents starting with my late father, Mr Eustace Kaburu who passed on during the course of my study.You were of great inspiration to me in my studies. Father, rest in ertenal peace. This is also to my mother Faith Mugai Kaburu and my mother-in-law, Purity Kaimuri Njiru.

ACKNOWLEDGEMENTS

I wish to acknowledge and extend my gratitude to my supervisor, Mr. Eliud Mududa for his professional guidance and advice throughout this project; all the respondents from Sugar processing firms and the Sugar Directorate in Kenya for their kind support which they accorded to me during data collection period.

Thanks to the entire academic staff of the School of Business, Department Business Administration for their contribution in one way or another.

To my family, parents and friends for their honest support and encouragement during the study.

I wish also to acknowlwdge my members of staff namely Zainab,Nancy and Njeri for their understanding while i was in schoool.This also goes to my friends Mutea and Munene for their input during my studies.To all of you, kindly accept my appreciation for your great support.

ABSTRACT

The study sought to achieve the following objectives to determine the extent of liberalization within the sugar industry in Kenya and to establish the competitive strategies adopted by sugar processing firms in response to liberalization of the sugar industry in Kenya. The research was conducted through a descriptive cross-sectional survey design. The target population of the study comprised of all the 9 sugar processing firms in Kenya (Appendix I). For each firm, 3-5 managers were targeted for the census. The researcher collected both primary and secondary data. The drop and pick method was used to collect data.Primary data was obtained by use of a questionnaire (Appendix III). The questionnaire consisted of structured questions on the effects of liberalization on competitive strategies adopted by sugar processing firms in Kenya. The questionnaires were then administered on such managers for the desired data. The respondents were also allowed to submit electronic copies of filled questionnaires. In order, to increase the response rate, the researcher made use of telephone calls to remind the respondents to fill and return the filled questionnaires.Secondary data was collected from news bulletins,audited financial reports,news items and any relevant literature material like related academic research projects.The data was then be processed using the Statistical Package for Social Sciences (SPSS) and Microsoft Excel 2010 computer software with these findings as at 5.2. The study concluded that there was slow adoption of competitive strategies by sugar processing firms in Kenya towards the effects of intended liberalization. This is attributable to lack of top management support and failure to invest in modern technologies for example information communication technology. This negatively impacts on efficiency of operations and cost reduction. The study recommends that top management should provide guidance where key supply chain management is most inefficient. This is between planting and delivery of the cane. This is as a result of planting of long maturity cane, use of manual harvesting methods and slow delivery of the cane to the Millers. The researcher faced a number of challenges: it was not easy to have busy employees to help in filling the questionnaires since most of them thought that the process was tedious and non-paying. In most cases, white collar workers consider their time precious and worth payment; therefore, it was a hard subject convincing them that the research was meant for the betterment of their working conditions. Also, due to social desirability nature of the questions in the questionnaire, it was presumably difficult to convince the respondents to give only true information.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS & ACRONYMS

BPO:	Business Process Outsourcing
COMESA:	Common Market for Eastern and Southern Africa
EAC:	East African Community
GDP:	Gross Domestic Product
SD:	Sugar Directorate
ODI:	Overseas Development Institute

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Sugar is produced in more than 100countries around the world. It is one of the most traded commodities with exports accounting for a quarter of global production. But it also has one of the most distorted global markets such that there is no level playing field. Sixty-five percent of world sugar trade comes from four countries, namely Brazil, Australia, Cuba and Thailand while the biggest importer is Russia. All major producer and consumer countries protect their markets from the lower priced sugar available in the world market (Overseas Development Institute (ODI), 2014). In Kenya, the sugar industry is both strategic and political; it ensures food security improves rural lives and provides sustainable livelihoods for millions of Kenyans but it also suffers from heavy government intervention. The industry is under constant threat of collapsing due to perennial challenges. The major crises the sub-sector is currently experiencing include liberalization and increasing competition from cheap sugar imports, poor industry policies and structures that fail to address basic problems that would assist in recovery and continued government intervention that has resulted in mismanagement of the industry (Sugar Directorate(SD),2014),formerly Kenya Sugar Board.

Competition is also mounting in Kenya’s sugar industry with several small millers and additional licenses being issued to new millers which may be because prices of sugar are very high, making the market very attractive to entrant millers. The concern with this nature of entry is whether the industry in Kenya is being driven towards overcapacity and whether the new entrants will be able to establish the scale of operations that is required to affect pricing and allow for expansion of production output. Most of the existing factories already operate below capacity due to several factors that range from cane shortage to machine breakdown (SD, 2014). Overall, the productivity in Kenya has been declining for several years apparently due to ageing machinery, low reinvestment in new technologies, frequent mill breakdowns, and poor maintenance programmes particularly at older mills. It is however unclear as to why this has been allowed to happen although it is worth noting that newer mills have started to make significant investments in new technologies, trucks, machinery, and weighbridges that are close to the farms (SD, 2014)

1.1.1 Concept of Strategy

Strategy is about being able and ready to adapt to an ever changing external business environment. Strategic management involves deciding which customer to serve, with which products and services, and meeting those customers' legitimate needs and wants by allocating resources in the most advantageous way (Cole, 2004). It is an organizational process designed to sustain, invigorate and direct the organization's human and other resources in the profitable fulfillment of the needs of customers and other principal stakeholders. The process is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behaviour of top management and other key managers in the organization. If an organization wishes to address issues of service delivery and performance management based on strategy focus, then service delivery must become one of the values of that organization and the managers must be seen to live to that value in their everyday lives and for this to happen, there needs to be a well thought strategic management system working throughout the organization (Neale, 2004). Service delivery is important to an organization, which in today's climate surely must be, and then there is a need for it to become deep-rooted part of the culture.

The strategic planning process is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behavior of top management and other key managers in the organization. For instance, if an organization wishes to address issues of service delivery and performance management based on strategy focus, then service delivery must become one of the values of that organization and the managers must be seen to live that value in their everyday lives and for this to happen, there needs to be a well thought strategic management system working throughout the organization (Neale, 2004). Strategy researchers, writers and practitioners largely agree that every strategy context is unique. Moreover, they are almost unanimous that it is usually wise for strategists to adopt the strategy process and strategy content to the specific circumstances prevalent in the strategy context (Wit and Meyer, 2001).Scott, Frank, Schultz & David (2006)argued that effective strategy implementation is essentially attending to the relationship between the following seven factors: Strategy, structure, systems, style, staff, skills and subordinate goals.

1.1.2 Competitive Strategy

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (Porter, 1985).

The focus strategy has two variants; cost focus and differentiation focus. In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price (Porter, 1985).

Mintzberg (1994), argues that the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants: In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

1.1.3 Sugar Industry in Kenya

In Kenya, sugarcane farming supports over 200,000 smallscale farmers. In addition, an estimated six million Kenyans derive their livelihood directly or indirectly from the sugar industry. Domestic production of sugar saves the country about Kes45 billion in foreign exchange.Most farming is in western Kenya though previously some sugarcane was grown in parts of Coast Province. Upto 80% of area under sugarcane in Kenya is under out growers. The majorities are small-scale growers; the remaining is under sugar factories in the form of nucleus estates (SD, 2014).

The challenges facing the sugar industry in Kenya include: Flooding of local market with cheap imported sugar leads to insufficient market for the local producers, burning of cane by arsonists or accidental fire outbreaks which make the farmers to incur heavy loses, high cost of farm inputs which greatly reduces the farmer's profit margins, poor management of sugar factories and mismanagement of co-operatives which leads to delayed and low payments to the farmers which lowers their morale, delays in harvesting of sugar-cane due to poor harvesting programmes by the factories which disrupts the farmer's planning, diseases which lowers the farmers' yield and income, over production in sugar growing areaswhich at times exceeds the capacity of the local factories, labour shortage during harvesting, poor feeder roads which lead to late delivery of the harvested crop to the factory and climatic hazards like prolonged drought (SD, 2014).

