

**STRATEGY IMPLEMENTATION AND PERFORMANCE OF MAJOR TEA  
FACTORIES IN KERICHO COUNTY, KENYA**

**BY**

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## **DECLARATION**

I declare that this research project is my original work and has not been submitted for examination or other academic purposes in any other university.

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This research project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

This project is dedicated to my loving dad, Josiah Odhiambo and mum Joyce Odhiambo for their love, care, support and encouragement that has inspired me to achieve this goal.

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First and foremost is my gratitude to God for His abundance grace and for good health throughout my studies and for bringing me this far.

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## **ABBREVIATIONS AND ACRONYMS**

**BSC:** Balanced Score Card

**GDP:** Gross Domestic Product

**KTDA:** Kenya Tea Development Agency

**RBV:** Resource Based View

**TBK:** Tea Board of Kenya

**TRFK:** Tea Research Foundation of Kenya

## ABSTRACT

Kenya's overall economic and social development is highly dependent on the growth and development of the agriculture sector. Tea as a leading cash crop has made significant contribution to the economy. Tea exports increased by nearly 30 percent in 2010 reaching 441 tonnes valued at USD 1.3 billion. However the tea industry is faced with myriad challenges that threaten its survival if immediate intervention measures are not put in place. The tea industry is challenged by high cost of labour, farm inputs, energy/fuel, numerous taxes and levies. The application of strategic management in business for various sectors has long been adopted as a response to market demand, variation in clients taste and constant technological change. In as much as strategies could be brilliant, they do not assure effective performance. How the strategies are implemented matters in determining organizational performance. This study aimed at determining the strategy implementation practices adopted by various tea factories in Kericho County as well as how they compare to their performance. The study relied on the resource based view of strategy implementation as well as open systems theory and relevant literature was reviewed. A total of 32 factory managers were targeted for the census survey. Data from the respondents was collected through structured questionnaires. The data was coded and entered into a spreadsheet and analyzed using Microsoft Excel packages and SPSS Software. Data collected was analyzed descriptively using frequencies and percentages. The study found that all tea factories have embraced and apply certain strategy implementation practices but the degree of strategy implementation differs across factories. The study further found that a relationship exists between strategy implementation practices adopted by the tea factories in Kericho County and performance. Most tea factories place more emphasis on financial measures of performance and believe strategy implementation has greater impact on these financial measures. This study established that the tea factories' primary focus is to grow their sales revenue and increase their production volumes. The study recommends that there is need to apply the strategy implementation practices to a greater extent in order to achieve better organizational performance.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Strategic management is a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible (Pearce & Robinson, 2007). It is an ongoing process to develop and revise future oriented strategies that allow an organization to achieve its objectives, considering capabilities, constraints and the environment in which it operates. A strategy is a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that the basic objectives of the organization are achieved through proper execution by the organization (Pearce & Robinson, 2007; Johnson & Scholes, 1997; Thompson & Strickland, 2005). Globalization, competition and technological changes in the environment have in the recent past forced organizations to adjust their ways of doing things. The adoption of a clear strategic perspective in organizations is one of the factors that affect the performance of these organizations. Therefore implementing a good strategy is one of the important factors that enable the organization to survive and gain a sustainable competitive advantage.

The Resource-Based View (RBV) theory of organization present different perspectives on how best to capture and keep competitive advantage; how best to strategically gain superior organizational performance. The RBV is a model that sees resources as key to

superior firm performance (Collis & Montgomery, 1995). It emphasizes on resources and internal capabilities of individual organizations as key to formulation and implementation of strategies. An alternative perspective to RBV theory is the Open Systems theory; a concept that implies that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. It also provides key resources that sustain the organization and lead to change and survival.

Tea industry in Kenya is unique in that it is comprised of two distinct sectors; the Plantation or large scale sector and the small holder sector. The Plantation sector is owned by large scale tea producers and companies while the small holders sector is by small scale growers. The small holder sector has registered more than half a million growers who are located across tea growing areas in the country ([www.teaboard.or.ke](http://www.teaboard.or.ke)). The small holder sector factories are managed by Kenya Tea Development Agency Ltd (KTDA). Kericho County is renowned for its large tea industry. Many large tea companies are based in Kericho County and provide employment opportunities for the county's people. However, it is notable that tea production in Kericho County is faced with a lot of challenges. The current state of tea sector in Kenya is a product of many factors including the country's colonial history, resource endowments, the prevailing socio-economic environment, regional economic relations and the general policy environment. The recent shift to mechanization of tea plucking among the tea companies in Kericho County has also pose a threat to employment opportunities.

### **1.1.1 Strategy Implementation**

Huse & Gabrielson (2004) define strategy implementation as the methods by which strategies are operationalized or executed within the organization; it focuses on the processes through which strategies are achieved. According to Walker & Ruekert (2010), strategy implementation is "the process of allocating resources to support the chosen strategies". This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals. For example, according to Schaap (2006), the implementation process covers the entire managerial activities including such matters as motivation, compensation, management appraisal, and control processes. As Cespedes & Piercy (2010) has pointed out, almost all the management functions planning, controlling, organizing, motivating, leading, directing, integrating, communicating, and innovation are in some degree applied in the implementation.

Effective and efficient strategy implementation involves developing an organization having potential of carrying out strategy successfully, disbursement of abundant resources to strategy-essential activities, creating strategy-encouraging policies, employing best policies and programs for constant improvement, linking reward structure to accomplishment of results and making use of strategic leadership. Excellently formulated strategies will fail if they are not properly implemented. In addition, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure and resource-allocation process.

Organizations are often faced by difficulties in implementing their strategies. Researchers have revealed a number of problems in strategy implementation: e.g. weak management roles in implementation; a lack of communication and lack of commitment to the strategy. Another challenge is lack of strategic capability. Gathungu (2010) notes that successful strategies are dependent on the organization having the strategic capability to perform at the level that is required for success. Strategic capability is concerned with whether an organization's strategies continue to fit the environment in which the organization is operating and the opportunities and threats that exists. This is underpinned by the resources available to an organization since it is resources that are deployed into the activities of the organization to create competences. The resources include physical, human, financial and intellectual capital. Lack of these resources poses a challenge to strategy implementation. Therefore implementing a good strategy is one of the important factors that enable the organization to survive and gain a sustainable competitive advantage. Great strategies are worth nothing if they cannot be properly implemented (Dess & Priem, 2011). Strategy implementation has therefore emerged as the key to achieving superior organizational results.

### **1.1.2 Organizational Performance**

According to Hughes & O'Neill (2008) during the last two decades organizations have come under increasing pressure to improve performance and demonstrate greater transparency and accountability. Organizational performance comprises the actual output or results of an organization as measured against its intended output i.e. strategic goals and objectives. A program which measures the current level of performance of the

organization and then generates ideas for modifying organizational behavior and infrastructure is essential in achieving higher output. This is a management practice and may take forms such as customer satisfaction surveys at an organizational level (Aswani, 2010).

Over the years, company financial performance has been the central interest to shareholders, managers, researchers and policy makers. Yet there is little convergence of opinion how such performance should be measured. To evaluate a firm's performance, analysts apply certain yardsticks the most frequently being used are ratios. However, recently focus has shifted to other performance indicators besides the financial aspect. The use of Balanced Scorecard (BSC); a strategy implementation tool which combines financial and non-financial aspects like internal business processes, learning and growth and needs for customers (Kaplan & Norton, 1992) has become popular among strategic management practitioners.

Various stakeholders require different performance indicators for different interests. Therefore there are no boundaries in the selection of the most appropriate performance indicators. In the tea industry key performance indicators include financial measures like profitability and return on investment, employee satisfaction, production quantities and market indicators like market share (Kearney, 2010). Different stakeholders require different performance indicators to enable them make informed decisions. Business performance is influenced by strategy implementation. Through providing performance



incentives to employees during the implementation phase, it is suggested by David (2003) that business performance will be positively influenced.

