

**INFLUENCE OF THE IMPLEMENTATION OF SUPPLY CHAIN
STRATEGY ON THE PERFORMANCE OF KENYA TEA
DEVELOPMENT AGENCY LIMITED**

BY

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DECLARATION

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

Signed.....

Date.....

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D61/72520/2014

Supervisor's Declaration

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

Sign.....

Date.....

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DEDICATION

To my lovely son Adriel Wahome, you make my life beautiful. Your zeal for life keeps me going.

To my dear dad Mr C. K. Wahome, you are the world's greatest dad.

To my bosom friend, elder brother and mentor Lawrence Wahome, you are one in a million. Every girl needs a big brother like you.

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TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABBREVIATIONS AND ACRONYMS	x
ABSTRACT	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Background.....	1
1.1.1 Concept of Supply Chain Strategy	3
1.1.2 Implementation of Supply Chain Strategy	4
1.1.3 Organizational Performance	5
1.1.4 Implementation of supply chain strategy and Organizational Performance.....	6
1.1.5 The Global Tea Industry	7
1.1.6 The Tea Industry in Kenya	9
1.1.7 Kenya Tea Development Agency	10
1.2 Research Problem	11
1.3 Research Objective	13
1.4 Value of the Study	14
CHAPTER TWO: LITERATURE REVIEW	15
2.1 Introduction	15
2.2 Theoretical Foundations.....	15
2.2.2 The Resource-Based Theory.....	15
2.2.2 The Dynamic Capability Theory.....	16

2.2.3 Resource-Dependence Theory	17
2.3 Implementation of Supply Chain Strategy in Organizations	18
2.4 Measurement of Performance in an Organization.....	19
2.5 Implementation of Supply Chain strategy and organizational Performance	20
2.5 Empirical Studies and Research Gaps	21
CHAPTER THREE: RESEARCH METHODOLOGY	24
3.1 Introduction	24
3.2 Research Design	24
3.3 Data Collection.....	25
3.4 Data Analysis.....	27
CHAPTER FOUR: DATA ANALYSIS, FINDINGS & DISCUSSION	28
4.1 Introduction	28
4.2 Demographic Information.....	28
4.2.1 Distribution of Interviewees by Age	29
4.2.2 Interviewees Duration of Work in the Tea Industry	30
4.2.3 Positions Held by the Interviewees	31
4.2.4 Interviewees Academic Qualifications.....	32
4.3 Influence of the Implementation of Supply Chain Strategy and the Performance of KTDA.....	33
4.3.1 Implementation of Supply Chain Strategy at KTDA	34
4.3.2 Benefits Accruing to KTDA from the Implementation of Supply Chain Strategy.....	36
4.3.3 Ways to Ensure Effective Implementation of Supply Chain Strategy ...	37
4.4 Performance of KTDA.....	39
4.4.1 KTDA's Performance Rating over the 4-year Period	39
4.4.2 KTDA's Composite Market Share over the 4-year Period.....	40
4.4.3 Customer Satisfaction Rating of the Firm	40

4.4.4 Employee Retention Rate	41
4.5 Influence of the Implementation of Supply Chain Strategy on the Performance of KTDA.....	43
4.6 Discussion.....	44
4.6.1 Comparison with Theory	44
4.2.2 Comparison with other Researchers.....	45
CHAPTER FIVE: SUMMARY, CONCLUSION & RECOMMENDATIONS..	50
5.1 Introduction	50
5.2 summary of Findings	51
5.3 Conclusion.....	52
5.4 Recommendations.....	52
5.5 Limitations of the Study	53
5.6 Suggestions for Further Research.....	54
5.7 Implications of the study.....	54
REFERENCES	55
APPENDICES	59
Appendix 1: Interview Guide.....	59
Appendix 2: Letter from KTDA.....	61

LIST OF TABLES

Table 4.1 Age of Interviewees.....	29
Table 4.2 Return on Assets (ROA).....	39

LIST OF FIGURES

Figure 4.1 Interviewees' Duration of Work in the Tea Industry	30
Figure 4.2 Position Held by Interviewees.....	31
Figure 4.3 Interviewees' Academic Qualifications	32
Figure 4.4 Customer Satisfaction Ratings of the Firm	41
Figure 4.5 Employee Retention Rates	42

ABBREVIATIONS AND ACRONYMNS

AFFA	Agriculture Fisheries and Food Authority
CA	Competitive Advantage
CPDA	Christian Partners Development Agency
FAO	Food and Agricultural Organization of the United Nations
IDH	Sustainable Trade Initiative
IFC	International Finance Corporation
IGG	Intergovernmental Group
I.T	Information Technology
GAIN	Global Agricultural Information Network
GDP	Gross Domestic Product
KeS	Kenya Shillings
KTDA	Kenya Tea Development Agency
LTA	Long Term supply Arrangement
OP	Organizational Performance
RBV	Resource Based View
RDT	Resource Dependence Theory
ROA	Return on Assets
SCDA	Special Crops Development Authority
SC	Supply Chain
SCOR	Supply Chain Operations Reference
SCM	Supply Chain Management
TCC	Tropical Commodity Coalition
TD	Tea Directorate

ABSTRACT

As markets become global, competition has intensified and so have the challenges related to seeing to it that products and services are delivered at the right place, at the right time and competitively so. Effective Supply Chain Management (SCM) has been viewed as the most popular strategy for securing a competitive advantage and improving organizational performance. This research sought to establish if the implementation of a SC strategy had influenced the performance of Kenya Tea Development Agency (KTDA), using descriptive research design. The study targeted 12 select participants of the KTDA supply chain, corresponding to the four basic activities or processes in a SC- Planning, Sourcing, Making and Delivering/Returning, based on the Supply Chain Council's Operations Reference (SCOR) model, out of whom, 11 participated in the study. The study relied on both secondary and primary data. Secondary data was obtained from KTDA's annual reports published between 2012 and 2015, while the primary data was collected using the interview technique and instrumented using an interview guide. In analysing the quantitative data, the study used descriptive statistics with the findings presented charts and tabular form. Content analysis was utilized for analysing the qualitative data where a thematic framework was developed that captured the key themes, concepts, and issues emerging from the open-ended questions. The study established that KTDA was implementing an operational excellence SC strategy using a lean supply chain approach, strategic sourcing and various time based strategies, all aimed at lowering the costs of operation and enhancing the efficiency of operations which would in turn enable the firm meet its customer's needs profitably, thereby enhancing both the operational and financial performance of the firm. The study established that the implementation of a SC strategy had enhanced the performance of KTDA throughways such as reduction of operating costs, injection of efficiency in the SC and ensuring the consistent production of quality teas, which in turn assures repeat business. The study recommends that the management of KTDA should continually finds ways to effectively implement the SC strategy as the benefits yielded have the potential to enhance both the financial and operational performance of the firm. The study further recommended that policy makers should continually evaluate the success of and/or the challenges of the KTDA model with a view to ensuring that the policy and regulatory framework laid down is supportive of strategic accomplishment, not only for KTDA but also for other industry players, seeing as the implementation of a SC strategy is inherently inter-organizational. This will serve to enhance the earnings from the trade of tea for both the small scale farmer as well as the economy at large.

CHAPTER ONE

INTRODUCTION

1.1 Background

Supply chains (SCs), defined by Chopra and Meindl (2007) as the system of organizations, people, activities, information and resources involved in moving a product or service from supplier to customer, aim to match the demand and supply of goods and services profitably. However, as markets become global, competition has intensified and so have the challenges associated with the delivery of goods and services to the right place, at the right time and competitively so. David (2005) purports that to compete successfully; organizations have to continually enhance their performance through cost reductions, quality improvement, continuously innovate their products and processes and enhance the speed to market and productivity through strategic management. SCM is regarded as the most preferred strategy for enhancing the competitiveness of firms.

To become a world class SC, an organization needs to excel in operational excellence, attain a strategic fit, build the required SC capabilities to enable it adapt to the new business environment and lastly adopt distinctive signature practices that will render positive results in the market Lu (2011), thus but all requiring firms to adopt a SC strategy. But does the implementation of a SC strategy influence organizational performance? It was the goal of this study to answer this question with Kenya Tea Development Agency (KTDA) as the organization of study. As mandated by law, and on behalf of the government, KTDA manages the smallholder tea sector, which accounts for about 60% of the country's total tea production. The theoretical foundations in strategic management underpinning this study are: the Resource Based view of Strategy, the Dynamic Capability and Resource Dependence theories.

The supply chain of tea, however, assumes a complexity of sorts because of the many players and activities, all necessary for the transformation of the leaves on a tea bush to the beverage on a consumer's tea cup. A 2008 study of the tea sector targeting small-scale farmers by the Christian Partners Development Agency (CPDA) revealed that the tea supply chain consists of 12 cost centres sharing in the revenue generated by the from tea sales. KTDA oversees the entire value chain, from bush to tea cup and as a unit, KTDA is the largest producer of tea in the world. In view of the fact that tea is the country's top exchange earner after horticulture and tourism, and seeing as the farmers' ability to produce is dependent on the perception that farming activities are rewarding, this study seeks to ascertain the influence implementation of a SC strategy has on the performance of KTDA.

In spite of the recognition that SCM is vital to the acquisition of an enduring competitive advantage (CA), there have been limited empirical studies on SC strategy Qi, Boyer and Zhao (2009). Moreover, of these studies, most are based on case studies in developed nations such as the USA, Canada, and Europe and few have examined SC strategies in less developed and emerging markets Wright (2013). In Kenya, SCM is a fairly new concept but one that is gaining prominence. Extant literature however reveals that most studies have focused on the adoption of SCM practices and the performance of manufacturing firms as a strategic initiative and in particular, there lacks data on published studies on the implementation of SC strategy and organizational performance, necessitating this study.