1.1.4 Sugar Processing Firms in Kenya

Currently, the sugar industry in Kenya is made of 9 sugar factories composed of Parastatal Companies and Private Companies. Parastatal industries inlcude: Nzoia Suga Company, Sony Sugar Company, Muhoroni Sugar Company and Chemelil Sugar Company. The private sugar companies include: Kibos and Allied Sugar Company, Butali Suagr Company, SOIN Sugar Company and West Kenya Sugar Company. In addition, Mumias Sugar Company was privatized in 2001, with government majority shareholding.

The sugar-cane growing zones in kenya include: The Nyanza Sugar-cane belt extending from Koru through Muhoroni and Chemelil to Kibos near Kisumu. Sugarcane is also grown in Kisii and Siaya Districts.In Western Province, Mumias has dominated in sugar-cane cultivation.Some sugar-cane is also found in Bungoma District around Nzoia and eastern parts of Busia District (SD, 2014).

1.2 Research Problem

The survival and growth of an industry depends on the strategies it adopts to safeguard itself from rivalries from within and outside the industry (Thompson and Strickland, 2003). Currently, the sugar industry in Kenya is facing several challenges including capacity underutilization, lack of regular factory maintenance, poor transport infrastructure and weak corporate governance. Consequently, most factories have accumulated large debts amounting to over Kes58 billion (SD, 2014).

In addition to current woes in the sugar industry in Kenya, there is a greater threat emanating from the liberalization of the sugar industry in the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The full liberalization is slated to take effect by the end of 2014 and this will open up the Kenyan industry to direct competition within the region. Therefore, in order for the Kenyan firms to survive the competition, there is urgent need for the players in the sugar industry in Kenya to adopt competitive strategies that can guarantee them growth and survival in the EAC and COMESA markets.

Some studies have been conducted on various strategic aspects of the sugar industries in Kenya. Jowi (2010) investigated the strategic responses to competitive environment by South Nyanza Sugar Company Limited and established that the main strategic responses included higher prices for cane farmers and modernization of sugar processing equipment. Ambia (2012) evaluated the strategy implementation at Nzoia Sugar Company and established that strategy implementation was essentially the reserve of the board of directors and senior managers. Barasa (2012) investigated the strategies adopted by Mumias Sugar Company to gain competitive advantage and established that technology and operations, service quality and leadership quality were the dominant competitive strategies. Wachiye (2012) studied the strategic responses to liberalization by sugar firms in Kenya and concluded that the sugar processing firms in Kenya were ill prepared.

However, little evidence exists on the types of competitive strategies adopted by the sugar processing firms in Kenya in anticipation of the full liberalization of the sugar industry in EAC and COMESA regions. Therefore, this study will seek to further the identified studies by seeking to establish the extent of liberalization and how the liberalization determines the strategies adopted by sugar processing firms in Kenya.

1.3 Research Objectives

The objectives of this study were:

1. To determine the extent of liberalization within the sugar industry in Kenya.
2. To establish the competitive strategies adopted by sugar processing firms in response to liberalization of the sugar industry in Kenya.

1.4 Value of the Study

The findings of this study will shed light on what competitive strategies ought to be adopted in order to make the best out of the existing opportunities in a liberalized industry. In addition, the findings of this study will enable the managers of sugar processing firms to adopt strategies that can deliver high performance levels and facilitate the achievement of the strategic objectives of sugar processing firms in Kenya.

Policy makers in the sugar industry including Kenya Sugar Board (SD) may use the findings of this study to come up with universally applicable strategies and policies that can improve the control of prices, safety standards, expansion and start-ups of sugar processing firms and the general quality of sugar products.

The findings of this study will contribute to the extension of existing knowledge in Strategic Management by exploring the implications of liberalization on strategic planning of firms. Future researchers in Strategic Management may borrow from the findings of this study to support literary citations as well as develop themes for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents both theoretical and empirical review of scholars on the concept of competitive advantage. It will also discuss the empirical studies on liberalization and competitive strategies adopted by various organizations. Lastly, this chapter will provide the conceptual framework of the study.

2.2 Theoretical Foundation

This study will be anchored on three main theories: Stakeholder theory, expectations theory and self-perception theory.

2.2.1 Stakeholder Theory

This theory was proposed by Olsen & Johnson (2003) and it holds that the main role of management teams in the decision-making process for large business corporations, government agencies, and non-profit organizations is to consider the needs and expectations of their stakeholders in the delivery of products and services. The theory also holds that the stakeholder concept should be broadened to include everyone with an interest in what the entity does to include suppliers, regulators, customers, donors and members of a community (Scott *et al.*, 2004).

Therefore, this theory suggests that the sugar processing industries must consistently address the interests of its stakeholders including regulators, suppliers, customers and competitors. Therefore, the liberalization regulations initiated by the regulators and embraced by the competitors and suppliers of the sugar processing firms is the basis upon which the firms choose on the strategies to adapt in the running of their operations in the market. Failure to comply with government regulations would lead to hefty fines or total withdrawal of trading licenses of the firms.

2.2.2 Self Perception Theory

The self-perception theory holds that consumers form expectations of a brand's strategies on the basis of, among other things, its past strategies and the frequency with which it has been adapting to the environmental changes. Consumers' reactions to an external environment may depend on how the firm’s strategy compares with the expected action for the brand. Specifically, during a change of strategy, the consumers and other stakeholders are apt to perceive an improved brand and react positively; correspondingly, when the strategy remains conservative, they are apt to perceive an inferior brand and are unlikely to purchase the products and services of the firm (Armstrong & Kesten, 2007).

Therefore, this theory suggests that the sugar industries must consistently enhance their perceptions among the stakeholders by adopting the liberalization regulations and adapting to the opportunities and threats that emanate from the liberalization. Failure to comply with liberalization regulations would lead to a negative perception among the customers and other stakeholders and might lead to loss of business and failure of business.

2.2.3 Expectations Theory

The expectations theory was suggested by Leigh (2006) and it holds that performance of a brand is expected to be better with longer experience in a particular field or in execution of a particular regulation, strategy or promotional effort. Therefore, after a long duration of operation or application of a given regulation (like liberalization) the corresponding response from the market is expected to continuously improve. On the other hand, the organization executing the regulation, policy or strategy is expected to improve its execution based on the feedback from the external environment and contributions from internal sources like Research and Development (R&D).

Therefore, this theory suggests that the liberalization of sugar industry is expected to make the sugar processing firms to continuously adopt new strategies, products, services and other resources in line with the needs of the consumers, regulators, competitors and other stakeholders. On the other hand, the stakeholders will also be expected to continuously adapt to the changes being implemented by the firm.

2.3 Concept of Competitive Strategies

There are two basic types of competitive advantage a firm can possess: Low cost or differentiation of products and services. These two basic types of competitive advantage can be enhanced by the firm to lead to three generic strategies for achieving above average performance in an industry: Cost leadership, differentiation, and focus (Porter, 1980).

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average (Porter, 1980).

In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price (Porter, 1985). Mintzberg (1994), argues that the generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

The focus strategy has two variants: In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments.

2.4 Types of Competitive Strategies

Firms have an option of pursuing different types of competitive strategies ranging from superior service quality, sophisticated technology and operations, highly skilled human resources and engagement of top quality leaders to manage the firms and deliver the liberalization agenda.

2.4.1 Service Quality

Over the past two decades, quality has been heralded as the source of competitive advantage. Quality has gone through an evolution process, from an operational level to a strategic level, and some scholars have given strong support for the view that quality must be adopted as a strategic goal in organizations (Adam, 1992).Similarly, Philips et al. (1983) noted that among the many sources of differentiation, quality was the approach that most often characterizes a differentiation strategy. They also noted the conventional wisdom which suggests an incompatibility between high quality products and low cost for the reason that quality usually requires more expensive materials and processes, which is not supported under a cost leadership regime. This school of thought, however, does not totally negate the link between high quality and low cost. Rather, it suggests that high quality products will eventually result in lower costs after the firm attains benefits on economies of scale via higher market share (Philips *et al.,* 1983).