### **1.1.3 The Tea Industry in Kenya**

Kenya's overall economic and social development is highly dependent on the growth and development of the agricultural sector. Currently, tea is the single leading cash crop in Kenya which makes significant contribution to the economy (Ministry of Agriculture Report, 2007). In the year 2010, the country produced 399 metric tons of made tea, earning Kshs. 97 billion in foreign exchange. This represents about 26% of the total export earnings, and about 4% of the GDP ([www.teaboard.or.ke](http://www.teaboard.or.ke)). The tea industry operates under the auspices of the Ministry of Agriculture for technical and policy guidance. The industry is well structured right from the apex regulatory body, the Tea Board of Kenya, the Tea Research Foundation of Kenya, through to the producers, tea manufacturing factories, the trade and the blending and packing establishments.

The Tea Board of Kenya (TBK), established in 1950 under the Tea Act (Cap 343) of the laws of Kenya is mandated to regulate the tea industry in all aspects of tea growing, research, manufacture, trade and promotion in both the local and the international markets. The Board also disseminates information relating to tea and advises the Government on all policy matters regarding the tea industry through the Ministry of Agriculture. Thirdly, it regulates and controls the cultivation of tea; registers tea growers and management agents & licenses tea manufacturing factories (companies) and regulates and controls the method of manufacture.

Over 90% of Kenyan tea is sold to the world market in bulk and is used for blending lower quality teas from other countries. This result in lower prices for Kenyan tea and therefore lower returns to tea firms (TRFK Strategic Plan, 2010-2015). There is therefore a need to ascertain and ensure quality through a strategic approach, diversify and add value to the tea products for the domestic and international markets. Efforts by TRFK to enhance quality improvement, product diversification and value addition have experienced drawbacks due to lack of an adaptive tea research factory and other relevant equipment, lack of qualified and experienced personnel in the fields of food science, biochemistry and process engineering and inadequate market information.

Another challenge of tea export companies in Kenya is over dependence on a small number of key export markets (Chan *et al.*, 2009). The danger of over reliance on a few markets was demonstrated in 2008 by Pakistan decision to reduce tea imports from Kenya. During this time, Kenyan tea export shrunk to 80 million in 2007 from 98 million shillings in 2005. In addition, the danger of over reliance of few export markets is also illustrated by Egypt political crisis of February 2011, when the prices of tea fell from \$3.28 for a kilo of grade 1 tea to \$2.99 (Daily Nation, 2011). Egypt has a market share of 21 percent of Kenyan tea.

#### **1.1.4 Tea Factories in Kericho County**

Tea is the main export cash crop and a source of income for the majority of residents of Kericho County. This is evidenced by the concentration of tea companies in the County; both local and multinational. However it is notable that tea production in Kericho County

is faced with a lot of challenges (Annual report KTDA 2011/2012). Kericho County has experienced adverse fluctuations in tea productivity for the past twelve years. This trend has persisted irrespective of efforts by tea companies and farmers to devise methods and techniques to counter it. This problem has affected economic development in Kericho County, since farmers depend largely on tea production as their main source of income (TBK, 2011).

Moreover, tea manufacturing factories in the County have been hit by a downward trend in prices against the backdrop of rising production costs, the highest being labour costs. Since 2004, tea firms in Kericho have been adopting innovative strategies in creating product design and in production technology with hope of improving their productivity. Some tea firms in Kericho have initiated mechanical tea harvesting operations, in an attempt to mitigate the rising production costs and stiff competition. This has been undertaken as an innovative measure to ensure the success of the respective tea firms. A notable example is James Finlay's Kenya that has introduced mechanization of tea plucking, a move that has seen many of its labourers become redundant.

The tea factories in Kericho County have in the recent past experienced challenges arising from changes in weather and climate associated with global warming. It is predicted that future climate changes will likely lead to decrease in sustainability of tea cultivation which may further exacerbate the problem. Droughts, frost, hail, floods and other weather related phenomena in the country may in future become more frequent and intense. In 2006, Unilever Tea Company which controls the largest plantations in Kericho

County and Kenya as a whole, temporarily closed three of its eight factories and run the others at a reduced capacity because of reduced output as a result of drought.

## **1.2 Research Problem**

In the business management arena today, an increasing number of top managers are now cognizant that one of the key routes to improved business performance is implementation of effective strategic plans. However, strategy implementation is a perplexity in many companies. The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. The problem is illustrated by the unsatisfying low performance (only 10 to 30%) of intended strategies that are realized (Raps & Kauffman, 2005). Generally, previous researches reveal that organizations that implement their strategies effectively will perform better than those that are not implementing strategic management.

However organizations have varying degrees of formalized structures which can enhance or impede the successful implementation of strategies. Organization factors such as formalization, centralization and specialization of organization structure play a role in enhancing organizational performance. The key to success is an integrative view of the implementation process (Raps & Kauffman, 2005). Some forces of change that have influenced the tea industry in Kenya include intensive competition, globalization and technological advancement. This has forced tea companies to re-craft their strategies in order to remain competitive. For example Unilever Tea Company's contribution to the economy has increased from Kshs. 0.25 million in 1972 to Kshs. 5.5 billion in 2007. The

tremendous improved performance can be attributed to strategic management practices it has adopted overtime ([www.unilevertea.co.ke](http://www.unilevertea.co.ke)).

Most research on strategy implementation and performance has focused majorly on service industries such as banking (Mburu, 2011; Oyeila, 2011; Onyoro, 2011), aviation Gitau (2011) and insurance (Kiarie, 2013) while little has been done on the manufacturing industry. There is vast knowledge on the strategic plans and strategic planning as put forward by various researchers. However, many researchers have concentrated on strategic planning assuming that such plans will be implemented successfully which is never necessarily the case. Bett (2003) conducted a study on strategic planning by tea manufacturing companies in Kenya. Since he focused mainly on strategies that can be adopted in a competitive environment; the study failed to cover the processes involved in strategy implementation and performance.

Namu *et al.* (2014) on the other hand did a study to determine impact of cost reduction strategies on performance of tea factories in Embu County, Kenya. They based their survey on factories in Embu County. This study focused on a different context and concept from what the current study seeks to cover. Yegon (2013) did a study on tea productivity in Kericho County, Kenya but focused on the financial determinants. On the contrary to what the study seeks to focus on, his survey was on the smallholders (farmers) as opposed to large tea companies(factories) that the study seek to focus on. Ongong'a & Ochieng' (2003) conducted a study on Innovation in the tea industry in Kenya the case of Kericho Tea. The study established that there was an improved performance as a result of

newly adopted technological innovations as the companies were able to meet market demand as a result of mechanization of tea plucking.

However, regarding the link between strategy implementation and performance of tea factories, the researcher is not aware of any study that has been done. Guided by this knowledge gap, where there is limited both theoretical and empirical review about strategy implementation practices in the tea industry in relation to performance, this study therefore sought to explore relationship between strategy implementation practices and performance in major tea factories in Kericho County by answering the following research question; what are the strategy implementation practices adopted by tea factories in Kericho county and how do they relate to their performance?

### **1.3 Research Objectives**

The objectives of this study are:-

- i. To determine strategy implementation practices adopted by major tea factories in Kericho County, Kenya.
- ii. To establish whether the performance of tea factories in Kericho County is related to the strategy implementation practices adopted by the factories.

## **1.4 Value of the Study**

The study will add value to the theory of Resource Based View of strategy implementation. This study will aid in determining the roles played by resources and capabilities in an organization towards achieving competitive advantage as advocated by Resource Based View Theory. In addition to this, the study will also validate the Open Systems theory upon which it is also anchored. It will seek to prove that organizations are not closed but largely are in constant interaction with the environment hence provide direction to the strategy implementation practices adopted.

Scholars will also benefit from this study as it will add to the body of knowledge concerning strategy implementation and performance. The study findings may be of great importance to the researchers, as it may contribute to both theoretical and practical knowledge on the same. Future researchers and those in academia, principally the universities, are expected to use the findings of this study not only as a basis for further research to fill the gaps identified but also as a source of new knowledge.

This study will benefit a number of interest groups starting with the management of the tea companies/factories that are to be surveyed as reference point as well as for recommendation on areas they can improve on. The research will guide the management on the important role played by strategy implementation hence ensuring more focus and resources are channeled towards strategy implementation. Thus the companies can remain relevant and competitive in the market through enhanced and improved performance.

The government through the Tea Board of Kenya (TBK) will benefit from this study by identifying whether the industry performance is affected by strategic practices adopted by various tea companies/factories. The study will inform the regulator on the best policies they can recommend to the industry. They will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector participation.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The section gives a review of documented scholarly work relevant to strategy implementation and organization performance. It examines the already existing literature that will give guidance to this study. The literature includes Theoretical Foundation of the Study, The Concept of Strategy, Strategy Implementation Practices as well as Strategy Implementation Practices and Performance.