1.1.1 The Concept of Supply Chain Strategy

So as to prudently organize the resources, activities, communications and processes in the SC, effective SCM demands that firms use clear strategic planning. A SC strategy can therefore be viewed as the SC portion of the strategic plan; it dictates the goals of the SC as well as how the SC processes, structures and partners, should be configured to best meet customers' needs Cohen and Roussel (2005). Those who advocate for competitive strategy argue that firms should develop strategies for meeting customers' needs on the basis of cost, speed/time, quality, innovation, and flexibility. A SC strategy can be viewed as the way in which a SC is designed to meet the competitive priorities of a firm's operations strategy Pearson (2007).

Cetinkaya et al., (2011), posit that a SC strategy supports the intent of the business strategy by defining how the supply chain should operate competitively and enable the company to outperform others in the same industry or market. Based on Porter's (1980) generic competitive strategies, prior research has identified two major generic SC strategies that arise from the lean and agile SC designs; operational excellence and customer responsive strategies (Cetinkaya et al, 2011; Christopher 2000; Morash 2001). Strategies aimed at attaining operational excellence support the business strategy of overall cost leadership by adopting a Lean SC approach through initiatives such as reduction of total costs, ensuring efficient and reliable supply to customers; variety reduction through standardization of operations or by employing time-based strategies such as just-in-time (JIT) and cross-docking. Responsive SC strategies on the other hand, support the business strategy of differentiation by building agility in the SC through collaborative communications with customers, proactive quality by relying on research and development and high levels of value-added customer service.

Firms, may also opt adopt a hybrid system which combines the combine the advantages of leanness and agility. Christopher et al., (2006) and Mason-Jones et al., (2000) refers to this strategy as 'leagile', which is basically the combination of lean and agile paradigms within a total SC strategy positioning, so as to best suit the need for responding to an erratic demand downstream yet providing level scheduling upstream from the decoupling point. 'Leagile' SC strategies, according to Ambe (2010), aim to infuse competitiveness in the SC cost effectively, in which case, lean becomes a prerequisite for the creation of an agile SC.

1.1.2 Implementation of Supply Chain Strategy

After a firm has completed catchball, there is need to ensure that it does have the resources and capabilities that are necessary to best meet its strategic objectives. Implementation of strategy refers to the 'how' the chosen strategy is put in to action and entails structuring and organizing the available resources and capabilities in ways that are supportive of strategic accomplishment, exercising whatsoever leadership posture and managerial style that is appropriate for the situation, developing functional policies and appropriate information systems so as to achieve the organizational objectives.

Implementation of SC strategy also involves the development of the firm's ability to leverage on internal relationships, building supplier partnerships as well as customer relationships that will create an enduring CA. It entails focussing on how to effectively integrate and coordinate business processes both within and without the supply chain so as to serve potential customers and consumers, efficiently while enhancing the SC performance of the members Cohen & Roussel (2005).

However, no single firm or group of firms can ever totally attain effective SCM nor can elements of success enjoyed by one SC network be transferred to another, with the expectation of duplicating the performance levels of a SC Ambe (2010). For this reason, firms need to effectively coordinate and collaborate with all participants and companies across the SC (Van Hoek et al 2001; Awino 2011), and incentivize the SC to work in ways that deliver most value for the business whilst mitigating it against potential SC risks, Morash (2001).

1.1.3 Organizational Performance

According to Robert (2004), the Organizational Performance (OP) is premised upon the idea that “an organization is the voluntary association of productive assets (human, physical, and capital resources) for the purpose of achieving a shared purpose”. Thus, investors will only commit their assets or resources to the organization in as long as they are satisfied with the value they receive in exchange, relative to alternative investments of their assets. Thus, Richard et al., (2009) define OP as the total economic results of the activities undertaken by the organization and comprises of the actual outputs or results of an organization as measured against its intended outputs, goals or objectives

Lebens and Euseke (2006) describe performance as comprising of a set of both financial and non-financial indicators, that inform the extent to which results and objectives have been achieved. This implies that performance is dynamic and requires interpretation and judgement. Thus, they define OP as “a measure of the change of the financial state of an organization, or the financial outcomes” that emanate from the decisions of management and the execution of those decisions by organizational staff.

Gunasekaran and Mavondo (2009), define OP as how effectively an organization achieves both its market-tailored and financial goals. It goes without saying therefore, that any initiative undertaken by the firm, including SCM, should in the end, lead to improved OP. According to Smet, Lodi and Schaninger (2006) the capacity of organization to deliver performance starts with the capacity of each functional unit to deliver against its set objectives, and the company's management team to lead the organization to strategic success.

1.1.4 Implementation of Supply Chain Strategies and Organizational Performance

Ultimately, a strategy should yield an enduring or 'long-term' superior performance. Dess & David (1984), purport that a firm's performance would deteriorate if the firm lacked clear strategic thinking (cited in Qi et al., (2009); pg. 675) and as such, SC strategies should be properly aligned with the business, so as to attain a high level of business performance Ambe (2010). Furthermore, Hoovers (2006) asserts that SCs generally take up between 60 to 90 percent of all company costs and therefore, in this regard the manner in which they are managed has a huge impact on the organization's competitiveness in areas such as working capital requirements, speed to market, service perception by customers and product cost, inter alia Chopra and Meindl (2007).

A sizeable chunk of extant literature suggests that prudent management of the SC leads to improved organizational performance. Thus for instance, Crook and Combs (2006) purport that when properly implemented, SCM tools increase inter-firm coordination at successive stages of production, which in turn lead to gains such as decreased costs of operations through reduced inventory holding and shorter lead and order cycle times, improved quality thanks to better design for manufacturability and faster delivery. Consequently, this enables an organization to attract new customers or retain previous customers for repeat purchases, thereby increasing sales and overall profitability.

Porter (1980), asserts that firms that come up with strategies to lower costs or enhance their value proposition to customers attain a CA, which in turn, results to improved financial performance and greater customer satisfaction. Thus, by channeling resources directly to the SC functions and by focusing their attention on the SC, through the implementation of appropriate SC strategies, managers of firms can bolster the competitiveness of their SCs, because ultimately, they are evaluated on both the financial and market-operational performance of their respective firms Green Jr., Whitten and Inman (2008).

1.1.4 The Global Tea Industry

Due to its specific agro-climatic requirements that are only available in tropical and sub-tropical climates, the cultivation of tea is confined to these specific regions in the world. Hicks (2009) however notes that there are, other certain tea varieties that can withstand marine climates of British mainland and Washington area of the United States. Currently, there are 35 tea-growing countries, the main ones being located in the continents of Asia, (China, India, and Sri Lanka are the major producers here) and Africa, (where Kenya, Malawi, Rwanda, Tanzania and Uganda are major producers). Other tea producing countries include South American countries, (Argentina, Brazil and others), Turkey and Iran, and the Russian Federation and the CIS countries.

According to the Sustainable Trade Initiative (IDH; 2010) majority of the tea in Kenya, China and Sri Lanka is produced by smallholders, who account for an estimated nine out of the approximately 13 million people participating in the production of tea. Their combined output accounts for almost 50% of the world wide tea production. The world's largest tea producer is China, at an output of 1.9 million tons, approximately 38 percent of the world total, whilst India comes second, with an output of 1.2 million tons, as at 2013.

The key determinant for the growth of the tea economy is its demand. However, historically, the global black tea market has demonstrated a continual state of glut, which has exerted a downward pressure on tea prices Intergovernmental Group (IGG) (2015). Falling prices threaten industry's long-term economic health, in that under-investment and low margins endanger quality and productivity. The prices for orthodox tea have however persistently increased firmly, due to the robust demand growth in conventional orthodox tea markets of the Russian Federation and the Near East FAO (2015)

Kenya and Sri Lanka are the largest tea exporters. In 2013, they had a combined output of 343, 100 tons against a world tea exports volume of 1.77 million tons FAO (2015). World over, tea is normally exported to the importing consumer countries with minimal processing. Consequently, blending is a highly lucrative aspect of the tea trade and by exporting tea in bulk, developing countries- apart from Sri Lanka- miss the opportunity to significantly increased export earnings because the largest proportion of the profits ends up abroad.

Unlike the cocoa and coffee trade, there still lacks a single indicative price for tea because roughly, 70% of tea production across the globe is traded via auctions, where the auction system dominates pricing and the tea's price from each region/factory/estate is determined on a daily basis, based on the forces of demand and supply and quality. Thus, the average prices at the three most crucial auction centres; Kolkata (India), Colombo (Sri Lanka) and Mombasa (Kenya) act as a benchmark for the world tea market price, according to the Tropical Commodity Coalition (TCC; 2010).

1.1.5 The Tea Industry in Kenya

Kenya is rated as the fourth world's tea producer. The industry operations are regulated by the Tea Act (Cap 343) and Agricultural Act (Cap 318) of the laws of Kenya, where the in the former, regulatory services is vested, and in the latter managerial services and as such, oversees the entire tea production process as a technical arm. The apex body in the tea industry is the Agriculture Fisheries and Food Authority (AFFA) –Tea Directorate (formerly the Tea Board of Kenya), which regulates tea cultivation and manufacture and also plays a central role in strengthening traditional markets for Kenya as well spearheading market diversification.

The tea industry contributes to about 11% of the agricultural sector's contribution to the economy's Gross Domestic Product (GDP) Owuor (2011), representing one of the greatest successes of the Kenyan agriculture and. It also provides income and employment to over 550,000 households and 150,000 workers at tea estates Global Agricultural Information Network (GAIN; 2013) as well as foreign exchange to the producing economies. Over reliance on black CTC teas with limited product diversification, rising costs of production, industry competition dynamics as well as low participation of stakeholders in the upper segment of the value chain have however posed the single greatest challenge to the industry TD (2015).