A second line of argument supports the link between quality and low cost. Deming (1982), with his quality improvement chain concept, argued that organizations can enhance their competitiveness by improving quality. This will result in cost reduction through eliminating scrap and rework. The concept of quality costs developed by Crosby (1979) provides explanations on the link between quality performance and cost reduction. The idea of quality cost suggests that any defective products (i.e. poor quality) will incur costs, commonly labeled as failure costs, which include the costs of rework and scrap. In the light of the link between quality performance and quality costs, firms need to devote their efforts on controlling processes to minimize defects in their outputs, which will also reduce the failure costs. In turn, this reduction will result in lower production costs and overall operation costs (Millar, 1999). This is because the improvement of quality performance will not only impact on one particular functional area (production) but also inter-functional areas within organizations (Mandal, 2000).

Several other studies have exemplified the link between quality performance and cost reduction. For example, Maani *et al.* (1994) showed that quality performance (in terms of scrap, rework, and customer complaints) not only has a favorable impact on the operational variables but that its impact will also be apparent at the business performance level. The arguments for quality costs have been extended to the point where firms can achieve better financial performance by reducing failure costs rather than by improving sales (Harrington, 1987). This was evidenced in the 1980s when the lower price and higher quality of the Japanese products flooded global markets which had previously been dominated by Western companies (Raisinghani et al., 2005) This causal link between quality and cost, therefore, is different from that held in a classical economics theory, as was noted earlier. Here, quality is considered as directly inverse to cost. This seems to be compatible with a cost leadership strategy that seeks the lowest possible unit cost in production.

2.4.2 Technology and Operations

The integration of technology with strategy is not enough, and technology management should involve the strategic guidance of technology as a source of sustainable competitive advantage (Werther *et al.,* 1994).Failure may indeed begin when the very early stages of a project converge too quickly on an IT strategy. It may begin when not enough attention has been given to the market leader's use of IT and attention has been prematurely focused on requirements planning, systems design, project management, schedules and budgets. While it is important to align corporate and IT strategy (Hirschheim and Sabherwal, 2001) it is not unreasonable to suggest that, at the same time, effective integration strategies depend upon an understanding of how competitors use this technology in support of their own company's strategic objectives. Learning how competitors use IT, however, is very challenging because a competitor's strategy may be difficult to observe, measure, and interpret. As a result, some organizations may be inclined to avoid an extensive analysis of their competitor's IT strategy and thereby limit their understanding by focusing inward on their own firm, their own supply chain, and their own customers (Cegielski *et al.*, 2005). The challenge, then, is to avoid the temptation to move too quickly at the early stages and to take the time necessary to understand the competitive environment.

Congden (2005) notes that implementation of different systems is complicated due to the interconnectivity, complexity and implications of poor implementations. The implementation process either can help achieve benefits expected or derail performance throughout the system. A few key implementation considerations include redesigning the governance model to ensure the system serves its purpose when resources are tight and requests are many, but also ensures that it is not too slow nor does it focus on meaningless updates and roadblock reviews. Therefore, a new, more nimble governance model should be created around business processes and allow for continuous improvements. Miller (1986) argues that in the definition innovation strategy of business model languages, companies have to face three main decisions. First they have to choose between a proactive approach based on the proposal of new meanings and on the actions on new building blocks with old or new meanings and a reactive approach based on the languages already sensed and adopted in the market. Secondly, they have to determine the variety and heterogeneity of languages in their strategic portfolio (and the addressee of the languages, e.g. the customers and the suppliers) and thirdly, they have to determine the range of building blocks where to act within the meaning of the innovation strategy.

Porter (1980) advocates for the open innovation strategy which among other requirements provides that challenge of innovation should be clear and important, have meaningful rewards, be competitive, and protect the core system while providing opportunities for collaboration and renovation of the innovation approach. He also holds that market orientation and technology leadership can give competitive advantage. He contends that the pursuit of successful strategies, particularly strategy-technology integration, is associated with certain organizational conditions including a relatively long period for implementation and a need for careful planning with clear mission and objectives. Congden (2005) also holds that the investment should be linked to the implementation of the firm’s business strategy, and the role of technology should be defined in the strategy and that the top management should develop their knowledge about computer-based technologies. Lastly, measures should be taken to improve engineers’ skills in computer-based technologies, provide on-going training to technical staff, and build a culture of innovation.

2.4.3 Human Resources

Adequate number of employees and effective training strategies that focus on an organization's intangible assets will have significant impact on the competitive advantage of any organization (Brown, 2001). In the modern businesses, the reduced cost and increased capabilities of computer technology has triggered significant increases in the delivery of knowledge, which includes computer based training, web-based training, multimedia learning environments and e-learning (Brown, 2001).

Hitt *et al*., (2001) holds that this advancement in technological training has provided organizations with a unique opportunity to focus on increased training of the people in their different business functions while not sacrificing the abundant amount of resources required for training strategies like in the past. This opportunity in technological innovation is now allowing organizations to provide more training across all boundaries of an organization. A greater commitment from department leaders in development of an innovative training strategy will allow organizations to ensure that knowledge creation, transfer and utilization is maximized and efficient at all levels of the organization.

Cegielski *et al.,* (2005) suggest that the best practice in training includes moving resources around within sub-specialized areas, swapping application experts around to new applications, cross-training between the employees and outsourcing for the improvement of existing applications to gain beneficial suggestions. There is also need to be careful not to do the outsourcing haphazardly to ensure the organization is building bench strength and giving opportunity for growth to its teams. In addition, there is also need to find any opportunity to incorporate unique ways of sharing information where for instance the teams should hold internal training classes to the entire working force. This will allow them to compile documentation, hone their presentation skills and share knowledge, which helps to break down knowledge silos.

Liu & Barrar (2008) observe that organizations have gone so far as to teach a course at a state college that brings the students to their specific department, where they are attached in the department during the semester to learn about the processes and applications. This forces the training team to document information and present it in a format that is ideal for training and also establishes a potential pipeline of future talent that is somewhat familiar with your environment.

2.4.4 Leadership Quality

Several definitions of leadership have been given by different management writers. Schwartz (2012) describes leadership as the art of inspiring subordinates to perform their duties willingly, competently and enthusiastically. So a leader becomes one who by example and talent plays a directing role and commands influence over others. In simple terms leadership could be described as getting others to follow or getting others to do things willingly. In management, leadership could be seen as the use of authority in decision making. Leadership could be exercised as an attitude of position, or because of personal knowledge and wisdom, or as a function of personality. So leadership could be looked at from many perspectives but what is clear is that it is a relationship through which one person influences the behavior of others towards the achievement of a common objective.

Luthans (2005) holds that in order to attain competitive advantage of an organization the leadership more especially the top management should perform two major functions: Firstly, they should create a strategic imperative acting in unison to showcase the need for change and involving middle managers in the choice of fast projects and secondly they should manage the organization context by choosing project leaders who are likely to be successful while able to balance power and monitoring of the projects, providing protection to the teams, and managing the expectations of the rest of the organization.

Congden (2005) also contends that the roles of leadership in attaining competitive advantage include; teaching while learning, enforcing strategic consistency, oversight of the process and focus on key questions. For instance the key questions leaders should ask before investing in a new venture include; do market characteristics justify the need; is the project technically feasible and if it is easy for an organization to implement. Characteristics of leaders who can create competitive advantage include; credibility within the organization, well-honed tactical and implementation skills, sound knowledge of the organization and people within it and good relationship with the middle managers across the organization and other stakeholders.

2.5 Liberalization and Competitive Strategies

Several empirical studies have been conducted to investigate the effects of liberalization on the operations of sugar processing firms in Kenya. Jowi (2010) investigated the strategic responses to competitive environment by South Nyanza Sugar Company Limited. The competitive environment that was considered included the local sugar producing firms and the sugar producing firms in Uganda and Tanzania. The findings of the study indicated that the main strategic responses that were exhibited by South Nyanza Sugar Company Limited included hiking of sugar prices and corresponding increase in the prices awarded to cane farmers. However, the findings indicated that the cane farmers were not adequately compensated for the sugar cane supplies. In addition, the company implemented the modernization of sugar processing equipment as an alternative strategy to cut down on costs of operations with a long term view to increase the amount of reward for the cane farmers.