#### **2.2 Theoretical Foundation of the Study**

Among the common strategic management theories noted and applicable to this study are the resource-based theory and open systems theory as explained in the proceeding subsection.

##### **2.2.1 Resource-Based View Theory**

The RBV is an approach to achieving competitive advantage that emerged in 1980s and 1990s. The supporters of this view argue that organizations should look inside the company and find the sources of competitive advantage instead of looking at competitive environment for it. The Resource Based View (RBV) assumes that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the foundation of a firm's strategy and its ability to earn above-average returns. Resources are inputs into a firm's production process while capability is the

capacity for a set of resources to perform a task or an activity in an integrative manner (Hitt, Ireland & Hoskisson, 2009). According to this view, differences in firms' performances across time are due primarily to their unique resources and capabilities rather than to the industry's structural characteristics.

According to Barney (1991) RBV has become one of the most prominent frameworks, when companies explore how they can achieve competitive advantages by acquiring and managing unique resources. This is a deviation of previous Porter's theories that looked at the external context a company operates in. The resources and capabilities of a firm are the key considerations in its strategy implementation practices (Grant, 1991). This is because they are the primary constants upon which a firm can establish its identity and source of its profitability.

### **2.2.2 Open-Systems View Theory**

Traditional theories regarded organizations as closed systems that were autonomous and isolated from the outside world. In the 1960s, however, more holistic and humanistic ideologies emerged. Recognizing that traditional theory had failed to take into account many environmental influences that impacted the efficiency of organizations, most theorists and researchers embraced an open-systems view of organizations. Open system theory was initially developed by Ludwig von Bertalanffy (1956), a biologist, but it was immediately applicable across all disciplines. It defines the concept of a system, where all systems are characterized by an assemblage or combination of parts whose relations make them interdependent.

The term "open systems" reflected the newfound belief that all organizations are unique because of the unique environment in which they operate and that they should be structured to accommodate unique problems and opportunities (Bastedo, 2004). For example, research during the 1960s indicated that traditional bureaucratic organizations generally failed to succeed in environments where technologies or markets were rapidly changing. They also failed to realize the importance of regional cultural influences in motivating workers. Organizations present similar structures that are articulated differently depending on goals, resources, stakeholders' needs and interactions with the environment.

Bastedo (2004) also notes that the other aspect is the foundation of the open system theory. The organization is not closed on itself as it used to be because there are inputs from the environment, such as raw materials; they are then transformed by the organization into outputs using human resources and technology; and then the results are returned to the society on the form of outputs. The open system supposes also that the organization receives feedbacks from the environment to keep providing better services or products i.e. in crafting better and competitive strategies.

Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise inter-acts. The general environment encompasses four influences that emanate from the geographic area in which the organization operates. These are political, economic, social and

technological. The open-systems theory also assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems (Carlopio *et al.*, 2012). The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity.

### **2.3 The Concept of Strategy**

Porter (1985) defined strategy as a company's game plan. A strategy reflects a company's awareness of how, when and where it should compete, against whom it should compete and for what purpose it should compete. Porter (1985) further states business strategy as concerning the actions and approaches crafted by management to create effective performance in one specific line of business with the prime aim being how to build and reinforce the company's long term competitive positions in the market place. Basically, strategy is about two critical issues, deciding where you want your business to go, and deciding how to get there. A more elaborate definition is based on competitive advantage, the object of most corporate strategy which argues that competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it.

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson & Scholes, 1997). This definition identifies three components of strategy. First, the essential to outline the scope and range of the organization's activities within the specific

environment it faces. Second, the needs of customers and markets are matched against resources capability to determine long-term direction of the organization. Finally, the role stakeholders have on the strategy articulation because of their influence over the values, beliefs and principles which govern organizational behavior.

Thompson & Strickland (2005) on the other hand define strategy as the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. These scholars argue that there are three levels of strategy which includes; corporate level strategy which is concerned with the future direction of the company, business level strategies that are concerned with sustainability of different portfolios and operational level strategies concerned with delivery system, function and procedure. Strategy is the establishment of long term goals and objectives of the organization, including the taking of actions and allocation of resources for achieving these goals.

Pearce & Robinson (2007) describe strategy as the primary tool that the managers now use to guide companies in their turbulent existence. It is the set of decisions making rules for guidance of the organizational behavior. The purpose of strategy is therefore to provide directional clues to the organization that enable it to achieve its objectives while responding to the opportunities and threats in the environment.

In the tea companies sector (large scale manufacturing), competition is on the basis of production quantity and profitability. The private companies involved in the production

of tea attain higher returns because of the limited number of players in the marketing chain. In addition, they employ good business practices and high level of management. The main concern in the estates is the condition low wage for the labourers (tea plantation workers). The various strategies that most multinational companies in Kericho County have adopted to enhance competitiveness in this sector are among supplier and customer relationships, value addition, information technology, information sharing, flexibility in internal operations/processes, upgrading tea seedlings, proper coordination, institutionalization, policy reforms, training and monitoring marketing environment.

## **2.4 Strategy Implementation Practices**

While many companies focus on developing plans (strategies), the most important element in planning is implementation. Making the plan happen is critical as it is the actual execution that leads to results. The specific implementation process can vary from organization to organization, dependent largely on the details of the actual strategic plan, but some basic steps can assist in the process and ensure that implementation is successful and the strategic plan is effective. Pearce & Robinson (2007) define strategy implementation as a series of actions aimed at putting a selected strategy to work. It refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organizational objectives.

David (2007) notes that strategy implementation embraces all the actions that are necessary to put strategy into practice. He further states that strategies are not the end result of the strategic management process. Strategies have to be translated into strategic

action. Once the strategic planning is complete the strategy must be implemented. No matter how creative and well formulated the strategic plan, the organization will not benefit if it is incorrectly implemented (Jay & Alex, 2006).

Strategy implementation involves several dimension of an organization. It requires change in an organization's behavior, which can be brought about by changing one or more dimensions, including management's leadership ability, organizational structure, information and control system, human resources and production technology. Both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, management of conflict, organization structure, managing resistance to change, and organizational culture (David, 2003).

Evaluation and control is another important practice by which an organization's activities and performance results are monitored and actual performance compared with desired performance. Pearce & Robinson (2007) note that managers attempt to ensure that the chosen strategy is implemented properly and is meeting the objectives of the organization during strategy evaluation. Control and evaluation process helps strategists monitor the progress of a plan. Evaluation and control processes are set up to ensure that the variance between expected and desired objectives will be close according to the strategy. Although evaluation and control is the final phase of strategic management, it can also pinpoint

weaknesses in previously implemented strategies and this stimulate the entire process to begin again.

#### **2.4.1 McKinsey's 7-S Framework**

McKinsey's (1982) model describes the seven factors critical for effective strategy implementation. The 7-S model identifies the seven factors as strategy, structure, systems, staff, skills, style/culture, and shared values. The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment and performance during other types of change. Whatever the type of change – restructuring, new processes, organizational merger, new systems, change of leadership, and so on – the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

Strategy is the plan of action an organization prepares in response to, or anticipation of, changes in its external environment. Strategy is differentiated by tactics or operational actions by its nature of being premeditated, well thought through and often practically rehearsed. Thus, strategy is designed to transform the firm from the present position to the new position described by objectives, subject to constraints of the capabilities or the potential (Kaplan, 2005).



Structure refers to the way in which tasks and people are specialized and divided, and authority is distributed; how activities and reporting relationships are grouped; the mechanisms by which activities in the organization are coordinated (Kaplan, 2005). Structures in organizations need to be organized to result to improved organizational performance.

Systems are formal and informal procedures used to manage the organization, including management control systems, performance measurement and reward systems, planning, budgeting and resource allocation systems, and management information systems (Kaplan, 2005). Every organization has some systems or internal processes to support and implement the strategy and run day-to-day affairs. The effectiveness of these systems dictates the performance of the organization.