The industry comprises of two sectors; the small-holder and the plantation sector. The plantation sector is owned and dominated by multinationals such as Unilever (formerly Brooke Bond), James Finlay (K) ltd, George Williamson Ltd, and a few local companies such as Sotik Tea Company, Sasini, and Kakuzi, whilst the smallholder sector, is owned by small-scale growers and has traditionally under law, been under the control of KTDA -TD (2015). A 2015 AFFA report revealed that small holder farmers, earned KeS 43.25 billion in 2015 from 237.6 million kilograms of green leaf compared to KeS 35.6 billion from 182.7 million kilograms paid out in 2014.

According to IDH (2010), Kenya produces the best quality black tea in the world, making it the most important exporting country (22% share). This is attributable to the fact that Kenyan tea is unique, as only the high yielding elite clones that are disease and pest resistant are planted, culminating to an organic end product. Consequently, Kenyan tea has received certification for consistently meeting the highest quality standards established by several world bodies Owuor (2011). Moreover, KTDA has consistently ensured that farmers only hand pluck the two succulent upper leaves and a bud, which are then subjected to skillful manufacturing under stringent conditions and it is for this reason that KTDA teas are highly sought after, to blend other teas to produce some of the world's popular consumer brands.

1.1.6 Kenya Tea Development Agency

The legal notice No.42 of 1964 birthed the Kenya Tea Development Authority that assumed the liabilities and functions of the Special Crops Development Authority (SCDA), an organization that the colonial government had created under the ministry of Agriculture, for promoting and fostering the cultivation of tea in small farms by assisting small-scale farmers develop their farm husbandry skills, provision of farm inputs, educating them on best tea farming practices, coordinating of the plucking and collection of the tea, establishment of leaf collection factories, and the marketing and export of the manufactured tea.

KTDA Ltd emerged from the privatization Kenya Tea Development Authority on 15th June 2000, under (CAP 486) of the laws of Kenya. Following the 2007 tea industry taskforce (TITF) recommendations, KTDA Ltd adopted a holding structure in 2010, setting up KTDA Holdings Ltd and KTDA Management services (MS) Ltd, the key subsidiary responsible for KTDA's core business- managing the small holder tea sector on behalf of the government, and the subject of this study.

KTDA (MS) is currently serving 68 local tea factories that are serving over 550,000 small scale farmers cultivating over 100,000 hectares of tea, TD (2015). For the management services that KTDA offers to the tea factory companies, the agency charges 2.5% of net earnings as per the management agreements. All KTDA managed tea factory companies are ISO 90001:2008 (Quality Management Systems) and ISO 22000:2005 (Food Safety Management System) certified. 13 factories are Fairtrade Foundation certified for fair trade while 54 factories are Rainforest Alliance (RA) certified for sustainable agriculture practices, which according to IFC (2013) has enabled farmers to increase yields by 36% on average and also receive premiums from RA certified teas.

1.2 Research Problem

Cooper & Lambert (2000) assert that competition today is no longer between autonomous business units but between integrated SCs. For this reason, the need to think strategically about the SC has never been more important. Wisner (2003) and Green Jr., et al., (2008) hypothesized that SC strategy positively predicts organizational performance with the contention that performance assessment of the logistics and purchasing function is closely associated with the measures of organizational performance measures such as growth, profitability and market share.

KTDA is said to pay the highest amount of green leaf per kilo to farmers, compared to all the other tea producing countries in the world, at Kenya Shillings (KeS) 31.65 per kilogram of green leaf, which is about 75% of the farmers' gross revenue on average, International Finance Corporation (IFC; 2013). But because, transactions at the Mombasa based tea auction are carried out in US dollars, exchange rate fluctuations greatly impact farmer's earnings. It is against this backdrop and the challenges facing the tea sector in Kenya, that the firm contends that sustainability of the smallholder tea sector has become the focus of her strategy (2015).

At the global level, Qi et al., (2009) studied SC strategy, product characteristics and performance impact with Chinese manufactures as the object of study and established that Chinese manufacturers who had applied a traditional strategy only as opposed to a focused path of either lean, agile or a combination of the two ('leagile'), had a worse off financial and operational performance because of the lack of emphasis on SC capabilities, suggesting that the choice of a SC strategy is of a substantial benefit to firms. In their 2015 study of Indian small and medium enterprises (SMEs) Kumar, Singh, and Shankar determined that the development of an effective SC strategy and logistics synchronization, inter alia, were critical success factors for improving operational efficiency and competitiveness, by enhancing the SME's ability to respond to customer demand for new features, compete based on quality and to offer lower prices than competitors, which contribute to enhanced performance in relation to revenue growth, return on investment, and net profit.

Moreover, Chen, Paulraj and Lado (2004) studied supply management, strategic purchasing, and organizational performance and established that strategic purchasing contributes directly to the firm's bottom line and fosters SC capabilities which may, in turn, generate an enduring strategic advantage. Green Jr., Whitten and Inman (2008) also studied the influence of logistics performance on firm performance in a SC context and established that SCM strategy positively impacts logistics performance which consequently impacted on the marketing performance that, in turn, impacted on the financial performance of firms.

Locally, in her unpublished study on SCM practices and the performance of KTDA, Ngatia (2011) established that the adoption of SC practices such as postponement, outsourcing, information sharing, process integration and supplier development contributed to a 45.7% positive variance on the performance of the sampled factories. Further on, Awino (2011) carried out a research of select strategy factors on the performance of large private manufacturing firms in Kenya and established that the combined impact of core capabilities, core competencies, and, strategy and its implementation influenced the performance of these firms by creating synergy. Mutuerandu (2014) established that the implementation of supply chain practices at Haco Industries had a positive influence on the performance of the firm as did Korir (2014) in his study on the implementation of green supply chain practices on battery manufacturing firms in Kenya.

Thus, although the fundamental importance of SCM as the bearer of competitive advantage is well recognized, less attention has been given to how the achievements attributed to SCM can be apportioned. In particular, most studies have focused on implementation of generic strategies and organizational performance, but none so far has systematically reviewed the influence of implementation of SC strategies and organizational performance, more so with KTDA as the object of study. In light of the current challenges facing the tea sector, this inadequacy therefore presented a gap in research that this study sought to fill, by seeking an answer to the question; does the implementation of a SC strategy influence the performance of KTDA?

1.3 Research Objective

The goal of this study was to establish the influence of implementation of SC strategy on the performance of Kenya Tea Development Agency Limited.

1.4 Value of the study

The findings of this study input significantly, to the existing body of knowledge in in that they served as a valuable tool for academicians, and individuals seeking to delve deeper so as to gain insights as to the relationship between implementation of SC strategy and organizational performance. From the inferred conclusions, the study also enumerated areas for further research in the broad arena of SCM.

Tea production is vital to livelihoods and economies of the producing countries as a source of income (employment) and foreign exchange earnings. This study is useful to policy makers in KTDA and other government institutions managing the tea sector both within and without Kenya, as a guide and pointer to policy formulation.

Finally, this study is useful to corporate managers and practitioners in the broad arena of SCM in that it has shed light on the influence implementation of SC strategies has on both the financial and marketing performance of the firm, which significantly influence organizational performance.

In summary, in this chapter, the influence of implementation of SC strategy on organizational performance was being explored in view of the challenges posed by globalization and the complex competition dynamics in the market place, with KTDA as the organization of study. Whilst various researchers have explored the importance of adoption of SC practices and strategies, the objective of this study was to ascertain how strategy implementation influences organizational performance. The study is useful to academicians, practitioners and the Government as it provides insights whilst enumerating areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the theoretical foundations underpinning this study. Further on, implementation of SC strategy and organizational performance is discussed, paving way for an empirical review in line with the study objectives. Lastly, the chapter summarizes the empirical review by bringing to the fore, the research gap of the study.

2.2 Theoretical Foundations

This study is based on the Resource-based View of strategy, the Dynamic Capability theory and the Resource Dependence theory.

2.2.1 The Resource-Based Theory

The resources of a firm comprises of its knowledge, information, processes, capabilities, and assets that it controls and uses to improve organizational effectiveness and efficiency. The Resource based theory of strategy argues that possessing strategic resources and dynamic capabilities by an organization provides it with a rare yet valuable opportunity for developing a CA over its competitors, which in turn helps a firm to benefit from strong profits.

The theory predicts that CA depends not on the simple environmental scanning of opportunities and threats in conducting business, (Barney, 1995) but on the owning of unique resources and capabilities by the firm. A company's SC therefore plays an important part, that of an essential strategic resource, in the achievement of strategic goals Cetinkaya et al., (2011), because it is the SC that translates the corporate strategy in to day-to-day interactions, both within and beyond the organization.

2.2.2 The Dynamic Capability Theory

Teece et al. (1997) define dynamic capability the firm's ability in integrating, building, and configuring external and internal competences for addressing rapidly changing business environments. The basic presumption of the framework is that a firm should either utilize both its external and internal firm specific core competencies and capabilities or rapidly develop new ones so as to take advantage and change short-term competitive positions which can then be used for building longer-term CA. In essence, the theory advocates for corporate survival by suggesting that corporate agility is highly significant to businesses. Particularly, this refers to the capacity of sensing and shaping threats and opportunities, seizing opportunities, and maintaining competitiveness Teece et al, (1997).