Anyango (2011) investigated the challenges of implementing diversification strategy at the Mumias Sugar Company, Kenya. The findings indicated that the company had ambitious plans to diversify into energy production and real estate investment as a mitigation of the poor sugar prices in Kenya and the increasing costs of production. Nonetheless, the diversification strategies of the company could not be realized immediately due to stringent laws and regulations that prohibit sugar producing firms from venturing into other business lines outside other than sugar processing. However, the hope of reviewing the existing laws with an aim of widening the scope of operation of sugar processing firms would be a long term solution to the diversification strategies of sugar processing firms in Kenya.

Ambia (2012) evaluated the strategy implementation at Nzoia Sugar Company and established that strategy implementation was essentially the reserve of the board of directors and senior managers. These finding raise concern on the quality of employees and leaders employed by the sugar processing firms bearing on mind that they are the main instigators, creators, initiators, and implementers of the strategic decisions and actions of the sugar processing firms. Therefore, the findings indicated that the strategies of the sugar processing firms were a preserve of the senior managers and leaders while the lower cadres of employees were literally left out of the strategy implementation process.

Wachiye (2012) studied the strategic responses by companies in the sugar industry in Kenya to the implementation of the COMESA Free Trade Agreement. The findings indicated that the sugar processing firms in Kenya had minimal investments in technology and operations with cost of the sugar factories using old sugar processing equipment that needed regular repair and maintenance. This meant increased cost of production which was reflected in the high process of sugar in Kenya. This in return makes the sugar processing firms in Kenya ill equipped to embrace the liberalization deadlines for the COMESA Free Trade Agreement.

Barasa (2012) investigated the strategies adopted by Mumias Sugar Company to gain competitive advantage. The findings indicated that Mumias Sugar Company focused most on differentiation of the products through branding and promotional activities. There were also significant investments on the skills of employees and leaders, improvement of sugar processing equipment and enhancement of the quality of sugar. However, the bulk of investments were in diversification into energy production and real estate which would see the company change its focus from sugar processing and hence dilute the competitive capacity of Kenya in the COMESA region.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the research design, target population, sample design, data collection methods and data analysis techniques.

3.2 Research Design

The research was conducted through a descriptive cross-sectional survey design. According to Kothari (2008) descriptive research includes cross-sectional surveys and fact-finding enquiries that describes the state of affairs as it exists at present. It also helps to ascertain and be able to describe the characteristics of the variables of interest in a situation and portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility. The descriptive research design enabled the researcher to summarize the findings in a way that provided information on the effects of liberalization on the competitive strategies of sugar producing firms in Kenya.

3.3 Target Population

The target population of the study comprised of all the 9 sugar processing firms in Kenya (Appendix I). For each firm, 3-5 managers were targeted for the study. The respondents were composed of managers in charge of functions such as finance, marketing, production and human resources management from each of the targeted sugar processing firms.

3.4 Data Collection

The researcher collected both primary and secondary data. Primary data was obtained by use of a questionnaire (Appendix III). The questionnaire consisted of structured questions on the effects of liberalization on competitive strategies of sugar industry in Kenya. Secondary data was collected from news bulletins, audited financial reports, news items and any relevant literature material like related academic research projects. These sources shed light on the effects of liberalization on various aspects of strategy of sugar processing firms. The data collection tools enabled a trade-off between cost, speed, accuracy, detail, comprehensiveness, response rate, clarity and anonymity which are useful for validity and reliability. Permission to administer the questionnaires was sought through an introduction letter (Appendix II).

The questionaires were then administred on such managers for the desired data. The drop and pick method was used to collect data.The respondents was also allowed to submit electronic copies of filled questionnaires. In order, to increase the response rate, the researcher made use of telephone calls to remind the respondents to fill and return the filled questionnaires.

3.5 Data Analysis

Data analysis began with editing, coding and tabulation of the data according to the research questions. The data was then processed using the Statistical Package for Social Sciences (SPSS) and Microsoft Excel 2010 computer software. Descriptive statistics like the mean, percentages and standard deviation were used to describe the findings.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND FINDINGS

4.1 Introduction

This section covers data analysis, results and discussions of the study in reference to the research objectives and research methodology. The findings of this study are presented on the extent of liberalization within the sugar industry in Kenya and the competitive strategies adopted by sugar processing firms in response to liberalization of the sugar industry in Kenya. A structured questionnaire was used to collect primary data from the employees of sugar processing firms in Kenya.

4.2 Response Rate

To achieve the objective of this study, a population of 45 employees from nine sugar processing firms were targeted. Out of 40 questionnaires issued, 32 were filled and returned making a response rate 71%, this was considered a sufficient representation of the whole population. Some respondents cited busy schedules as the reason for not responding since the study was carried out within a limited period of time.

4.2.1 Length of Service

The researcher determined the length of service of the employees of Sugar processing firms to establish whether they had attained adequate experience to provide accurate and reliable information in relation to the extent of liberalization within the sugar industry in Kenya and the competitive strategies adopted by sugar processing firms in response to liberalization of the sugar industry in Kenya.

Table 4.1 Length of Service

Period of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Than 5 Years	90	64.3	64.3	64.3
	6-10 Years	39	27.9	27.9	92.1
	11-15 Years	7	5.0	5.0	97.1
	16 Years and more	4	2.9	2.9	100.0
	Total	32	100.0	100.0	

From the findings in table 4.3 above, it was observed that 64.3% of the employees had served for less than 5 years while 27.9% of the respondents had served for 6-10 years. 5% of the respondents had served for 11-15 years and only 2.9% of the respondents had served in the institution for 16 years and above.

4.2.2 Length of Service in the Current Position

The study sought to determine the length of service of the employees in their current position in order to find out whether they had acquired adequate experience to provide accurate and reliable information in relation to on the extent of liberalization within the sugar industry in Kenya and the competitive strategies adopted by sugar processing firms in response to liberalization of the sugar industry in Kenya. Below are the findings presented in the table 4.2:

Table 4.2 Length of Service in the Current Position

Length of service in the current position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Than 5 Years	90	64.3	64.3	64.3
	6-10 Years	39	27.9	27.9	92.1
	11-15 Years	7	5.0	5.0	97.1
	16 Years and more	4	2.9	2.9	100.0
	Total	32	100.0	100.0	

From the above findings, it was revealed that 64.3% of the employees had served in their current position for less than 5 years, 28% of the respondents indicated that they had served in the organization between 6-10 years while only less than 3% of the respondents had served in the organization for more than 16 years. According to the findings, at least 70% of the employees had served in their current positions for a period of less than 10 years.

4.2.3 Employees Position in the Organization

The study sought to determine the position of the employees' in the organization in order to determine whether they were in a position to understand the concept of liberalization within the sugar processing firms in Kenya as well as the competitive strategies adopted by sugar processing firms in response to liberalization of the sugar industry in Kenya.

According to the findings revealed that production managers were the highest in number, this was represented by 30%, followed by the marketing managers at 25%, there was a tie between human resource and finance managers at 20% while 5% of the include chief executive officers in all sugar processing firms in Kenya.