Staff refers to the people, their backgrounds and competencies; how the organization recruits, selects, trains, socializes, manages the careers, and promotes employees (Kaplan, 2005). Organizations throughout the world strive to develop and retain high caliber staff that drives organization's performance to greater heights. The last S stands for Shared Values. Shared values are the core or fundamental set of values that are widely shared in the organization and serve as guiding principles of what is important; vision, mission, and values statements that provide a broad sense of purpose for all employees (Kaplan, 2005).

All members of the organization share some common fundamental ideas or guiding concepts around which the business is built. This may be to improve performance of their

organization or to achieve excellence in a particular field. The 7-S model posits that organizations are successful and record improved & better performance when they achieve an integrated harmony among three “hard” elements of strategy, structure, and systems, and the four “soft” elements of skills, staff, style, and shared values.

#### **2.4.2 The Balanced Score Card**

The BSC is a strategy implementation tool developed in the early 1990's by Drs. Robert Kaplan (Harvard Business School) and David Norton. It provides management and other stakeholders with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals. Organizations are able to clarify their vision and strategy and translate them into action through the application of the BSC (Atkinson, 2010).

It provides feedback on both internal process and external outcomes in order to continuously improve strategic performance and results. Financial and non-financial measures are measured as well as both short term and long term. Hence the BSC model takes into account the financial perspective, learning and growth perspective, business process perspective and customer perspective (Norton & Kaplan, 1992). It therefore balances performance drivers with outcome measures to give a complete picture of organization performance.

## **2.5 Strategy Implementation Practices and Performance**

Some researchers note that organizations fail to implement up to 70% of their strategic initiatives (Beer & Nohria, 2000; Miller, 2002). This is ironical as this is the most critical phase of strategic management as without successful execution an organization will not attain its intended goals and objectives. No matter how effectively a company has planned its strategies, it could not record improved performance if the strategies were not implemented properly (Floyd & Wooldrige, 2010). Over the last decade strategic planning researchers, advocates and management practitioners have argued for effective strategy implementation practices. These arguments are based on a presumed positive relationship between strategy implementation and organization performance.

Recent research on the relationship between strategy implementation and performance of manufacturing firms in Indonesia found that was is significant relationship between strategy implementation and performance (Ibrahim *et al.*, 2012). Wood and Laforge (1979) investigated relationship between formal implementation procedures and financial performance in a sample of large United State financial institutions. They sought to determine if comprehensive strategy implementation has any impact on financial performance. This study found that financial institutions that engaged in comprehensive long term planning and implementation significantly performed better than those that did not have formal planning systems.

Ayuya (2010) did a case study on University of Nairobi (UoN) on the influence of strategic planning on performance of the university. The study concluded that strategy

implementation had led to overall improvement in various areas which included compliance with set budgetary levels, implementation of service delivery charter and innovation in research and technology. Aram and Cowen (1990) argued that a major objective of strategy implementation is to promote strategic and adaptive thinking for the expressed purpose of effective organization-environment alignment. Therefore strategy implementation should be measured by the extent to which it facilitates organization-environment alignment.

Implementing strategic change is a double-edged sword because it simultaneously generates expected performance gain and unexpected performance loss (Brown 2005; Kennedy, Goolsby, and Arnould, 2003). When unexpected performance loss dominates or drains away expected performance gain, change becomes ineffective. Organizations may fail to maximize the performance benefits of strategic change because they either do not detect the presence of performance loss or fail to diagnose and mitigate the loss.

According to David (2003), both managers and employees should be involved in the implementation decision and adequate communication between all parties is important for successful implementation. Elements that require consideration during the implementation process include annual objectives, policies, resource allocation, management of conflict, organization structure, managing resistance to change, and organizational culture (David 2003). Dooley, Fryxell and Judge (2000) indicated that strategic implementation has a distinct relationship with various organizational elements like performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section discusses the methodology that was used in gathering the data, analyzing the data and reporting on the results. The chapter explains the research design that was adopted for this study, the population for this study and the methods and tools that will be used to collect and analyze the data.

#### **3.2 Research Design**

The study was a census survey. The study focused on company-owned tea factories in Kericho County, Kenya. A research design is a means to achieve the research objectives through empirical evidence that is required economically. The choice of a design is determined by research purpose as described by the research problems and questions, categories of data needed, sources of data and cost factors (Mugenda & Mugenda, 2003).

This design was preferred because the major tea factories in Kericho County are few to sample and data is representative only if collected from all the tea factories. Additionally, high reliability is easy to obtain by presenting all subjects with a standardized stimulus which ensures that observer subjectivity is greatly eliminated (Mugenda & Mugenda, 2003).

### **3.3 Population of the Study**

Lavrakas (2008) defines a population as any finite or infinite collection of individual elements to be studied. Based on this definition, the target population for which conclusion was drawn for this study includes all the 32 major tea factories operating in Kericho County, Kenya as at December 2013 ([www.teaboard.or.ke](http://www.teaboard.or.ke)). The population was therefore a census.

### **3.4 Data Collection**

The research study majorly relied on primary data but was also inclusive of secondary data. Primary data was collected using a questionnaire. The questionnaire was semi-structured, having both open-ended and closed-ended questions. The questionnaire was divided into three parts. The objective of the first part was aimed at accessing demographic information of the respondents.

The second part of the questionnaire examined strategy implementation practices adopted by tea factories while the third part examined the factories' performance. The use of questionnaires has the advantage of obtaining objective and accurate data. The questionnaires were administered by mail survey using the drop and pick later method. The questionnaires were henceforth administered to all production (factory) managers of all the 32 factories. During formulation and implementation of strategies tea factory managers are involved and they play a critical role in evaluation of strategy implementation. They are also responsible for reporting organization's performance to all stakeholders hence were in a good position to be part of the study.

Secondary data was obtained from statistics published by TBK and TRFK for the tea factories in Kericho County, Kenya. This data was also collected from the websites of the various tea companies, journals and relevant texts. This data was used to compare the various performance measures.

### **3.5 Data Analysis**

Data analysis began with data cleaning; editing, coding and arranging for analysis. This was done to ensure completeness and consistency. The data collected was analyzed using descriptive statistics. According to Mugenda & Mugenda (2003) descriptive statistics enable meaningful description of a distribution of scores or measurements using a few indices or statistics.

The descriptive statistical tool was used to help the researcher to describe the data with interpretation in percentages, frequencies, and measures of variability such as standard deviation and variance. The findings were presented using tables and graphs for further analysis and to facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents data collected from the field, its analysis and finally the interpretation of the findings on the Strategy Implementation and Performance of Major Tea Factories in Kericho County, Kenya. The data analyzed pertains to the general demographic information of the respondents, the strategy implementation practices adopted by the factories and finally the relationship between strategy implementation practices and performance. A total of 32 questionnaires were distributed to the respondents in all the tea factories in Kericho County under study. Of these, 28 questionnaires were successfully completed and returned. The response rate was therefore 87.5%.

The findings, interpretation and discussions of the results have been presented in line with the specific objectives. The researcher relied on likert scale type of questions with a score ranging from 1 to 5 with five signifying the highest score and 1 the least score. This rating was used in the second part of the questionnaire concerned with strategy implementation practices and performance.

#### **4.2 Demographic Background of the Respondents**

The study found it crucial to ascertain demographic information about the respondents since it configured the charitable trust under which the study can fairly entrance the



applicable information. The analysis relied on this information of the respondents so as to categorize the different results according to their responses.

#### 4.2.1 Age of the Respondents

Table 4.1 summarizes the study finding on the age bracket of the respondents. From the findings, most (46%) of the respondents' were within the age bracket of 40-44 years, 36% were aged between 35-39, 11% were between 30-34years, while 4% were over 45years. This implies that most of the factory managers of tea companies in Kericho County were energetic and had gathered many years of experience such that they can adjust to the strategies adopted within the organization with the aim of improving organization performance.