The theory predicts that the strategic positioning of the firm with respect to its business assets, determines its profitability and market share at any position in time. It is with this in mind that Lee (2004) asserted that optimum supply chains are not only cost effective and fast; they are adaptable and agile to ensure alignment of the firm's interests. Thus, winners in the market place are firms with dynamic capabilities- those firms that can illustrate timely responsiveness to changing environments, have flexible and rapid product innovation together with able leadership for effective deployment and redeployment of external and internal firm specific competencies to ensure that the firm's strategic resources are fully employed and exploited in order to enrich and satisfy customers in a changing competitive landscape.

2.2.3 The Resource Dependence Theory

The Resource dependence theory (RDT) asserts that an organization's need for various resources, such as outlets for products and services, knowledge, equipment, capital, labor and raw materials, which are under the control of the external environment, make it vulnerable, thereby creating a complicated web of dependences between an organization and the particular aspects of its environment in its network. This reliance in turn provides the environment with the power of making demands on the organizations for things such as efficient organizational processes and structures, desirable services and products, and competitive prices.

The RDT predicts that to acquire the resources necessary for survival, firms must initiate transactions and engage all outside stakeholders counter their dependence on other organizations for scarce resource supply and to determine ways to influence these organizations so as to make resources available, based on the realization that some strategic resources may and indeed lie beyond firm's boundaries.

CA may therefore be elucidated by a network of inter firm relationships, which connotes that successful organizations must consider the external environment in their strategic plans, by creating counter-dependence using strategies such as the establishment of multiple supply sources (to minimize the overdependence hence power of one supplier), contracting (where there are gains of utilizing a fewer suppliers like in the case of IT systems), mergers and acquisitions, vertical or horizontal integrations, and joint venturing.

2.3 Implementation of SC Strategies in Organizations

Morash 2001; Roh, Hong and Min 2013 opine that SC capabilities, are the foundational blocks for SC strategies and a source of CA for a firms' success. Thus, according to Sillanpaa and Sillanpaa (2014), the implementation of a SC strategy requires a firm to structure the correct combination of the SC logistical drivers i.e., transportation, facilities and inventory, and the cross-functional drivers namely pricing, information and sourcing so as secure an enduring strategic advantage.

Morash (2001), purports that operational excellence strategies, are supported by SC capabilities such as time-definite deliveries, standardization of operations, and low logistics costs, with a primary goal to lead an industry in price, reliability, convenience and speed. He alludes on the other hand, that responsive SC strategies, are supported by demand management capabilities as well as proactive communication, customization and offering innovative solutions and approaches to customers with a view to to enhancing the responsiveness of the firm in question to market dynamics through proactive information sharing with its customers, collaboration with suppliers, and the use of advanced manufacturing technologies Roh et al., (2013).

Firms pursuing operational excellence indefatigably seek ways of reducing or lowering costs, eliminating intermediate production steps, and reducing transactional and other 'friction' costs using Lean SCs and employing time-based tactical approaches such as JIT as well as other contemporary operations such as, cross-docking and flexible transportation. They also select suppliers based on ease of doing business, reliability, and cost competitiveness, and operate manufacturing and logistics systems for zero defects and efficiency Morash (2001). Some popular operational excellence strategies include early supplier involvement/supplier development, outsourcing, postponement, process redesign and strategic sourcing/purchasing.

On the flip side, speed or agility is an important factor in the search of CA for firms pursuing responsiveness in the SC. He (Morash, 2001) asserts that firms use responsive SC strategies as a proactive weapon for achieving CA by offering customized and innovative solutions that are aided by their research and design arms and proactively offer quality products and services with the ultimate goal of providing solutions that are directed at providing what the customers need, instead of generic solutions reflecting what the market wants. This necessitates firms to reduce the complexity of their products and brands portfolio, as well as their management processes and structures so as to achieve this strategy, Christopher (2000, p. 43).

2.4 Measurement of Organizational Performance

Mitchel (2002) purports that the capacity for an organization to deliver performance begins with each functional unit's capacity to deliver against set objectives. Thus, successful adoption of SC strategies requires a SC efforts and focus by managers to improve linkages with both customers and suppliers, which would lead to improved performance of SC related functions such as marketing, purchasing, and logistics, which in turn, lead to improved organizational performance (Green Jr., Whitten and Inman, 2008; Morash, 2001), implying that, key performance indicators (KPI's) are an effective way to drive and measure organizational performance and execution towards strategy and goals.

Other authors have indicated that firm performance can be measured in terms of dividends growth, sales, profit, productivity, capital, stock price, and etcetera. Richard et al., (2009) for instance, purport that OP comprises of three particular areas of organizational outcomes; financial performance (return on assets (ROA), profits, return on investment (ROI), product market performance (market share or market share) and shareholder return (economic value added ,total shareholder return). In line with extant literature, similar metrics were adopted to measure OP in this study.

2.5 Implementation of Supply Chain Strategy and Organizational Performance

Mitchel (2002) purports that the capacity for an organization to deliver performance starts with the capacity of each functional unit to deliver against objectives. Thus, successful adoption of SC strategies requires a SC focus and efforts by managers to strengthen linkages with both suppliers and customers, which would result in improved performance of SC related functions such as logistics purchasing and marketing, which in turn, lead to improved organizational performance (Green Jr., Whitten and Inman, 2008; Morash, 2001).

KTDA uses performance contracting and a Balance Score Card (BSC) based performance appraisal systems as operational tools to measure OP. The firm sets clear and achievable goals which are then cascaded to employee goals which ensure accountability and that the staff is motivated to attain their particular targets. The performance management system has a clear outline of how results are evaluated using key performance indicators which helps create an environment in which employees feel that the organization values them for their achievements. The firm has also ensured that all its employees are conversant human resources policies and career paths KTDA, (2015).

2.6 Empirical Studies and Research Gaps

Green Jr., Whitten and Inman (2008) examined the influence of logistics performance on firm performance in a SC context using a structural modelling methodology. The study established that SCM strategy positively impacts logistics performance and consequently, marketing performance that, in turn, influences financial performance of a firm. The trio however noted that much as managers of manufacturing organizations had embraced SCM as a strategic undertaking, they were yet to identify suitable tactical approaches for implementing the SC strategy.

Qi, Boyer and Zhao (2009) studied product characteristics, SC strategy, and impact on performance with Chinese manufactures and established that the Chinese manufacturers who had applied a traditional strategy only, had a worse off operational and financial performance because of the failure to emphasize on SC capabilities suggesting that the choice of a either lean, agile or a combination of the two ('leagile') was of a substantial benefit to firms. The study however identified the need for refining and improving further, measures of SC strategy as well as the approaches in its implementation.

Chen, Paulraj and Lado (2004) studied supply management, strategic purchasing, and firm performance and determined that strategic purchasing contributes directly to the firms' bottom line by fostering SC capabilities which may, in turn, generate an enduring strategic advantage. Supply management was found to contribute to enhanced operational performance (customer responsiveness) and financial performance of the firm, further supporting past research that underscores the benefit of management of buyer-supplier relationships for mutual gain.

Locally, Ngatia (2011), studied SCM practices and the performance of KTDA factories. The study confirmed that the adoption of SC practices by KTDA factories explained a 45.7% performance variance where information sharing and IT were found to significantly contribute to most of the performance measures whilst internal operations practice contributed to more performance measures than customer and supplier relationship practice, confirming Cachon & Fisher's, (2000) assertion that firms have to attain internal integration prior to embarking on the synchronization of their customers and suppliers

Awino (2011), empirically investigated select strategy variables on the performance of large private manufacturing firms in Kenya, and established that the joint impact of core capabilities, core competencies, strategy and its implementation thereto, influenced the performance of the firms surveyed through synergy creation, in as much as the implementation of strategy in those firms was inherently cross functional and inter-organizational. These findings collaborated other findings in strategic management literature where select strategy variables have been utilized for deliberately achieving a firm's objectives and mission by matching its resources with opportunities and whilst countering the threats in the business environment, thereby revealing that SCM provided an environment where strategy, core capabilities, core competencies, and strategy implementation process, can be connected effectively to the value chain to improve corporate performance. The study however did point out to the need to have in place, proper corporate structures and governance to create an enabling environment where SCM practices, strategy and capabilities can be used to create synergy.

Most of these studies dwelt on select components of SCM such as logistics, strategic purchasing and the adoption of SC practices as strategic initiatives that can enhance organizational performance, without bringing to the fore, how these gains can be apportioned to strategic SCM as a whole. In particular, none of these studies delved in to the implementation of SC strategy and organizational performance although they did propose, tactical approaches as to the implementation SC strategy and ways in which its impact can be measured, as an agenda for further research.

As such, the study established that conclusive studies on the relationship between SC strategy and organizational performance were still lacking, presenting a research gap in the area, more so in Kenya where SC management is a fairly new phenomenon. This therefore informed the need for more research, more so in the broad arena of SCM, so as to build on to the extant literature, with a view to enhancing corporate performance and that of the economy at large.

In this chapter, the theoretical foundations underpinning the research study were outlined. The study was guided by the Resource based view of strategy, the Dynamic Capability and Resource Dependence theories of strategic management. A company's SC can be viewed as an essential strategic resource that can contribute to the attainment of a company's strategic goals because, ultimately it's the SC that satisfies or disappoints company's customers. The study therefore concluded that organizations should strive to build world class SCs by pursuing operational excellence and developing dynamic capabilities that would enable them to be more responsive to the changing customer's needs and the overall competitive landscape. From the literature reviewed, conclusive studies as to the influence of implementation of SC strategy on organizational performance were still lacking, necessitating further research in the area.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section describes the research design adopted for this study, as well as how the data required for the study was collected. The section further expounds on the data collection instruments used for the study, whilst justifying why these instruments were most preferred over others. The section concludes with a synopsis of how the data collected was analysed.