4.2.4 Competitive Strategies

The study sought to determine the competitive strategies adopted by sugar procession companies: Below are the results of the findings as provided:

Table 4.3: Competitive Strategies

	N	Mean	S.D
Cost Leadership Strategy			
Products and Services	32	3.82	.644
Technology and Operations	32	3.76	.878
Human Resources	32	4.01	.732
Leadership Quality	32	3.89	.671
Average		**3.87**	**.564**
Differentiation Strategy			
Products and Services	32	2.98	1.112
Technology and Operations	32	3.01	.976
Human Resources	32	4.01	.876
Leadership Quality	32	3.67	.961
Average		**3.42**	**.983**
Local Market Focus Strategy			
Products and Services	32	4.13	.910
Technology and Operations	32	4.12	.789
Human Resources	32	3.11	.671
Leadership Quality	32	3.53	.567
Average		**3.72**	**.734**
International Market Focus Strategy			
Products and Services	32	2.91	.754
Technology and Operations	32	3.98	1.02
Human Resources	32	3.56	1.12
Leadership Quality	32	3.44	1.23
Average		**3.47**	**1.031**

Source: Research Findings

From the findings in table 4.1, the results were as follows: cost leadership strategy (M= 3.87, S.D=.564), Differentiation Strategy (M=3.417, S.D=.983), Local Market Focus Strategy (M=3.723 S.D=.7343), International Market Focus Strategy (M= 3.47, S.D=1.031).From the findings, cost leadership strategy and local market strategy were the main competitive strategies adopted by sugar processing firms in Kenya, However, the study revealed that there was a slow implementation of competitive strategies by the sugar processing firms as evident in the table 4.3 above.

4.2.5 Technology and Operations

The study examined the extent to which liberalization regulations influences the following aspects of Technology and Operations of sugar processing firms in Kenya. Below are the findings:

Table 4.4: Technology and Operations

Technology and Operations	N	Mean	S.D
Nature of Technology			
Quality of Technology	32	3.12	1.101
Nature of Operations	32	3.15	.988
Quality of Operations	32	3.01	.932
Average		**3.13**	**1.01**
Liberalization Deadlines			
Nature of Technology	32	3.11	.778
Quality of Technology	32	2.34	1.012
Nature of Operations	32	3.11	.956
Quality of Operations	32	4.02	.876
Average		**3.05**	**.972**
Liberalization Opportunities			
Nature of Technology	32	4.10	.678
Quality of Technology	32	3.32	.912
Nature of Operations	32	4.12	.679
Quality of Operations	32	3.10	.671
Liberalization Threats		**3.09**	**.735**
Nature of Technology	32	2.41	.511
Quality of Technology	32	2.91	.754
Nature of Operations	32	3.98	1.02
Quality of Operations	32	3.56	1.12
Average		**3.22**	**.853**

Source: Research Findings

From the findings in table 4.4, the results were as follows: Technology and Operations (M= 3.13, S.D=1.01), Liberalization Deadlines (M=3.05, S.D=.972), Liberalization Opportunities (M=3.09, S.D=.735) and Liberalization Threats (M= 3.22, S.D=.853). From the findings, it was revealed that liberalization regulations influenced Technology and Operations of sugar processing firms in Kenya to a large extent.

4.2.6 Product and Service Standards

The study examined the extent liberalization regulations influences the following product and service standards of sugar processing firms in Kenya. Below are the findings presented:

Table 4.5: Product and Service Standards

Product and Services	N	Mean	S.D
Content of Product	32	3.41	.771
Branding of Product	32	2.52	1.244
Nature of Services	32	3.06	.978
Quality of Services	32	3.57	.932
Average		**3.31**	**.983**
Liberalization Deadlines			
Content of Product	32	3.51	.971
Branding of Product	32	2.46	1.112
Nature of Services	32	3.01	.976
Quality of Services	32	4.01	.876
Average		**3.25**	**.984**
Liberalization Opportunities			
Content of Product	32	4.01	.878
Branding of Product	32	4.13	.910
Nature of Services	32	4.12	.789
Quality of Services	32	3.11	.671
Average		**3.84**	**.812**
Liberalization Threats			
Content of Product	32	2.41	.561
Branding of Product	32	2.89	.764
Nature of Services	32	3.78	1.02
Quality of Services	32	3.56	1.112
Average		**3.62**	**.864**

Source: Research Findings

From the findings in table 4.5 above, the results were as follows: products and services (M= 3.31, S.D=.983), Liberalization Deadlines (M=3.25, S.D=.984), Liberalization Opportunities (M=3.84, S.D=.812), Liberalization Threats (M= 3.62, S.D=.864). From the findings, it was revealed that liberalization regulations influenced products and service standards of sugar processing firms in Kenya to a large extent.

4.2.7 Human Resources

The study determined the extent to which liberalization regulations influence the following requirements of Human Resources of sugar processing firms in Kenya. Below are the findings presented:

Table 4.6: Human Resources

Human Resources	N	Mean	S.D
Number of Human Resources	32	3.51	.771
Qualifications of Human Resources	32	2.52	1.244
Training of Human Resources	32	3.06	.978
Remuneration of Human Resources	32	3.57	.932
Average		**3.16**	**.982**
Liberalization Deadlines			
Number of Human Resources	32	3.54	.881
Qualifications of Human Resources	32	2.16	1.112
Training of Human Resources	32	3.01	.976
Remuneration of Human Resources	32	4.01	.876
Average		**3.18**	**.963**
Liberalization Opportunities			
Number of Human Resources	32	4.27	.878
Qualifications of Human Resources	32	4.13	.910
Training of Human Resources	32	4.12	.789
Remuneration of Human Resources	32	3.11	.671
Average		**3.91**	**.812**
Liberalization Threats			
Number of Human Resources	32	2.51	.561
Qualifications of Human Resources	32	2.91	.754
Training of Human Resources	32	3.68	1.02
Remuneration of Human Resources	32	3.56	1.12
Average		**3.19**	**.864**

Source: Research Findings

From the findings in table 4.6 above, the results were as follows: Human resources (M= 3.16, S.D=.982), Liberalization Deadlines (M=3.18, S.D=.963), Liberalization Opportunities (M=3.91, S.D=.812), Liberalization Threats (M= 3.19, S.D=.864). From the findings, it was revealed that liberalization regulations influence the requirements of Human Resources of sugar processing firms to a moderate extent especially liberalization opportunities and liberalization threats that exhibit the highest means as shown above.

4.2.8 Leadership Quality

The respondents were asked to indicate the extent to which liberalization opportunities influence the following qualities of leaders of sugar processing firms in Kenya. The findings are presented in the table below:

Table 4.7: Leadership Quality

Leadership Quality	N	Mean	S.D
Experience of Leaders	32	3.41	.771
Integrity of Leaders	32	2.52	1.144
Qualifications of Leaders	32	3.16	.978
Targets of Leaders	32	3.57	.932
Average		**3.17**	**.956**
liberalization regulations			
Experience of Leaders	32	3.32	.831
Integrity of Leaders	32	2.16	1.112
Qualifications of Leaders	32	3.01	.976
Targets of Leaders	32	3.61	.876
Average		**2.92**	**.949**
Liberalization Opportunities			
Experience of Leaders	32	3.27	.878
Integrity of Leaders	32	3.53	.971
Qualifications of Leaders	32	4.10	.789
Targets of Leaders	32	3.11	.671
Average		**3.50**	**.827**
Liberalization Threats			
Experience of Leaders	32	2.51	.551
Integrity of Leaders	32	2.91	.754
Qualifications of Leaders	32	3.92	1.02
Targets of Leaders	32	3.53	1.12
Average		**3.22**	**.861**

Source: Research Findings

From the findings in table 4.7 above, the results were as follows: Leadership quality (M= 3.17, S.D=.956), Liberalization Regulations (M=2.92, S.D=.949), Liberalization Opportunities (M=3.50, S.D=.827), Liberalization Threats (M= 3.22, S.D=.861). From the findings, it was revealed that liberalization opportunities influence the requirements of Human Resources of sugar processing firms to a moderate extent especially liberalization opportunities and liberalization threats that exhibit the highest means as shown above.

4.3 Discussions

The findings on the competitive strategies adopted by sugar procession companies found that cost leadership strategy (M= 3.87, S.D=.564), Differentiation Strategy (M=3.417, S.D=.983), Local Market Focus Strategy (M=3.723 S.D=.7343), International Market Focus Strategy (M= 3.47, S.D=1.031). From the findings, it was revealed that liberalization regulations influenced Technology and Operations of sugar processing firms in Kenya to a large extent.These findings are consistent with these studies: Jowi (2010) investigated the strategic responses to competitive environment by South Nyanza Sugar Company Limited and established that the main strategic responses included higher prices for cane farmers and modernization of sugar processing equipment. Ambia (2012) evaluated the strategy implementation at Nzoia Sugar Company and established that strategy implementation was essentially the reserve of the board of directors and senior managers.