**Table 4.1: Age Bracket of the Respondents**

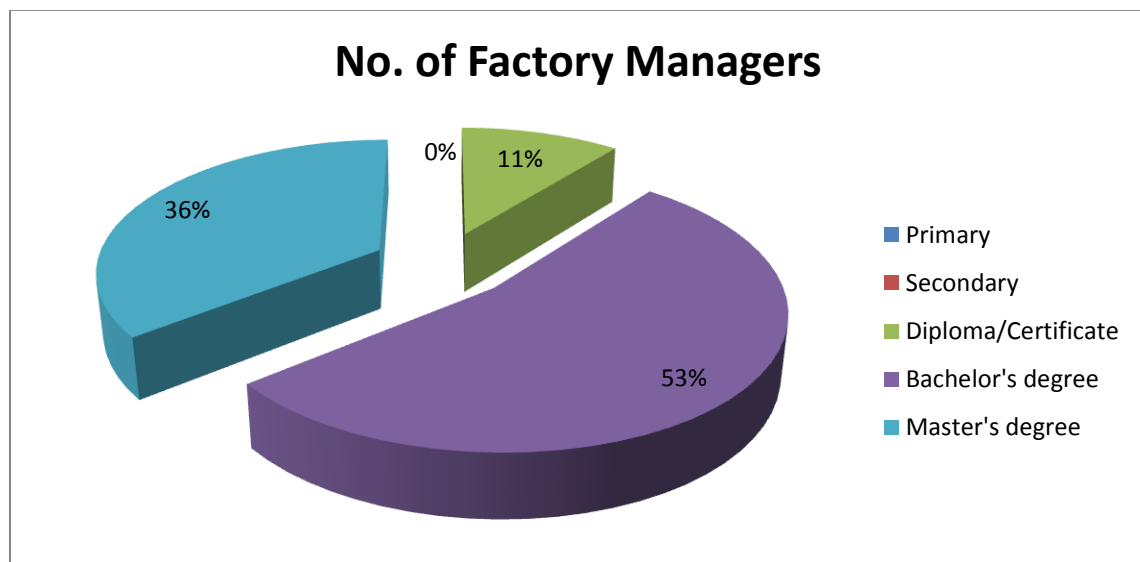
Age Bracket	Frequency	Percentage
20-24 years	0	0%
25-29 years	0	0%
30-34 years	3	11%
35-39 years	10	36%
40-44 years	13	46%
Over 45 years	2	7%
<b>Total</b>	<b>28</b>	<b>100%</b>

**Source: Field Data, 2015**

## 4.2.2 Level of Education

The researcher aimed at establishing the level of education of the respondents. Figure 4.1 shows the findings of the result, majority (53%) of the respondents had acquired bachelor's degree as their level of academic qualification, 36% had master's degree as their level of education while 11% had diploma. There was no factory manager with a primary or secondary level of education. This depicts that most of the factory managers of the tea companies in Kericho County are literate hence have an in-depth understanding of strategic issues and are capable to adopt any strategic issues that the organization formulate with aim of improving business performance to survive in competitive environment it operates on.

**Figure 4.1: A Pie Chart Showing Education Levels of the Respondents**

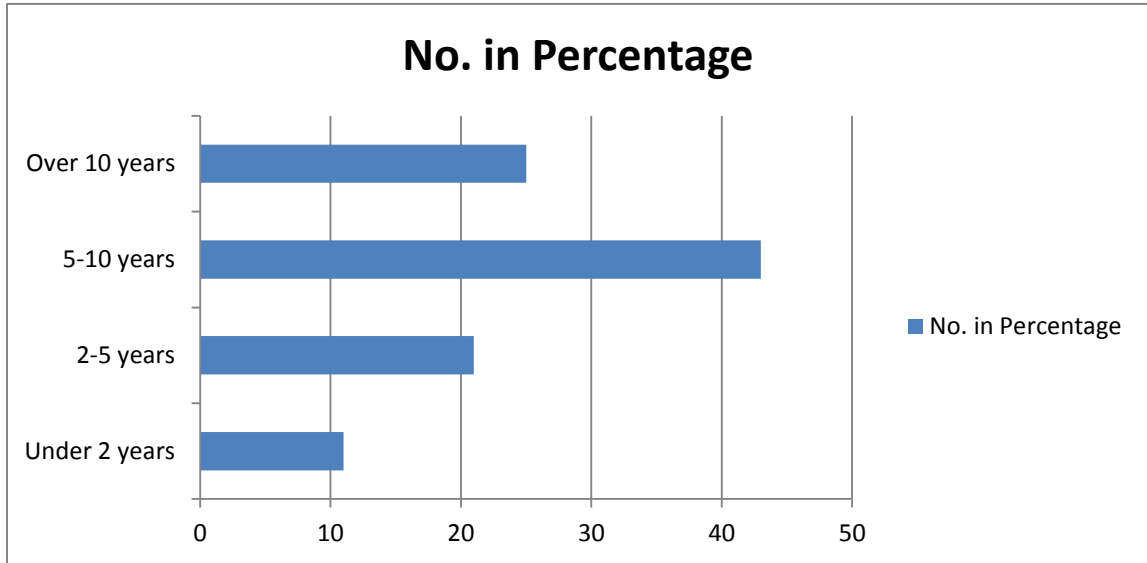


**Source: Field Data, 2015**

### 4.2.3 Length of Service in the Organizations

The study aimed to establish how long the respondents had been working for their organizations/ factories. The findings are represented by the figure 4.2 below.

**Figure 4.2: A Bar Chart Showing Respondent’s Length of Service in the Organizations**



**Source: Field Data, 2015**

As per the Figure 4.2 above 43% of the respondents have worked for their factories for a period between five and ten years. This gives them enough experience from their factories and the tea industry in general. Those who had served in their current factories for a period of over 10 years followed with 25%; and were followed closely with those who had worked for a period of 2-5 years at 21%. The least duration of work of the respondent in the surveyed factories was under 2 years and this comprised 11%.

### 4.3 Strategy Implementation Practices

This study aimed at establishing the strategy implementation practices adopted by the tea factories in Kericho County, Kenya. The respondents were requested to rank in order of extent they apply several strategy implementation practices in strategy implementation and the results are summarized in Table 4.2 below.

**Table 4.2: Strategy Implementation Practices**

	Count	Min	Max	Mean	S.D.
Allocate resources needed to implement the strategies	28	3	5	4.75	0.58
Evaluation of organization's capabilities	28	3	5	4.29	0.59
Review and feedback of performance	28	4	5	4.36	0.48
Premises control – checking the environmental and industry factors	28	1	5	4.04	0.84
Milestone reviews	28	3	5	4.04	0.74
Re-structuring of the organization	28	1	5	3.11	1.25
Development of short term and long term operational goals	28	3	5	4.25	0.65
Adoption of an implementation plan	28	3	5	4.61	0.63
Communication of strategy to all employees	28	3	5	4.71	0.59
Define the deadlines for implementing the strategies	28	3	5	4.60	0.68
Definition and review of vision, mission, activities and values	28	2	5	4.46	0.92
Mobilization of change by the executive leadership	28	2	5	4.18	1.06
Coordination across functional boundaries	28	3	5	4.07	0.77

Reward of employees at various milestones	28	2	5	3.5	0.88
Assign people who are able to be responsible for implementing the strategies	28	2	5	4.25	0.93
Provide incentives for employees to carry out the strategies effectively	28	2	5	3.61	0.96
Enhance organizational culture	28	2	5	3.61	1.03
State the activities to be implemented	28	3	5	4.46	0.64
Establish annual objectives	28	3	5	4.39	0.74
Manage potential conflict that may result from the implementation process	28	2	5	3.82	0.72

**Source: Field Data, 2015**

From Table 4.2 most respondents regard allocations of resources needed to implement the strategies as the most important practice to ensure strategies are implemented successfully with a mean of 4.75. This was closely followed by communication of strategy to all employees with a mean of 4.71. Adoption of a strategic plan came third with a mean of 4.61 with a standard deviation of 0.63. This implies that the above strategy implementation practices are applied in greater extent during the implementation phase by the tea factories.

At an average mean of 4.60, the respondents answered that they define the deadlines for implementing the strategies. This signifies that the practice is applied in a relatively

moderate extent among the tea factories. On the strategy implementation practice of definition and review of vision, mission, and values a mean value of 4.46 and a standard deviation of 0.92 were revealed.

Statement of the activities to be implemented followed closely with a mean of 4.46 as shown in Table 2 above signifying the practice was highly adopted above moderate extent among the tea factories. This results show that most tea factories in Kericho County implement strategy by breaking it down into small tasks and activities that can be easily implemented to achieve the overall goal.