3.2 Research Design

De Vaus (2001) defines research design as “the overall strategy that a researcher chooses to integrate the different components of the study in a coherent and logical fashion, thereby ensuring that the research problem is addressed effectively”. In essence, it constitutes a blueprint for the collecting, measuring, and analysing data. Given that this study relied on qualitative data, it called for a descriptive research approach so as to describe the state of affairs as it exists, by employing the case study research method.

According to Merriam (1988), “a case study attempts to shed light on a phenomenon by studying in depth, a single case example of the phenomenon” in present time, without manipulating the relevant variables. Fidel (1984) posits that, when carried out, case studies generate findings of relevance beyond the individual cases. Using KTDA as the object of study, this research aimed to create an in-depth understanding of the relationship between the implementation of a SC strategy and organizational performance.

3.3 Data Collection

Yin (2003) posits that case studies do rely on multiple sources of information and methods to provide as complete a picture as possible on the subject matter. For the purpose of this study, both primary and secondary data were used; primary data, obtained through the interview technique and instrumented through an interview guide, was used to collaborate the secondary data which was obtained from KTDA's published annual reports published between the years 2012 and 2015. Secondary data was used to measure the performance of KTDA based on both financial and non-financial measures such as Return on Assets (ROA), market share, efficiency and customer base for the five-year period.

The study opted for secondary data because it is factual and could be verified from the published reports. Primary data on the other hand, had the benefit of allowing in depth information to be collected as it allowed the respondents to give details. In addition, the researcher found the interview guides to be practical and applicable to the research problem as they were cost effective and had the additional benefit of allowing researcher to make follow up questions, when the need arose.

The interview guide had three main parts; Section A, B and C, each gathering specific type of information and comprised of open ended questions that were developed to help obtain information from the respondents based on the objective of the study. Section A of the guide gathered general business information about KTDA, as well as the demographic information of the respondents, Section B had questions related to the performance of KTDA whilst section C had questions that helped establish the influence of the implementation of SC strategy on the performance of KTDA.

The target respondents for this study therefore, were drawn from participants of the KTDA's SC, corresponding to the four basic activities or processes in a SC- Planning, Sourcing, Making or Manufacturing and Delivering/Returning to the supplier, based on the Supply Chain Council's Operations Reference (SCOR) model. Specifically, these were middle and top managers drawn from KTDA Head office, tea factory companies and Chai Trading Company Limited, a KTDA subsidiary that integrates vertically in the KTDA's SC in the provision of freight forwarding and warehousing services and where KTDA teas are delivered to, awaiting the selling at the Mombasa auction and final delivery to the buyers.

The researcher administered the interview guides by booking appointments with the respondents. Where the appointment did not materialize the researcher organized for another appointment to allow respondents time to be interviewed on a schedules permitting basis and to increase the response rate. Through the study, the researcher obtained detailed information that helped establish patterns, trends and relationships which were then compared to all the variables for ease of inference, so as to deduce the influence the implementation of SC strategy had on the performance of KTDA.

3.4 Data Analysis

The researcher employed content analysis to analyse the data by developing a thematic framework from the key issues, concepts and themes emanating from the open ended questions, and the information generated was then interpreted and explained in prose, analysed in a systematic way, in order to come up with useful conclusions and recommendations. According to Haggarty (2009), content analysis as a research method allows for a systematic and reliable analysis of the qualitative data collected in research so as to allow for generalizations to be made from them, in relation to the categories of interest to the researcher. Moreover, as the findings obtained were also compared with the theoretical foundations, approaches and documentations cited in the literature review so as to make some useful inferences.

In a nutshell, a descriptive research design using a case study approach was employed for this study where a detailed study of KTDA for the period (2012-2015) was undertaken, so as to create an in- depth understanding of the influence of implementation of a SC strategy on the performance of the firm. A descriptive research also helped describe the state of affairs as was, without manipulation of variables. Factual and verifiable secondary data was acquired from the company's annual reports spanning four years (2012-2015) whilst primary data was instrumented using an interview guide which allowed for the collection of in-depth information on the subject as the interviewees were able to detail out their feedback. Moreover, it gave the researcher the opportunity to arrange for follow up interviews to get more information or to clarify insights.

The researcher employed content analysis to analyse the qualitative data obtained and the information from the analysis was then interpreted and elucidated in prose, so as to derive valuable conclusions and recommendations, which were then compared with documentations and theoretical approaches cited in the review of literature in order to deduce the influence of implementation of SC strategy on the performance of KTDA.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

In this chapter, the findings, data analysis and discussion of the research study as set out in the research methodology are presented. The results presented are on the influence of implementation of a SC strategy on the performance of KTDA; as such, the chapter covers the demographic information of the respondents, findings on the performance of KTDA as well as the findings as to the influence of implementation of a SC strategy on the performance of KTDA, all based on the objectives of the study.

4.2 Demographic Information

The study targeted 12 interviewees, all of whom are participants of the KTDA's SC corresponding to the four basic activities or processes in a SC based on the SCOR model; Plan, Source, Make and Deliver/Return. 11 out of 12 respondents responded to the interview contributing to a response rate of 92%. Such a response rate is deemed to be sufficient for analysis based on Mugenda and Mugenda's (2009) assertion that a response rate of 50% is adequate for analysis and reporting; a response rate 60% is good, whilst a response rate of 70% and over is excellent.

The excellent response rate was assured by advance planning and follow up to ensure that the interviews took place as scheduled, and rescheduling as appropriate where the interviews did not materialize. The demographic information sought from the interviewees regarded their age, duration of work in the tea industry, positions held in the organization and the highest academic qualifications, all which was to help point at the interviewees' suitability in providing the information sought and gave a basic understanding of the interviewees.

4.2.1 Distribution of Interviewees by Age

In order to understand the interviewees' age distribution, the interviewees were requested to their age by bracket. The feedback obtained has been tabulated in the consequent section.

Table 4.1 Age of the Interviewees

	Frequency	Percentage
Below 30 years	0	0.0
40 – 45 years	5	45.5
45 – 50 years	5	45.5
50 & above years	1	9.0
Total	11	100

Source: Primary Data, 2016

From the study findings, 45.5% of the interviewees were aged between 40 – 45 years, 45.5% were aged 45 -50 whilst 9% were aged above 50 years. None of the interviewees had an age of 30 years and below. The findings indicate that majority of the interviewees had an age of 40 years and above, alluding to the fact all the interviewees were old enough as to understand SC strategy, its implementation and what influence the implementation of the SC strategy has had on the performance of KTDA.

4.2.2 Interviewees' Duration of work in the Tea Industry

The study sought to determine the length of time the interviewees had worked in the tea industry and from the study findings, 9% of the interviewees indicated that they had worked in the tea industry for 6-10 years, another 9% had worked for 10-15 years, 55% had worked for 16-20 years, and 18% of them had worked in the tea industry for 21- 25 years. 9% of the interviewees had worked in the industry for over 25 years as depicted in the subsequent section.

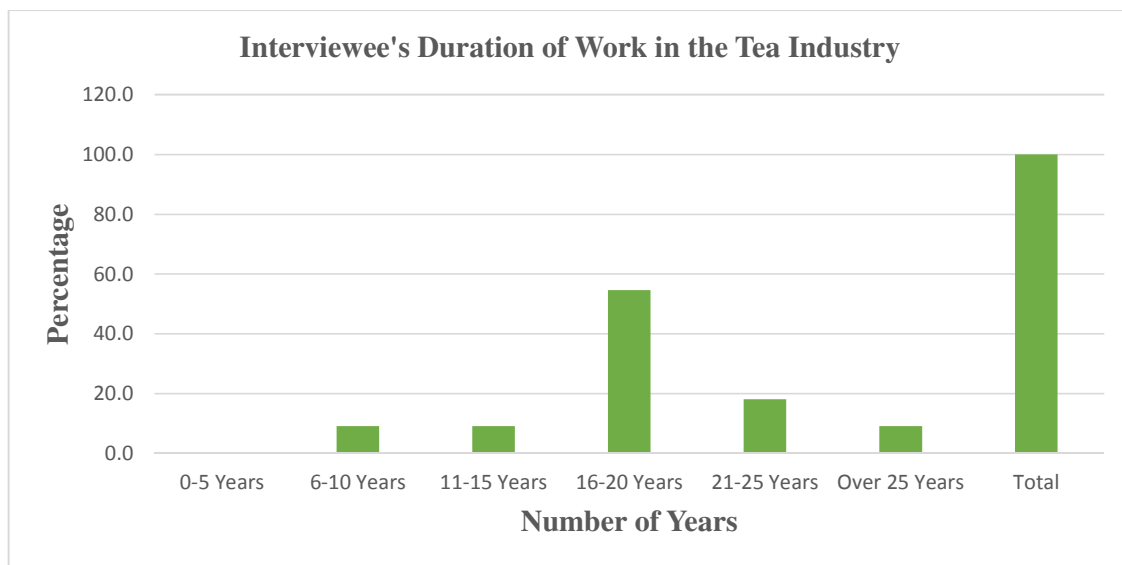


Figure 4.1 Interviewees' Duration of Work in the Tea Industry

Source: Primary Data, 2016

These findings imply that all the interviewees had worked long enough in the tea industry and as such, were well versed as to how the implementation of a SC strategy at KTDA influenced the firm's performance.

4.2.3 Positions held by the Interviewees'

The study also sought to ascertain what positions the interviewees held in KTDA. From the study findings, 36% of the interviewees held senior management whilst 64% of the interviewees held middle level management positions in the organization, as depicted in the subsequent figure 4.2.