Cost leadership strategy and local market strategy were the main competitive strategies adopted by sugar processing firms in Kenya. There was moderate implementation of the competitive strategies by sugar processing firms in Kenya. it was also revealed that Technology and Operations (M= 3.13, S.D=1.01), Liberalization Deadlines (M=3.05, S.D=.972), liberalization opportunities (M=3.09, S.D=.735) and Liberalization Threats (M= 3.22, S.D=.853). This findings are supported by Barasa (2012) investigated the strategies adopted by Mumias Sugar Company to gain competitive advantage and established that technology and operations, service quality and leadership quality were the dominant competitive strategies. Wachiye (2012) studied the strategic responses to liberalization by sugar firms in Kenya and concluded that the sugar processing firms in Kenya were ill prepared. It was further revealed that liberalization regulations influenced products and service standards of sugar processing firms in Kenya to a large extent. It was also discovered that liberalization regulations influence the requirements of Human Resources of sugar processing firms to a moderate extent especially liberalization opportunities and liberalization threats that exhibit the highest means as shown above.

From the above findings, the study concludes that there was slow adoption of competitive strategies by sugar processing firms in Kenya towards the effects of intended liberalization. The results were as follows: cost leadership strategy (M= 3.87, S.D=.564), Differentiation Strategy (M=3.417, S.D=.983), Local Market Focus Strategy (M=3.723 S.D=.7343), International Market Focus Strategy (M= 3.47, S.D=1.031).From the findings, cost leadership strategy and local market strategy were the main competitive strategies adopted by sugar processing firms in Kenya,

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objectives of this study were; to determine the extent of liberalization within the sugar processing firms in Kenya and to establish the competitive strategies adopted by Sugar processing firms in response to liberalization of the sugar industry in Kenya.

5.2 Summary of Findings

To achieve the objective of the study, a population of 45 employees from nine sugar processing firms were targeted. Out of 40 questionnaires issued, 32 were filled and returned making a response rate 71%, this was considered a sufficient representation of the whole population. With regard to the length of service of the employees of Sugar processing companies it was observed that 64.3% of the employees had served for less than 5 years while 27.9% of the respondents had served for 6-10 years. 5% of the respondents had served for 11-15 years and only 2.9% of the respondents had served in the institution for 16 years and above.

When asked about their current position in order to find out whether they had acquired adequate experience to provide accurate and reliable information in relation to on the extent of liberalization within the sugar industry in Kenya, it was revealed that 64.3% of the employees had served in their current position for less than 5 years, 28% of the respondents indicated that they had served in the organization between 6-10 years while only less than 3% of the respondents had served in the organization for more than 16 years. According to the findings, at least 70% of the employees had served in their current positions for a period of less than 10 years.

With respect to the position of employees in the organization the findings revealed that production managers were the highest in number, this was represented by 30%, followed by the marketing managers at 25%, there was a tie between human resource and finance managers at 20% while 5% of the include chief executive officers in all sugar processing firms in Kenya.

The findings on the competitive strategies adopted by sugar procession companies found that cost leadership strategy (M= 3.87, S.D=.564), Differentiation Strategy (M=3.417, S.D=.983), Local Market Focus Strategy (M=3.723 S.D=.7343), International Market Focus Strategy (M= 3.47, S.D=1.031).From the findings, cost leadership strategy and local market strategy were the main competitive strategies adopted by sugar processing firms in Kenya. There was moderate implementation of the competitive strategies by sugar processing firms in Kenya.

With regard to technology and operations, it was revealed that Technology and Operations (M= 3.13, S.D=1.01), Liberalization Deadlines (M=3.05, S.D=.972), liberalization opportunities (M=3.09, S.D=.735) and Liberalization Threats (M= 3.22, S.D=.853). From the findings, it was revealed that liberalization regulations influenced Technology and Operations of sugar processing firms in Kenya to a large extent.

It was further revealed that liberalization regulations influenced products and service standards of sugar processing firms in Kenya to a large extent.

It was also discovered that liberalization regulations influence the requirements of Human Resources of sugar processing firms to a moderate extent especially liberalization opportunities and liberalization threats that exhibit the highest means as shown above. In terms of Leadership quality, the findings revealed that liberalization opportunities influence the requirements of Human Resources of sugar processing firms to a moderate extent especially liberalization opportunities and liberalization threats that exhibit the highest means as shown above.

5.3 Conclusions

From the above findings, the study concludes that there was slow adoption of competitive strategies by sugar processing firms in Kenya towards the effects of intended liberalization. This is attributable to inadequate top management support and failure to invest in modern technologies for example information communication technology. This negatively impacts on efficiency of operations and cost reduction.

The study also concludes that there is mismanagement both at sugar processing firms' level and producer outgrowers' level. This is brought about by conflicts of interest especially whereby top management colludes with the suppliers in outsourcing of important services for example transportation of the cane. The study further notes non-adherence or poor implementation of policies set by Sugar Directorate in the registration and management of sugar processing firms.

5.4 Recommendations

The study recommends that top management should provide guidance where key supply chain management is most inefficient. This is between planting and delivery of the cane. This is as a result of planting of long maturity cane, use of manual harvesting methods and slow delivery of the cane to the millers.

The study further recommends the Sugar Directorate should set policies and procedures which are favorable to sugar processing firms. For instance importation licences should be issued only when local production can't meet the market demands.

The study recommends that the Sugar Directorate should direct and supervise regular audits of sugar processing firms in Kenya to ensure that they comply with the set policies and procedures when carrying out their activities and in the implementation of strategies to avoid unfair competition.

5.5 Limitations

The researcher faced a number of challenges; it was not easy to have busy employees to help in filling the questionnaires since most of them thought that the process was tedious and non-paying. In most cases, white collar workers consider their time precious and worth payment; therefore, it was a hard subject convincing them that the research was meant for the betterment of their working conditions. Also, due to social desirability nature of the questions in the questionnaire, it was presumably difficult to convince the respondents to give only true information.

The public service is known to work under very strict confidentiality in order to secure any unauthorized access to information. Most of the respondents agreed to participate only on condition that the information will not be divulged to any other party other than for academic purposes only. The researcher also faced significant time and funding constraints which limited the scope of the study. The information curenly provdied by the authorities need be upto date. For instance research was based on nine sugar processing firms as listed in Appendix I and ommited three firms namely Transmara Sugar Company Ltd, Sukari Industries and Kwale International Sugar Company Ltd. It would have been more useful if the study involved a higher sample across the parastatal sugar companies.

5.6 Suggestions for Further Research

The study recommends that future researcher and academicians should conduct further research on the liberalization and competitive strategies in a different industry. The results of this study can be compared whereby the findings and conclusions can be made based on concrete facts or evidence. Further study can also be done on the dangers of privatisation of parastatal sugar processing firms in relation to assistance given to contracted farmers in comparison to the same assistance offered by private sugar processing firms.

5.7 Implication of Policy, Theory and Practice

These findings will play a significant role policy formulation by the Sugar Directorate since they will be in a position to better understand the effect of liberalization on strategies implementation by sugar processing firms and the challenges that sugar processing firms face when implementing strategies. This will ensure compliance with the polices and procedures set by Sugar Directorate in the market.

Since most of the sugar processing firms adapted to various strategies, they can use the findings of this study to understand the benefits of adapting to competitive strategies and way of countering challenges of mismanagement. This will assist other firms in the sugar industry to develop competitive strategies to deal with these challenges in order to improve their competitiveness against their competitors as well as implement proper management strategies to enhance organizational performance.

REFERENCES

Adam, E.E.J. (1992). Quality improvement as an operations strategy. *Industrial Management & Data Systems*, 92,4,3-12.