From Table 4.2 most respondents view establishment of annual objectives and review of feedback performance with a mean of 4.39 and 4.36 respectively. The study findings further reveal that the respondents adopt the evaluation of organization's capabilities as an implementation practice at a mean of 4.29. This signifies that the application of the above practices is at moderate extent.

Most respondents view development of short-term and long-term operational goals as very important with a mean of 4.25 and a standard deviation of 0.65. This study shows that the tea factories set goals as a tool to aid in monitoring their performance rather than for setting future non-performance related targets as motivation and for activating contingencies.

The findings also show that assigning people who are responsible for implementing the strategies is equally important in the strategy implementation process with a mean of 4.25 and a standard deviation of 0.93. Kaplan (2005) state that it is important for an organization to recruit, develop and assign a high caliber staff to drive and participate in the strategy implementation process. Competent people are able to drive the process of implementation and hence deliver great performance.

Mobilization of change by the executive leadership and coordination across functional boundaries had a mean of 4.18 and 4.07 respectively, while the standard deviation was 1.06 and 0.77. While most factories adopted the practice of mobilization of change by the executive leadership to above moderate extent, there are those that applied it to a very little extent thereby giving rise to a great deviation of 1.06 as shown on Table 4.2 above. The practice of transforming the organizations and ensuring that it is aligned with the chosen strategy is to ensure that the organization is heading in the right direction and hence effective. The organizational executive plays a major role in this function as it is tasked with the provision of the overall direction for the organization (Davis and Holland, 2002). This finding therefore reveals that some tea factories executives do not spearhead the change/ strategy implementation process in their organizations.

With a mean of 4.04 the respondents view premises control- checking the environmental and industry factors as well as milestone reviews as important aspects in strategy implementation. This confirms that most tea factories applied the two implementation practices to a moderate extent. The standard deviation was 0.84 and 0.74 respectively.

These two practices are important in the strategy monitoring and evaluation phase to assess the progress of the implementation process so as to adjust accordingly. This is due to the fact that the business environment is not static but dynamic and prone to change.

From the findings, most of the respondents agreed that they applied the following strategy implementation practices on neutral extent: Manage potential conflict that may result from the implementation process, enhance organizational culture, provision of incentives to employees to carry out the strategies effectively, reward of employees at various milestones and restructuring of the organization. As presented in Table 4.2 above the practices had a mean of 3.82, 3.61, 3.61, 3.5 and 3.11 respectively. This depicts that most tea factories did not apply the above practices to a great extent but considers them the least when it comes to strategy implementation. The standard deviation of 0.72, 1.03, 0.96, 0.88 and 1.25 reveals how the practices are variedly applied in the tea factories.

#### **4.4 Strategy Implementation Practices and Performance**

The researcher further aimed to establish whether the performance of the tea factories is related to the strategy implementation practices adopted by the factories. Several measures of tea factory performance were outlined both financial and non-financial. The respondents were requested to rate the extent of their tea factory performance on average in the last 5 years against each of the specified performance measures both perceived and actual. However it was difficult to obtain actual financial data as this was viewed by most respondents as sensitive information. The findings are summarized in Table 4.3 below.



**Table 4.3: Non-Financial Measures of Performance**

	Count	Min	Max	Mean	St.Dev.
Customer satisfaction	28	3	5	3.96	0.43
Employee productivity	28	3	5	4.07	0.81
Quality performance	28	3	5	4.00	0.54
Delivery performance	28	2	5	3.82	0.72
Employee turnover	28	2	5	2.82	0.95
Factory production volumes in kilograms/ tonnes	28	3	5	4.5	0.64

**Source: Field Data, 2015**

The study findings on the performance aspects, it is clear that there is a correlation with the strategy implementation practices adopted by the tea factories. Most respondents rated the tea production quantities to a great extent meaning the performance was high and had improved in the 5 year period. As presented in Table 4.3 above, the mean was 4.5 and a standard deviation of 0.64. The increase in tea volumes from the Kericho tea factories could be highly attributed to technological changes that have been long been adopted by the factories.

Mechanization of tea harvesting has reduced not only cost of plucking, but it has also increased the welfare of pluckers, giving higher productivity per labor, decrease investment on labor housing, increase the efficiency in field activity and also solved the

problem of availability of tea pluckers. Finlay's Tea Ltd. Company for example is more open-minded about the tea plucking machines, which has greatly reduced production costs. Employee productivity aspect of performance followed closely followed at a mean of 4.07 and a standard deviation of 0.81. This performance can also be attributed to the above reasons resulting to increased overall output.

From the findings, respondents rated quality performance for the last 5 years at a moderate extent as illustrated by mean score of 4.0. Tea is among the most labour-intensive of all the plantation crops. It has both an agricultural and a manufacturing dimension. Therefore the quality is measured at both the tea plantations and the manufacturing plant. The respondents indicated that customer satisfaction performance was at a neutral extent as depicted by mean score of 3.96 and a standard deviation of 0.43. This means that most tea record average performance when it comes to customer satisfaction. Although the tea sector is not in the service industry where customer satisfaction is a major performance indicator, a neutral extent performance rating is generally considered low.

The respondents rated delivery performance and employee turnover at an average mean of 3.82 and 2.82 respectively. The standard deviation was 0.72 and 0.95. These findings reveal that the performance rating is neutral and of low extent. Despite the strategy implementation practices adopted in strategy implementation the employee turnover is high and did not result into retention of employees in the factories. Tea firms generally agree harvesting all teas by hand would never have allowed tea consumption to grow as it

has, since supply would not have been able to keep up with demand, and therefore labour costs would have remained high. The mechanization of tea plucking has therefore forced the tea factories to lay off most workers resulting into high employee turnover.

As per this study this can be attributed to poor strategy implementation. Some strategy implementation practices that were not applied to a great extent such as: provide incentives to employees to carry out the strategies effectively, reward of employees at various milestones and re-structuring of the organization. Table 4.2 above on strategy implementation practices adopted by the tea factories, the afore-mentioned practices score a mean average of 3.61, 3.5 and 3.11 meaning they are largely applied to a neutral extent. These practices could have contributed to the tea factories recording a high employee turnover as the workers may lack the motivation to carry on with the strategy implementation as the management does not reward them at various milestones nor provide incentives to them to a great extent.

**Table 4.4: Financial Measures of Performance**

	Count	Min	Max	Mean	St.Dev
Sales Revenue	28	3	5	4.07	0.60
Sales Volume	28	3	5	4.07	0.60
Net Income	28	2	5	3.46	0.74
Return on Investment	28	2	5	3.14	0.76
Return on Equity	28	2	5	3.21	0.79

**Source: Field Data, 2015**

On the financial measures of performance the findings rate the sales revenue and sales volume both at a mean of 4.07 with a standard deviation of 0.60. This is a moderate ranking of performance according to the respondents, which is generally good owing to the strategy implementation practices adopted by the tea factories. Most tea companies export their tea produce to international markets and this is a possible explanation to the moderate sales revenue and volume.

The respondents rated the net income financial measure at a mean of 3.46 and a standard deviation 0.74. This is an average performance in the last 5 years. Since the sales revenue was rated moderately, a possible cause could be due to increased production costs rising from labour, investment in new plucking machinery and a backdrop of tea prices in the international markets. According to well-established precepts, 60 per cent of the income from tea is agricultural, the balance being of an industrial nature (TBK Annual Financial Report, 2007-2008).

Return on Investment was regarded as having the least impact from strategy implementation practices with a mean of 3.14 and standard deviation of 0.76 implying diversity in answers given. This was followed by return on equity with a mean of 3.21 and standard deviation of 0.79. For instance the case of Unilever Tea Company: As of 21st June 2011, the company's shares had an average market value of Kshs. 91, and a dividend yield of 2.22%. The global share market value had stagnated between 13%-17% for the past 3 years i.e. since 2009 ([www.unilevertea.co.ke](http://www.unilevertea.co.ke)).

Although the introduction of tea plucking machines in tea industry should reduce overall production costs, thus increasing revenue, Unilever Tea Kenya Ltd is not keen to embrace the new technology (opting to remain labour intensive), and this might make it less competitive in the industry. It therefore seems like the market value of their shares will remain stagnant, or might be headed for a tumble. However, the recent increase in rainfall should result in high tea productivity.