This indicated that the interviewees held critical positions in the organization, positions which enabled them to participate in the organization's decision making hierarchy and processes as well as the implementation of both corporate and functional strategies in the organization, which therefore implied that the interviewees were in a position to provide information with regard to the implementation of a SC strategy and the influence it had on the performance of KTDA.

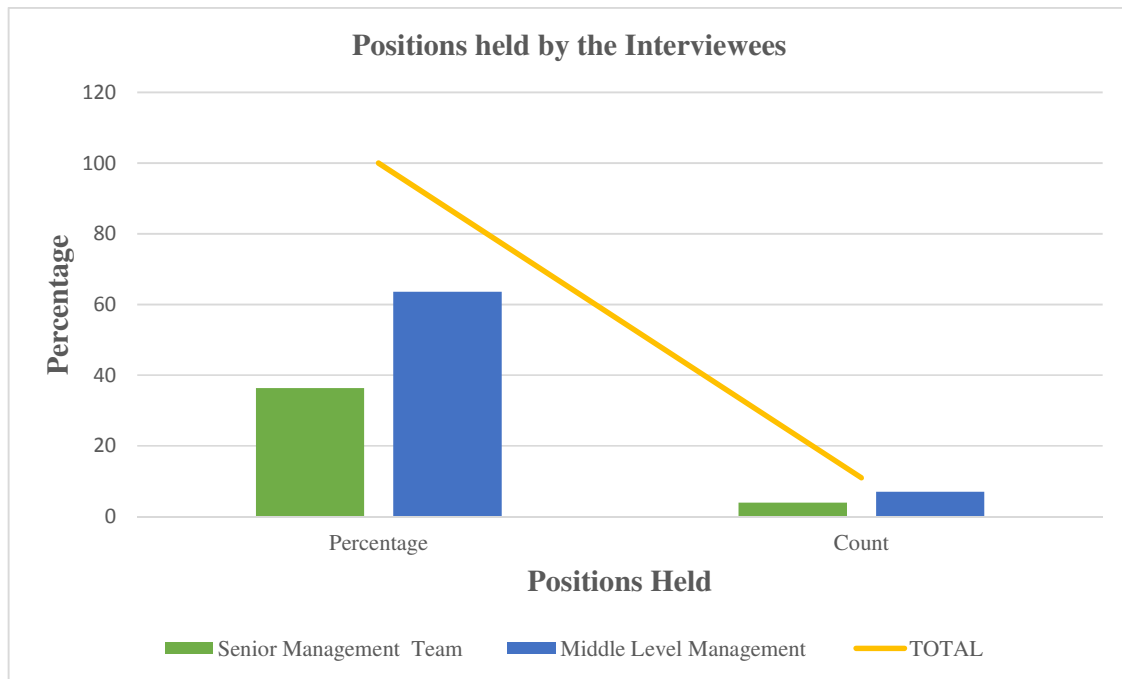


Figure 4.2 Positions held by Interviewees

Source: Primary Data, 2016

4.2.4 Interviewees' Academic Qualifications

The interviewees were also requested to provide information regarding their academic qualifications. Figure 4.3 in the subsequent section illustrates the feedback obtained.

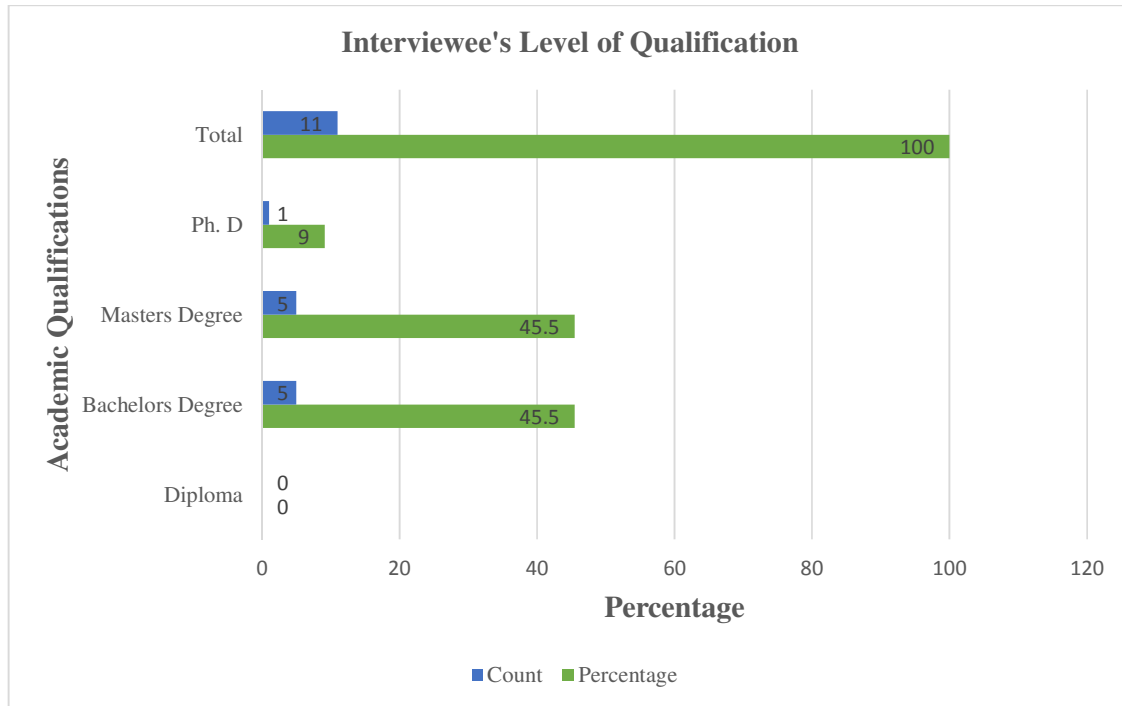


Figure 4.3 Interviewees' Academic Qualifications

Source: Primary Data, 2016

From the study findings, 45.5% of the interviewees had a Bachelor's degree, another 45.5% had a Master's Degree whilst 9% had Ph.D. None of the interviewees indicated that he or she had a Diploma as his/her highest education level. This implied that all the interviewees had attained university education and thus had a sound academic background as to understand and appreciate the influence implementation of a SC strategy had on the performance of KTDA.

4.3 Influence of Implementation of a SC strategy on the performance of KTDA

This section of the study sought to establish the influence implementation of a SC strategy had on the performance of KTDA. The interviewees indicated that KTDA earns a management fee, which is a fixed percentage of the net earnings of the tea factory companies it manages, and it was therefore, in the agency's best interest to see to it that the tea factory companies excelled in their operations and performance. Therefore, toward this goal, the firm applied various strategies aimed at improving the bottom line, and other aspects of organizational performance.

The interviewees concurred that the implementation of an a SC strategy had enhanced the performance of KTDA through ways such as enhancing the efficiency of operations through process automation and shortening of the lead and order cycle times, reduction of operating expenses, and fostering high levels of customer satisfaction which assured the firm repeat business and hence a constant revenue stream. Moreover, the firm's quality and fair trade certifications served to ensure consistent quality of the made teas, which in turn enabled the firm to fetch premium prices for their teas, further enhancing the revenue base. This has had a direct impact on the net income of the factories and by extension, the management fees earned by the agency, which can be attributed to the implementation of a SC strategy.

4.3.1 Implementation of SC strategy at KTDA

The study sought to find out how the SC strategy was implemented at KTDA, based on the SCOR model's four basic SC processes; Plan, Source, Make and Deliver/Return. The study findings revealed that the firm was implementing an operational excellence SC strategy using a lean supply chain, strategic sourcing and various time based strategies, all aimed at lowering the costs of operation and enhancing the efficiency of operations so as to best meet customers' needs profitably, which would in turn enhance the firm's financial and operational performance.

The findings for each of the processes are summarised in the subsequent section:

Plan Processes:

According to the interviewee's, the firm undertook planning of the SC at the beginning of every financial year based on the functional objectives, which are cascaded down from the firm's corporate objectives that are encapsulated in a 5-year strategic plan. As such, the overall SC plan starts right from the farm level to the delivery to the final customer and takes in to account operational budgets, staffing requirements, assets/equipment and raw materials acquisitions, as well as production plans based on the operational budgets.

Moreover, the firm also plans for each of the SC processes, Source, Make and Deliver. Planning for Source, entails demand aggregation, procurement planning, and supplier prequalification, to ensure that sourcing is accomplished in a timely fashion. Planning for Make, entails the sourcing of raw materials and other consumables that enable the production processes, staff and farmer training, putting in place capacity utilization and production plans, staff scheduling, maintenance of equipment, and the necessary communication to actualize these plans. Planning for Deliver entails route scheduling to enable the efficient sourcing of raw materials (collection of green leaf from the farm level) and contracting for the delivery of made teas to the Chai Trading warehouse in Mombasa, where the made teas are stored awaiting auction sales.

Source Processes:

The procurement function has put in place an elaborate policy framework that details out the procurement procedures, procurement thresholds and the approvals thereto, for both Head office and factories, as a guide to the sourcing process. In addition, the firm has adopted strategies aimed at cost reduction and enhancing efficiency of the SC which include the negotiation of Long Term supply Arrangements (LTA's) with multiple suppliers at a standard price for the supply routine items such as tea processing machinery, stationery, automotive and furnace fuel, and factory consumables, Strategic Sourcing for high value bottle neck items such as fertilizer, motor vehicles (leaf carriers) and paper sacks, Supplier Partnering, Outsourcing, Process automation, Supplier Prequalification and Appraisal and finally, Value Analysis and Engineering.