Ambia, V. M. (2012). *Strategy Implementation at Nzoia Sugar Company Limited, Kenya*. Unpublished MBA project, School of Business, University of Nairobi.

Anyango, M. E. (2011). *Challenges of Implementing Diversification Strategy at the Mumias Sugar Company, Kenya*. Unpublished MBA project, School of Business, University of Nairobi.

Barasa, E. J. (2012). *Strategies Adopted by Mumias Sugar Companies Ltd to Gain Competitive Advantage*. Unpublished MBA project, School of Business, University of Nairobi.

Belohlav, J.A. (1993), Quality, strategy and Competitiveness. *California Management Review*, 35:3, 55-69.

Biehl, M. (2007). Success factors for implementing global information systems. *Communications of the ACM*,50(1): 53-8.

Brown, J. S. (2001).*The Invisible Future*.New York: McGraw-Hill

Carroll, A.B. (1996). *Business and Society: Ethics and Stakeholder Management*. Cincinatti: Southwestern Publishing.

Cegielski, C.G., Reithel, B.J. and Rebman, C.M. (2005), Emerging information technologies, developing a timely IT strategy, *Communications of the ACM*, 48 (8):113 7.

Cohen, S. (2002). *Business ethics: Australian problems and cases*. Oxford: Oxford University Press.

Cole, G. A. (2004). *Organizational Behaviour: Theory and Practice.* London: Thomson Learning.

COMESA (2012). *Draft Report of the Kenya Sugar Sector Safeguard Assessment Mission*. Lusaka: Mimeograph.

Congden, S.W. (2005). Firm performance and strategic fit of manufacturing technology, *Competitiveness Review*, 15(1):32.

Crosby, P.B. (1979), *Quality is Free: The Art of Making Quality Certain*, New York: McGraw-Hill.

Deming, W.E. (1982), *Quality, Productivity, and Competitive Position, Massachusetts Institute of Technology*, Cambridge, MA: Center for Advanced Engineering Study:

Fabozzi F. J. et al (2009). *Foundations of Financial Markets and Institutions*. New Delhi: Dorling Kindersley (India Pvt).

Fox, E. M. (2012). *Competition, Development and Regional Integration: In Search of a Competition Law Fit for Developing Countries*. Law & Economics Research Paper Series, Working Paper.11-12

Harrington, H.J. (1987), *Poor-quality Cost*, Milwaukee, W: ASQC Quality Press,

Hayes, R.H. and Pisano, G. (1988), Beyond world-class: the new manufacturing strategy, *Harvard Business Review*, 72(1): 77-87.

Hill, C.W.L. (1988), Differentiation versus low cost or differentiation and low cost: a contingency framework, *Academy of Management Review*, 13(3): 401-12.

Hirschheim, R. and Sabherwal, R. (2001), Detours in the path toward strategic information systems alignment, *California Management Review*, 44(1):87-108.

Hitt, M.A., Ireland, R.D. and Hoskisson, R.E. (2001), *Strategic Management: Competitiveness and Globalization*, Boston, MA: South-Western College Publishing.

Ho, G.T.S., Lau, H.C.W., Lee, C.K.M. and Ip, A.W.H. (2005), An intelligent forward quality enhancement system to achieve product customization, *Industrial Management & Data Systems*, 105(3): 384-406.

Huang, S.M., Chang, I.C., Li, S.H. and Lin, M.T. (2004), Assessing risk in ERP projects: identify and prioritize the factors, *Industrial Management & Data Systems*, 104(8) 681-8.

Jowi, Z. O. (2010). *Strategic Responses to Competitive Environment by South Nyanza Sugar Company Limited*. Unpublished MBA project, School of Business, University of Nairobi.

Kappelman, L.A., McKeeman, R. and Zhang, L. (2006), Early warning signs of IT project failure: the dominant dozen, *Information Systems Management*, 23(4):31-6.

Kimari, G. N. (2010). *Sources of Sustainable Competitive Advantage in the Mobile Telephony*

Sector in Kenya.Unpublished MBA Project, School of Business, University of Nairobi.

Liu, H. & Barrar, P. (2008), Performance implications of strategy-technology connections: an empirical examination, *Journal of Manufacturing Technology Management*, 20(1):5273

Luthans, F. (2005) .*Organizational Behaviour*, 10th Edition, NY: McGraw-Hill, Inc.

Maani, K.E., Putterill, M.S. and Sluti, D.G. (1994), Empirical analysis of quality improvement in manufacturing, *International Journal of Quality & Reliability Management*,(1):7, 19-37.

Mandal, P. (2000), Inter-functional spread of quality in manufacturing, *Industrial Management & Data Systems*, 100(3):135-40.

Matilu, C M. (2010).*Competitive Strategies Practices Adopted by Insurance Companies in Nairobi. Kenya*. Unpublished MBA Project, School of Business, University of Nairobi.

Miller, D. (1986), Configurations of strategy and structure: towards a synthesis, *Strategic Management Journal*,. 7(3):233-49.

Mintzberg, H. (1994), The fall and rise of strategic planning, *Harvard Business Review*, Vol. 72 (1):107-14.

Millar, I. (1999), Performance improvement. Part 2, *Industrial Management & Data Systems*, 99:(6)257-65.

Neale, F. (2004). *Handbook of Performance Management*. Jaico Publishing: Mumbai.

Noble, M.A. (1995), Manufacturing strategy: testing the cumulative model in a multiple country context, *Decision Sciences*, 26(5):693-721.

Ongeri, D.N. (2010). *Strategy Implementation at CitiBankKenya.Unpublished MBA Project, School of Business*, University of Nairobi.

Oori, M. (2011).*Strategies Employed by Commercial Banks in Kenya to build Competitive Advantage*.Unpublished MBA Project, School of Business, University of Nairobi.

Orodho, (2003). *Essentials of Educational and Social sciences Research Methods.* Nairobi: Masola Publishers.

Pandey, I. M. (2011). *Financial Management. 10th Edition. New Delhi*: Vikas Publishing House Pvt Ltd.

Parthasarthy, R. and Sethi, S.P. (1992), The impact of flexible automation on business strategy and organizational structure, *Academy of Management Review*, 17(1):86-111.

Pearce, J.A. and Robinson, R.B. (2004).*Strategic Management: Strategy, Formulation, Implementation and Control*.6th Edition. Boston: McGraw-Hill:

Philips, L.W., Chang, D.R. and Buzzell, R.D. (1983), Product quality, cost position, and business performance: a test of some key hypotheses, *Journal of Marketing*1 (2):226-43.

Porter, M.E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York, NY: The Free Press:

Porter, M.E. (1985), *Competitive Advantage*, New York, NY: The Free Press:

Porter, M. E. (2010). *Techniques for Analyzing Industries and Competitors*. New York: Free press:

Raisinghani, M.S., Ette, H., Pierce, R., Cannon, G. and Daripaly, P. (2005). Six sigma: concepts, tools, and applications, *Industrial Management & Data Systems*, 105 Nos 3/4, 491-505.

Reed, R., Lemak, D.J. and Montgomery, J.C. (1996), Beyond process: TQM content and firm performance, *Academy of Management Review*,. 21(1):173-202.

Ruckes, M. (2004). Bank Competition and Credit Standards. In University of Wisconsin (Ed.), *The Review of Financial Studies .Madison Wisconsin: University of Wisconsin., from http://research.bus.wisc.edu/mruckes/Papers/StandardsRFS.pdf*

Schwartz, D. (2012). *Building Social Business*. Boston: Hynes Convention Center.

Scott J.R., Frank C. Schultz & David R. Hekman (2006).Stakeholder Theory and Managerial Decision-Making: Constraints and Implications of Balancing Stakeholder Interests. *Journal of Business Ethics* 64 (3):285 - 301.

Thompson A. A. Jr. and Strickland A. J. III (2003).*Strategic Management: Concepts and Cases*, 13th edn. New Dheli: Tata McGraw-Hill Publishing Company Ltd.