#### **4.5 Discussion of Findings**

The study sought to determine the strategy implementation practices adopted by the tea factories in Kericho County, Kenya. Based on the findings in relation to this specific objective, the study concluded that the factories adopted a range of practices but the level of application is varied from one factory to the other. Allocation of resources needed to implement the strategies emerged a popular practice by the factories that was applied to above moderate extent on average. This is in line with the RBV theory of strategy implementation. RBV of strategy implementation emphasizes on the resources and capabilities of an individual organization. Grants (1991) noted that the resources and capabilities of a firm are the central considerations in implementing its strategies since they are the primary constants upon which a firm can establish its identity and source of firm's profitability.

In the definition and review of vision, mission and values the study also found out that the practice was applied to above moderate extent. This can be concluded as being relatively high. Finlay (2000) as cited in Gono (2007) advises that, the responsibility for

the overall direction of the organization sums up what strategic management is all about. It involves the development of an organization's mission, setting objectives, forming a strategy, implementing and executing the strategic plan and evaluating performance.

From the findings most factory managers responded that they stated the activities to be implemented averagely on above moderate extent. The practice involves the breakdown of tasks and activities that are to be carried out in order to realize the overall pursued strategy. This is in line with Karanja (2009) who found that linking organizational strategic plans with content and process aids in strategy implementation and improve performance.

According to Johnson and Scholes (1997) for strategy implementation to be successful clear goals and objectives should be formulated. The study confirm that the Kericho tea factories set goals and objectives however their motives for setting these objectives are aimed at monitoring the past rather than providing challenges for the future. As the findings reveal, a number of tea factories views the development of short-term and long term operational goals as very important at above moderate extent.

Communication of Strategy to all employees as a practice is largely practiced by the factories. This was revealed at an above moderate extent and emerged as a very important practice that is widely applied by the factories. Mintzberg et al (1998b) as quoted by Burns (2009:254) stated that it is important that everyone in the organization shares a

common view of its purpose and direction which informs and guides decision -making and actions.

The other objective was to establish whether the performance of the tea factories related to the strategy implementation practices adopted. The study established that there was a relationship between the two. On the non-financial measures of performance, the study found out factory production capacity to be the highest at above average extent, this was followed by employee productivity, quality performance, customer satisfaction, delivery performance and employee turnover. The findings on financial measures rated sales revenue and sales volume at moderate extent, net income at a moderate extent while return on investment and return on equity were applied at a low extent.

The factories majorly concentrated on the financial aspects of performance as customer satisfaction and employee turnover were relatively low as compared to sales revenue and sales volumes. These results are in contrast with Kaplan and Norton (1992) who devised the BSC, a set of measures that give the managers fast and comprehensive view of their business. BSC includes the financial measures and operational measures on customer satisfaction, internal processes and the organization's innovation and improvement activities. Therefore tea factories should implement and monitor their strategies using BSC to improve their overall performance and not just emphasize on the financial aspects.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of findings and recommendations based on the study objectives. The conclusion of the study and the study limitations are also highlighted in this chapter as well as suggestions for further research.

#### **5.2 Summary of the Findings**

The first objective was to determine the strategy implementation practices adopted by tea factories in Kericho County, Kenya. From the study findings, it was clear that most tea factories applied a wide range of the practices in the strategy implementation phase of strategic management to relatively moderate extent. Allocation of resources needed to implement the strategy came out as a popular practice among the respondents that is applied to a greater extent by the tea factories.

The other practices that were adopted by the tea factories to a moderate extent include: Review and feedback of performance, Premises control – checking the environmental and industry factors, Milestone reviews, Development of short term and long term operational goals, Adoption of an implementation plan, Communication of strategy to all employees, Definition of the deadlines for implementing the strategies, Definition and review of vision, mission and values, Mobilization of change by the executive leadership, Coordination across functional boundaries, Assign people who are able to be responsible



for implementing the strategies, Stating the activities to be implemented and Establishing the annual objectives. Most tea factories adopted these factories and applied them on average to a moderate extent in strategy implementation. The study revealed that all the practices were applied by tea factories but at varying degrees with more emphasis on others as compared to the rest. This confirms that the tea factories in Kericho County have embraced strategic management and the factory managers play a critical role in the strategy execution.

Other practices that were applied to a relatively neutral extent by the tea factories include re-structuring of the organization, reward of employees at various milestones, provision of incentives for employees to carry out the strategies effectively, enhancing organizational culture and managing potential conflicts that may result from the implementation process. These practices are not regarded as highly important in strategy implementation and their adoption is highly varied and applied to a relatively low extent.

The second objective of this study was to establish whether the performance of the tea factories relate to the strategy implementation practices adopted by the tea factories in Kericho County, Kenya. Firstly the respondents were asked to state whether their organizations had a performance measurement policy. The findings show that all respondents have a performance measurement policy.

On non-financial measures tea factory production volumes, employee productivity and quality performance were ranked at a moderate extent, meaning the performance of the

organizations in these aspects was generally high. On customer satisfaction and delivery performance the findings reveal that the tea factories recorded a neutral extent performance. This means that the performance was just average. The study findings however reveal a low extent in employee turnover. This is a low performance among the tea factories.

The study findings on financial measures of performance reveal a moderate performance in sales revenue and sales volume. Inclusively the study ranked net income, return on investment as well as return on equity performance indicators to a neutral extent. These performance results relate to the strategy implementation practices adopted by the tea factories. Most tea factories place more emphasis on financial measures of performance and believe strategy implementation has greater impact on these financial measures as depicted in Table 4.3 and Table 4.4. This explains why the tea factories concentrate on strategies that are aimed at improving sales revenue as opposed to customer satisfaction.

### **5.3 Conclusion**

The study sought to find out the strategy implementation practices adopted by tea factories in Kericho County, Kenya. It is evident that that tea factories do carry out strategy implementation but the extent to which the practices are implemented differ. The TBK provides a framework for which tea companies in Kenya should operate to ensure the sector remain competitive in the international arena. However more still needs to be done to ensure strategies are implemented successfully in order to achieve better performance.

The tea factories need to embrace a holistic approach during strategy formulation and implementation and not only focus on strategy implementation practices geared towards sales growth and increase in production but also strategies geared towards value creation to all other stakeholders in the industry especially the customers and the employees. In order to achieve reduced cost of production, the factories/companies need to be more innovative and invest more on product development that will meet the dynamic needs of their customers and the global market in general. The ones that are yet to adopt mechanization of tea plucking need to do so in order to reduce labour costs. The study has therefore found out that there is a relationship between strategy implementation practices adopted by a tea company and its performance.

Strategy implementation may help leaders shape the future (Crittenden & Crittenden, 2008) by enabling an organization to produce excellent performance by means of implementing an outstanding strategic plan. As an ally and not an adversary, the implementation process works side-by-side with the formulation process, and such collaboration leads to plans that are financially, socially, and ethically responsible strategies for a company. Successful implementation of a well-formulated and appropriate strategy will enable a company to become better and better over time, therefore achieving its longer-term vision of a good mission, good planning, and overall corporate success (Crittenden & Crittenden, 2008). Strategy implementation requires the involvement of managers at all levels of the organization. Furthermore, implementation is an action-oriented human behavioral activity that calls for senior-level leadership and key managerial skills.

## **5.4 Recommendations**

This sub-section discusses the Implications on Theory, Managerial Policy and Managerial Practice.

### **5.4.1 Implication on Theory**

This study has supported the Resource Based View of strategy implementation. RBV assumes that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis for a firm's strategy and its ability to earn above-average returns. The study has concluded that strategy implementation results to improved performance of tea companies in Kericho County and resources and capabilities are the major ingredients and basis for successful strategy implementation.

The Open System Theory of Organization has also made the study relevant. While closed systems theory carries a commitment to the status quo, open systems theory carries a commitment to open exchanges across systems' boundaries with their environments, and a commitment to managed change. Since organizations and hence tea factories are in constant interaction with the environment, they need to constantly monitor the environmental changes and hence evaluate their capabilities to identify threats and take advantage of the prevailing opportunities. This has been proved to be true as most tea firms have adopted modern technology in harvesting of tea hence a boost in performance.

### **5.4.2 Implication on Managerial Policy**

To the policy makers, this study has recommended that the TBK needs to monitor the strategic risk of all companies in order to implement risk based supervision. Strategic risk arises as a result of the company in-ability to implement its strategies. TBK will also need to monitor strategy formulation and implementation for all companies to ensure that they do not concentrate only on strategies geared towards financial performance as revealed in this study but strategies that consider all stakeholders.