Make Processes:

The tea factories have adopted strategies to aid in optimal capacity and asset and labour utilization such as route scheduling, process automation and quality certification and audits, the design of Standard Operating Procedures (SOPs) across all factories to ensure consistent quality of the made teas, alternative and cleaner sources of energy aimed at lowering the lowering operating costs.

Deliver Processes:

The firm has put in place LTAs, for the provision of haulage services of made teas, process automation using electronic weigh solutions, the use of constant weigh bags as well as competitive sourcing for large one off delivery processes such as the transportation of fertilizer.

4.3.2 Benefits accruing to the firm from the implementation of Supply Chain strategy

The study also focused on establishing how the implementation of the SC strategy had influenced the performance of KTDA. According to the interviewees, the tea factories were able to lower their costs of operation or production, enhance the speed to market, produce consistently high quality black teas and pivot the production of other novel teas such as white and purple teas because of the implementation of a SC strategy.

By leveraging on volumes to gain economies of scale and the prudent negotiation of contracts, KTDA was able to negotiate considerably lower than market prices for most of the items procured, thus making substantial savings. The study further revealed that process automation and the negotiation of LTA's have served to shorten the order cycle and lead times, save on tender and order administration costs and free the manager's time as to focus on other strategic initiatives thereby injecting efficiency and cost savings in the SC. Supplier partnering in the development of specifications, farmer training, quality and fair trade certifications and the adoption of SOPs further served to assure the quality of KTDA teas and hence repeat business which assured the firm of a constant revenue stream.

In addition, the interviewees indicated that value analysis and engineering had led standardization of specifications and consequently variety reduction. This implied that the firm had the opportunity to further leverage on bulk to gain economies of scale and better prices and also to negotiate more LTAs for routine items so as to reducing the supplier base and also to draw on the benefits this portends. This and supplier pre-qualification and appraisal had not only enhanced supplier relationships but had also served to lower the transaction costs, depicting that the implementation of an operational excellence SC strategy had yielded numerous cost and operational benefits for the firm, which in turn had the potential to enhance organizational performance.

These findings collaborate Porter's (1980) assertion that those firms that seek ways to lower costs or enhance their value proposition attain a CA, which in turn, leads to improved financial performance and greater customer satisfaction. The findings further affirmed Glatzel and Rohren's (2014) findings that companies across the globe apply SCM practices to drive business performance, of demonstrated outcomes such as building trust with suppliers, enhanced customer satisfaction, improved financial performance, and reduction in delivery time.

4.3.3 Ways to ensure Effective Implementation of the Supply Chain Strategy

The study examined ways through which the firm could ensure effective implementation of the SC strategy. According to the interviewees, the firm could use various ways, which include employee involvement in the formulation the strategy so as to win them over and drum support for the strategy, employee training to equip them with the necessary skills to implement the strategy, allocation of adequate resources to support strategy implementation, performance management and evaluation, and lastly effective corporate governance to ensure that all organizational decisions and actions are supportive of strategic accomplishment.

The study also sought to determine whether the respondent's organization prepared formal standards of performance to which the interviewees responded in the affirmative. According to the interviewees, the firm prepared formal standards of performance using the Balance Score Card approach. Corporate objectives were cascaded down to the functional units from which functional objectives were drawn and finally to individual objectives through performance planning. This implied that KTDA keenly monitored its organizational performance, which is crucial to strategy implementation.

The study further sought to find out whether the interviewees' firm's organizational goals indicated measurable targets such as volume, market share, growth rate, profitability. The findings revealed that the organization's goals were translated into measurable targets in areas such as volume/output, market share, growth rate and profitability during strategy formulation. The interviewees explained that their organization was keen to express its organizational objectives into specific performance targets so as to provide the workforce with benchmarks against which their performance would be measured. This showed that there was congruence of organizational objectives with the organization's performance targets.

Finally, the study sought to determine whether there was free flow of information within the industry regarding market and SC activities by other firms. According to the interviewees, there was very limited flow of information within the industry regarding SC activities by other firms and whenever the industry players undertook joint activities, these were protected by confidential agreements. Industry market information was however readily available either from the auction or from the regulatory body, the Tea Directorate. Thus, the interviewees indicated that it was very difficult for their organization to monitor or benchmark the SC activities/initiatives of their competitors, making it difficult to effectively counter to the industry wide competition.

4.4 Performance of KTDA

This sub-section of the study sought to establish the performance of KTDA over the last four years (2012-2015) through indicators such as Return on Assets (ROA), market share, employee retention rates and customer satisfaction. The findings are as discussed in the subsequent sub-sections.

4.4.1 KTDA's Performance Rating over the 4-year Period

The study analysed the performance of KTDA over the last four years running from 2012 to 2015. The findings are as illustrated in the subsequent section, and indicate the trend of ROA values over the 4-year period between 2012 and 2015. The lowest value for ROA was 17.02% in year 2015 while the highest ROA value was 43.68 in year 2013.

Although the ROA has been positive, implying that the firm has been generating income from the investment made in assets, the ROA has been diminishing over the 3-year period 2013-2015.

Table 4.2 Return on Assets (ROA)

Year	ROA Values (%)
2012	37.53
2013	43.68
2014	21.54
2015	17.02

Source: KTDA, Statements of Accounts for the years 2012-2015

From the secondary data obtained, this could be attributed to the additional investment in assets, fluctuation in net earnings owing to the seasonal and weather dependent nature of the tea business or exchange rate fluctuations seeing as the trade of tea is conducted in US dollars.

4.4.2 KTDA's Composite Market Share Ratings over the 4-year Period

The study sought to establish from the interviewees, the composite market share of the firm. According to the interviewees, KTDA's composite market share stood at approximately 60%, which is equivalent to the smallholder sector's total production seeing as the market, be it local or international absorbs the entire production. About 3 % of this production is consumed locally whilst the balance is exported. This depicted that there could be possible positive influence of the implementation of a SC strategy on the marketing performance of the firm.

The interviewees indicated that KTDA had adopted a quality philosophy dubbed as 'two leaves and a bud' which ensured that farmers consistently only hand plucked the two upper succulent leaves and a bud, which is then followed by skillful manufacturing under stringent conditions KTDA (2015). It is for this reason, the interviewees alluded, that KTDA teas are highly sought by customers both within and without the country over, for blending with other teas so as to produce some of the world's popular consumer brands.

4.4.3 Customer Satisfaction Ratings of the Firm

The study sought to find out from the interviewees, how they would rate their customer's satisfaction with their firm. The findings are as shown in Figure 4.4. According to the feedback received, majority (73%) of the interviewees indicated that they rated customer satisfaction with the firm as good whilst 23% of them rated customer satisfaction with the firm as fair. None of the interviewees rated the customer satisfaction with the firm as very poor, poor or excellent implying that the majority of the interviewees shared similar sentiments about the level of customer satisfaction with the firm's services. From the findings however, the firm can do more to enhance the customer satisfaction levels by leveraging on the gains from the effective implementation and alignment of functional strategies to the corporate strategy so as to support strategic accomplishment.



Figure 4.4 Customer satisfaction Ratings of the Firm

Source: Primary Data, 2016

4.4.4 Employee Retention Rates

The study further requested the interviewees to indicate how they would rate employee retention rates in the firm. The findings are as illustrated in Figure 4.5. The study findings revealed that majority (73%) of the interviewees opined that the firm had high employee retention rates. 23% of the interviewees however felt that the firm had moderate employee retention rates. This implied that the firm had worked at retaining employees, particularly those in the core function- Operations- and that the employees were happy to work for the organization. The interviewees also indicated that the firm had put in place a robust benefits and reward structure aimed at motivating and retaining employees. Thus, there could be positive influence of the implementation of a SC strategy on the performance of the organization in terms of employees' retention.

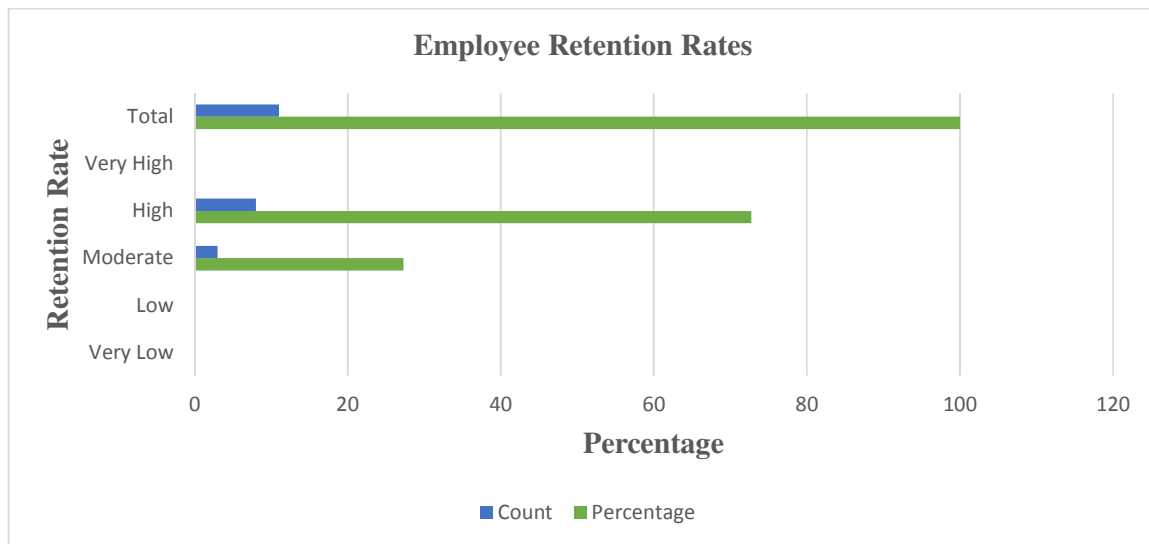


Figure 4.5 Ratings of Employee Retention Rates

Source: Primary Data, 2016

4.4.5 Measurement of Organizational Performance

The study sought to establish whether the interviewees’ organization systematically measured its actual performance versus goals to which the interviewees alluded that the organization continually measured actual performance against the targeted performance and took corrective action where the actual performance fell short of the expected results based on a Plan, Do Check and Act (PDCA) cycle.