Thompson, J. (1967). *Organizations in Action*. New York: McGraw Hill.

Wachiye, R. M. (2012). *Strategic Reponses by Companies in the Sugar Industry in Kenya to the Implementation of the COMESA Free Trade Agreement*.Unpublished MBA project, School of Business, University of Nairobi

Wasike, G. C. (2011). *Competitive Strategies Adopted by Barclays Bank of Kenya in Counteracting industry competition*. Unpublished MBA Project, School of Business, University of Nairobi.

Werther, W.B. Jr. Berman, E. and Vasconcellos, E. (1994), The future of technology management, *Organizational Dynamics*, 22(3):20-32.

Wit, B. and Meyer, R. (2001), *Strategy: Process, Content and Context*. Thomson Learning: London.

Appendix I: List of Sugar Processing Firms in Kenya

Parastatal Sugar Companies
Nzoia Suga Company,
Sony Sugar Company,
Muhoroni Sugar Company
Chemelil Sugar Company.
Private Sugar Companies
Kibos and Allied Sugar Company,
Butali Suagr Company,
SOIN Sugar Company
West Kenya Sugar Company.
Mumias Sugar Company

Source: (SD, 2014)

Appendix II: Letter of Introduction

Elias Muthomi Kaburu,
P.O. Box 6410 -00100,
Nairobi, Kenya.

August11, 2014

Dear Sir/Madam,

REQUEST FOR RESEARCH ASSISTANCE

I am a postgraduate student at The University of Nairobi, pursuing Master of Business Administration Degree, Strategic Management option. I am undertaking a research project in partial fulfillment of the Master Degree on: Liberalization and Competitive Strategies adopted by Sugar Processing Firms in Kenya.

I am kindly inviting you to participate in this research study by completing the attached questionnaire as briefly and accurately as possible. In order to ensure that all information will remain confidential, please do not include your name anywhere on the research questionnaire. The data collected will provide useful information that will enable sugar processing firms in Kenya align their competitive strategies with the liberalization regulations, deadlines, opportunities and threats.

Your assistance and cooperation will be highly appreciated.

Yours faithfully,

Elias Muthomi Kaburu
Researcher

Appendix III: Questionnaire

Dear Sir/Madam,

Instructions

You are kindly requested to answer all questions in this research questionnaire. Kindly tick (√) the appropriate box in each of the following questions. The information that you will provide will be treated with a high level of confidentiality and strictly used for the purpose of this research study. This study aims at investigating the influence of liberalization on the competitive strategies adopted by sugar processing firms in Kenya.

<u>Section 1: Respondents Profile</u>

1. What is your total working experience?

   1. Less than 5yrs ( )
   3. 6-10 years ( )
   4. 11-15 years ( )
   5. 16 years and above ( )

2. How long have you worked with your current employer?

   1. Less than 5yr ( )
   3. 6-10 years ( )
   4. 11-15 years ( )
   5. 16 years and above ( )

3. What position do you occupy within the organization ?

Nature of Role	
Chief Executive Officer	
Finance Manager	
Production Manager	
Marketing Manager	
Human Resources Manager	

Section 2A: Competitive Strategies

4. State the extent to which Cost Leadership Strategy affects the following dimensions of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Cost Leadership Strategy	1	2	3	4	5
Products and Services					
Technology and Operations					
Human Resources					
Leadership Quality					

5. State the extent to which Differentiation Strategy affects the following dimensions of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Differentiation Strategy	1	2	3	4	5
Products and Services					
Technology and Operations					
Human Resources					
Leadership Quality					

6. State the extent to which Local Market Focus Strategy affects the following dimensions of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Local Market Focus Strategy	1	2	3	4	5
Products and Services					
Technology and Operations					
Human Resources					
Leadership Quality					

7. State the extent to which International Market Focus Strategy affects the following dimensions of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

International Market Focus Strategy	1	2	3	4	5
Products and Services					
Technology and Operations					
Human Resources					
Leadership Quality					

Section 2B: Technology and Operations

8. State the extent to which liberalization regulations influences the following aspects of Technology and Operations of sugar processing firms in Kenya:

   1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Technology and Operations	1	2	3	4	5
Nature of Technology					
Quality of Technology					
Nature of Operations					
Quality of Operations					

9. State the extent to which liberalization deadlines influences the following aspects of Technology and Operations of sugar processing firms in Kenya:

   1. Very High 2. High 3. Moderate 4. Low 5. Very Low

Technology and Operations	1	2	3	4	5
Nature of Technology					
Quality of Technology					
Nature of Operations					
Quality of Operations					

10. State the extent to which liberalization opportunities influences the following aspects of Technology and Operations of sugar processing firms in Kenya:

    1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Technology and Operations	1	2	3	4	5
Nature of Technology					
Quality of Technology					
Nature of Operations					
Quality of Operations					

11. State the extent to which liberalization threats influences the following aspects of Technology and Operations of sugar processing firms in Kenya:

    1. Very High 2. High 3. Moderate 4. Low 5. Very Low

Technology and Operations	1	2	3	4	5
Nature of Technology					
Quality of Technology					
Nature of Operations					
Quality of Operations					

Section 2C: Product and Service Quality

12. State the extent to which liberalization regulations influences the following product and service standards of sugar processing firms in Kenya:

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

Products and Services	1	2	3	4	5
Content of Product					
Branding of Product					
Nature of Services					
Quality of Services					

13. State the extent to which liberalization deadlines influences the following product and service standards of sugar processing firms in Kenya:

1. Very High 2. High 3. Moderate 4. Low 5. Very Low

Products and Services	1	2	3	4	5
Content of Product					
Branding of Product					
Nature of Services					
Quality of Services					

14. State the extent to which liberalization opportunities influences the following product and service standards of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Products and Services	1	2	3	4	5
Content of Product					
Branding of Product					
Nature of Services					
Quality of Services					

15. State the extent to which liberalization threats influences the following product and service standards of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Products and Services	1	2	3	4	5
Content of Product					
Branding of Product					
Nature of Services					
Quality of Services					

Section 2D: Human Resources

16. State the extent to which liberalization regulations influences the following requirements of Human Resources of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Human Resources	1	2	3	4	5
Number of Human Resources					
Qualifications of Human Resources					
Training of Human Resources					
Remuneration of Human Resources					

17. State the extent to which liberalization deadlines influences the following requirements of Human Resources of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Human Resources	1	2	3	4	5
Number of Human Resources					
Qualifications of Human Resources					
Training of Human Resources					
Remuneration of Human Resources					

18. State the extent to which liberalization opportunities influences the following requirements of Human Resources of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Human Resources	1	2	3	4	5
Number of Human Resources					
Qualifications of Human Resources					
Training of Human Resources					
Remuneration of Human Resources					

19. State the extent to which liberalization threats influences the following requirements of Human Resources of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Human Resources	1	2	3	4	5
Number of Human Resources					
Qualifications of Human Resources					
Training of Human Resources					
Remuneration of Human Resources					

Section 2E: Leadership Quality

20. State the extent to which liberalization opportunities influence the following qualities of leaders of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Leadership Quality	1	2	3	4	5
Experience of Leaders					
Integrity of Leaders					
Qualifications of Leaders					
Targets of Leaders					

21. State the extent to which liberalization regulations influences the following qualities of leaders of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Leadership Quality	1	2	3	4	5
Experience of Leaders					
Integrity of Leaders					
Qualifications of Leaders					
Targets of Leaders					

22. State the extent to which liberalization deadlines influences the following qualities of leaders of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Leadership Quality	1	2	3	4	5
Experience of Leaders					
Integrity of Leaders					
Qualifications of Leaders					
Targets of Leaders					

23. State the extent to which liberalization opportunities influences the following qualities of leaders of sugar processing firms in Kenya:

1. Very High 2. High 3.Moderate 4.Low 5. Very Low

Leadership Quality	1	2	3	4	5
Experience of Leaders					
Integrity of Leaders					
Qualifications of Leaders					
Targets of Leaders					

END

THANKS FOR RESPONDING.