The study also recommends that TBK be involved in regulation of international tea prices by considering the local costs of production. Currently there has been a backdrop in international tea prices against the rising cost of production. Tea is a major contributor to Kenya's GDP hence plays a major role in the country's economy. The industry managers should therefore ensure that Kenyan tea gains and remains stable in the international market.

### **5.4.3 Implication on Managerial Practice**

The tea factories need to apply the strategy implementation practices to a greater extent in order to record improved performance. Further, it is recommended that they consider motivating their employees through provision of incentives and rewards during strategy execution as this was evidently applied to a low extent. Employees being the key assets in organizations, strategies adopted by organization should be flexible to the employees working place so that operations may not be affected by them. Implementation practices

such as re-structuring should be considered to a moderate extent in order to create capabilities and define new roles among the factory staff.

The Kericho County tea factories should continuously monitor strategy implementation process and take corrective actions. As key aim of the organization is its survival in the unpredictable and competitive environment, the organization should be very sensitive on the strategies implemented to ensure key objectives of the organization are given prior attention and priority. Therefore proper assessment of the organization's capabilities and resources is critical in the strategy formulation stage; otherwise its implementation may be hindered.

## **5.5 Limitations of the Study**

The study collected data from single informants only. The use of multiple informants would have been useful especially with regard to quantitative data. Most factory managers were not able to provide their actual quantitative data over the years and so there was difficulty in obtaining this form of data. Other scholars observe that objective measures of performance (quantitative) while preferable are difficult to obtain. However subjective measures (qualitative data) correlate highly with objective measures and so this limitation should not diminish confidence in the study findings (Dess & Robinson, 1984).

Some of the respondents took a while to respond to the questionnaire especially those sent via email. Furthermore, not all the respondents gave their feedback; hence the

researcher was not able to study the whole population. The researcher had to do a lot of follow-up to persuade the respondents to help in filling the questionnaires. This therefore delayed the data analysis process.

## **5.6 Suggestions for Further Research**

Based on the foregoing conclusions on the findings of this study, it is recommended that a comparative study be done between one of the best performing tea factories and the least performing factory based on an index of both financial performance and production capacity. This study should find out the correlation between strategy implementation and performance of the two factories.

This study was a census survey on strategy implementation and performance of major tea factories in Kericho County, Kenya; where the use of questionnaires limited the respondents in expression. Thus, there is a need to conduct a similar study using an interview schedule and focusing on all the tea factories in the County including those managed by KTDA in order to carry out an in-depth analysis.

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<http://www.teaboard.or.ke>

<http://www.tearesearchkenya.org>

## APPENDICES

### Appendix 1: Letter to Respondents

Lerah Odhiambo,  
School of Business,  
University of Nairobi

Dear Respondent,

I am a student at the University of Nairobi currently carrying out a research that will be submitted to school of business in partial fulfillment of the requirements for the award of the degree of Master of Business Administration (MBA). The title of my research topic is **“Strategy Implementation and Performance of Major Tea Factories in Kericho County, Kenya.”**

Attached please find a copy of self-administered questionnaire. Kindly answer the questions as comprehensively and honestly as possible. The information from the questions is needed purely for academic purposes and will be treated with strict confidence. In no way will your name or name of your organization appear in the final report.

Your participation in this exercise will be highly appreciated and thank you in advance.

Yours faithfully,

MBA Student

## Appendix 2: Questionnaire

This questionnaire is designed for academic purposes only and the information given in response will be treated with outmost confidential. Kindly answer questions as objectively as possible.

### PART A: Background of Respondent

1. Name of the factory\_\_\_\_\_

2. Your position in the factory \_\_\_\_\_

3. Your age

20-24 years [ ]

25-29 years [ ]

30-34 years [ ]

35-39 years [ ]

40-44 years [ ]

Over 45 years [ ]

4. Your level of education

Primary School [ ]

Secondary school [ ]

Diploma/ Certificate [ ]

Bachelor's degree [ ]

Master's Degree [ ]

5. How long have you worked in the organization?

Under 2yrs	2-5yrs	6-10yrs	Over 10yrs

## PART B: Strategy Implementation Practices

6. To what extent do you apply each of the following strategy implementation practices in strategy implementation in your factory? (Use 5 point scale where 1 – No extent, 2 – Low extent, 3 – Neutral, 4 –Moderate extent and 5 – Greater extent).

	1	2	3	4	5
Allocate resources needed to implement the strategies					
Evaluation of organization's capabilities					
Review and feedback of performance					
Premises control – checking the environmental and industry factors					
Milestone reviews					
Re-structuring of the organization					
Development of short term and long term operational goals					
Adoption of an implementation plan					
Communication of strategy to all employees					
Define the deadlines for implementing the strategies					
Definition and review of vision, mission and values					
Mobilization of change by the executive leadership					
Coordination across functional boundaries					
Reward of employees at various milestones					
Assign people who are able to be responsible for implementing the strategies					

Provide incentives for employees to carry out the strategies effectively					
Enhance organizational culture					
State the activities to be implemented					
Establish annual objectives					
Manage potential conflict that may result from the implementation process					



## **PART C: Organizational Performance**

7. Does your firm have a performance measurement policy?

Yes [ ]      No [ ]

8. If the answer above is NO, please state why.....  
.....

### **Part C Section A: Perceived Performance**

9. How do you rate your factory performance on average in the last 5 years against each of the following performance measures? Kindly indicate your rating of the statement by applying the following key (1 – No extent, 2 – Low extent, 3 – Neutral, 4 –Moderate extent and 5 – Greater extent).

a) Non-financial measures

	1	2	3	4	5
Customer satisfaction					
Employee productivity					
Quality performance					
Delivery performance					
Employee turnover					
Factory production volumes in kilograms/tonnes					

b) Financial measures

	1	2	3	4	5
Sales Revenue					
Sales Volume					
Net Income					
Return on Investment					
Return on Equity					

**Part C Section B: Actual Performance**

10. Please indicate your actual performance for the last 5 years against each of the following financial performance indicators.

Financial Year	Sales Revenue	Net Income	Return on Investment	Return on Equity
2013-2014				
2012-2013				
2011-2012				
2010-2011				
2009-2010				

**Thank you for your participation**

### Appendix 3: List of Licensed Tea Factories in Kericho County, Kenya

NO	TEA FACTORY	TEA COMPANY
1	Kitumbe	James Finlays' Ltd.
2	Kimugu	Unilever (K) Ltd.
3	Kimari	Unilever (K) Ltd
4	Chagaik	Unilever (K) Ltd
5	Changoi	Williamson Tea Ltd
6	Chemomi	Eastern Produce Kenya Ltd.
7	Kaimosi	Williamson Tea Ltd
8	Kapchorua	Williamson Tea Ltd
9	Chomogonday	James Finlays' Ltd
10	Kaisugu	Kaisugu Tea Factory Co. Ltd
11	Kericho	Unilever (K) Ltd
12	Kapsumbeiwa	Eastern Produce Kenya Ltd
13	Kepchomo	Eastern Produce Kenya Ltd
14	Jamji	Unilever (K) Ltd
15	Kipkoimet	Eastern Produce Kenya Ltd
16	Savani	Eastern Produce Kenya Ltd
17	Mabroukie	Unilever (K) Ltd
18	Tinderet	Williamson Tea Ltd
19	Mau	Mau Tea Multi-purpose Society Ltd
20	Kipkebe	Kipkebe Tea Factory Ltd

21	Kapset	Kapset Tea Factory Ltd
22	Changana	James Finlays' Ltd
23	Mogogosiek	Mogogosiek Tea Factory
24	Kapkoros	Kapkoros Tea Factory Ltd
25	Kipkoimet	Kipkoimet Tea Factory Ltd
26	Saosa	James Finlays' Ltd
27	Koruma	Unilever (K) Ltd
28	Kymulot	James Finlays' Ltd
29	Arroket	Arroket Tea Factory Ltd
30	Mara Mara	James Finlays' Ltd
31	Tagabi	Unilever (K) Ltd
32	Kapchebet	Kapchebet Tea Factory Ltd.

**Source: Tea Board of Kenya, 2014**