The study further inquired from the interviewees whether the strategic management practices of the firm, were based on identified environmental threats and opportunities and if these were prioritized at all levels of management in the firm on a daily basis. The interviewees responded in the affirmative, confirming that the firm undertook weekly review meetings. This implied that the firm constantly scanned the environment with a view to counter the competition and retain their market position, implying that the firm was able to identify missed opportunities and targets achieved, which further informed decision making, the formulation of new organizational goals and the revision of the existing organizational goals.

The study also sought to establish from the interviewees whether the firm provided adequate resources for implementation of strategic initiatives based on its strategic plan. The interviewees indicated that the firm set aside adequate resources, based on budgetary provisions to facilitate the implementation of strategic initiatives as per strategic plan. This implied that the firm's management was keen to ensure the successful implementation of firm's identified strategic initiatives by providing adequate resources needed for this cause. This also showed the significance of strategic management to the performance of the company.

4.5 Influence of the Implementation of the SC Strategy on the performance of KTDA

The study sought to determine the influence of implementation of a SC strategy on the performance of KTDA. From the study findings, the interviewees concurred that the implementation of the SC strategy had a positive effect on the performance of KTDA. According to the interviewees, the implementation of an operational excellence strategy had enhanced the performance of KTDA through ways such as reduction of operational costs, savings derived through strategic purchasing, enhanced efficiency of operations and the production of quality teas that assured repeat business, hence a continuous stream of revenue.

The interviewees further alluded that the provision of resources required to implement the SC strategy, performance planning, good corporate governance as well as the alignment of all the firm's functional strategies to the corporate strategy, were critical to the effective implementation of the SC strategy and by extension enhance organizational performance. Thus, the implementation of a SC strategy had a positive influence on the performance of KTDA.

4.6 Discussion

This sub-section discusses the findings of the study in comparison to theory and other researchers.

4.6.1 Comparison with Theory

According to the study findings, the highest ROA value was 43.68 and was attained in the year 2013 whilst the lowest ROA value was 17.02 attained in year 2015. This represented a 61.03% decline in the ROA over the 3 year period. The interviewees further revealed that the composite market share for the firm was on average, 60% based on the small holder sector production and market share Tea Directorate (2016). The findings also revealed that 73 % of the interviewees opined that the firm had high employee retention as well good customer satisfaction ratings.

Although the ROA values and consequently the net income of the firm were on the decline, the relatively stable composite market share coupled with the high employee retention ratings and customer satisfaction ratings over the 4 year period indicated that the firm has a good marketing and operational performance, depicting that there could be a possible positive influence of the implementation of the SC strategy on the performance of the organization. These findings were in agreement with RBV of strategy which holds that the possession of strategic resources and dynamic capabilities provides an organization with an opportunity to develop a CA over its competitors. In this regard, KTDA's SC is an essential strategic resource in the achievement of the firm's strategic goals.

The findings concurred with the Resource Dependence theory which predicts that firms must engage in transactions with all stakeholders without the organizational boundaries so as to obtain the resources they need to survive and minimize reliance on other organizations for scarce resource supply and to discover ways to influence these stakeholders to avail these resources, all based on the realization that some strategic resources may be found beyond the firm's boundaries and CA may be elucidated by a network of inter organizational relationships.

KTDA has considered the external environment in their strategic plans, by creating counter-dependence using strategies such as the establishment of multiple sources of supply (to reduce the power of any one supplier) by negotiating LTA's with multiple suppliers for the supply of commonly used items, contracting, supplier partnering, outsourcing of non-core services strategic sourcing and vertical integration with one of its subsidiaries, Chai Trading for warehousing and logistics services.

4.6.2 Comparison with other Researchers

The study findings revealed that KTDA's ROA value declined over the 2-year period 2014-2015, from 43.68% to 17.02%. The interviewees however concurred that the employee retention and customer satisfaction ratings for the firm were high over the 4-year period reviewed. This implies that there could be a possible influence of the implementation of the SC strategy on the marketing and operational performance of the organization based on Gunasekaran and Mavondo's (2009) assertion that OP can be described as how well an organization achieves both its market-oriented goals and financial goals.

All the interviewees concurred that KTDA was implementing a SC strategy aimed at attaining operational excellence its operation, so as to best meet customers' needs profitably. According to the interviewees, the firm was implementing the SC strategy in areas and activities such as sourcing, supplier partnering, manufacturing, and logistics and through initiatives such as outsourcing of non-core services, and vertical integration across the SC. These findings are in line with those of Jajja, Brah and Hassan (2014) who established that the alignment of SC strategy with the core operations of an organization is crucial because it accounts for a significant impact on the performance of most companies.

Further, the interviewees indicated that the implementation of an operational excellence SC strategy positively influenced the performance KTDA by enhancing its performance. These findings were in line with David's (2005) assertion that, to compete successfully, organizations need to continually enhance their performance through cost reductions, innovation of products and processes, quality improvement, speed to market, and productivity through strategic management. The findings also collaborated the findings of Lazarevic, Sohal and Baihaiqi (2007) who asserted that better firm performance in terms of sales levels, market share and lead time calls for the implementation of SC practices.

According to the interviewees, some of the benefits accruing to the firm from the implementation of a SC strategy included the reduction of operating expenses, shorter lead and order cycle times translating in to more efficient operations and speed to market, enhanced relationships with suppliers and customers, consistent quality of the teas which assured repeat business hence a constant revenue stream for the business and lower finished stocks inventory holding since all the teas delivered at the auction were bought up shortly after delivery and finally, the freeing of the manager's time as to focus on strategic initiatives. These findings confirmed Glatzel and Rohren (2014), assertion that companies across the globe apply SCM practices to drive business performance, based on the gains that have hitherto been envisaged, such as delivery time reduction, improved financial performance and greater customer satisfaction.

These findings collaborated Crook and Combs (2006) assertion that proper implementation of SCM tools increase coordination at subsequent production stages, and the benefits from such coordination include cost reduction through inventory declines, shorter order and lead cycle times, quality improvement through better design for manufacturability, innovation, faster delivery, which in turn enabled an organization to attract new customers or retain previous customers for repeat purchases, thereby increasing sales and overall profitability.

The interviewees also noted that the success of the SC strategy was dependent on the success of all other functional strategies that the firm was implementing, and that the overall success of KTDA was subject to the overall excellent performance of all KTDA managed tea factories. These findings collaborated Smet, Lodi and Schaninger's (2006) assertion that the capacity of an organization to deliver results begins with the capacity of each functional unit to demonstrate currency and to deliver against set objectives, and the company's leadership to lead the organization to strategic success as well as Awino's (2011) assertion that the implementation of strategy is inherently cross functional and inter-organizational.

According to the interviewees, the firm could use various ways to ensure effective implementation of the SC strategy, while noting that the overall corporate success is a function of the success of all the firm's functional strategies. These include ensuring timely, accurate and effective communication within the organization, allocation of adequate resources necessary to support strategy implementation, effective leadership, and staff training to ensure that employees understand what is expected of them as well as good corporate governance Primary Data, (2016).

The study findings also revealed that the organization's goals were translated into measurable targets in areas such as volume/output, market share, growth rate and profitability during strategy formulation. The interviewees explained that their organization's corporate objectives were cascaded down in to functional objectives and finally in to individual objectives, thereby providing the workforce with benchmarks against which their performance would be measured, using the BSC approach Primary Data, (2016). These findings collaborated those of Taylor (1999) who opined that performance measurement is the commonly utilized tool in organizations to measure non-financial aspects, the financial aspects or both aspects of organizational performance.

Moreover, the findings imply that the organization was also keen to measure how well it was achieving both its financial and market oriented goals, hence the use of the BSC approach for effective performance measurement. The findings were also in agreement with those of David (2005) who observed that strategic management has been broadly adopted by organizations across the globe in pursuing effectiveness and efficiency that ultimately leads to competitive advantage over competitors as well as enabling the firms solve the problem of the mismatch between the output of the enterprise and the demand in the market place.

The firm, according to the interviewees, made and allocated the necessary budgetary provisions, to ensure that the identified strategic initiatives were implemented, in line with the corporate and functional objectives, implying that the management of KTDA was keen to ensure the successful implementation of the firm's identified strategic initiatives by providing adequate resources needed for this cause. This also underscored the importance of effective strategic management to the performance of the company. The findings indicated that the implementation of a SC strategy at KTDA has yielded numerous benefits, which have in turn enhanced the firm's marketing and operational performance (Source: Primary Data, 2016), further reinforcing Ngatia (2011) assertion that the adoption of SC practices enhanced the performance of KTDA. The findings further contend with Chandler (2002) assertion that Strategic management helps an organization in the utilization of its resources so as to give value to customers and enable it achieve its goals.

In a nutshell, the study established that KTDA was implementing a SC strategy aimed at attaining operational excellence of the SC in terms of cost effectiveness, product quality, efficiency of operations, and customer satisfaction among others. The study established a positive relationship between the implementation of a SC strategy and the performance of the organization for the period under review, 2012-2015, by revealing that the implementation of a SC strategy enhanced the performance of KTDA.

The demographic information of interviewees revealed that KTDA has high employee retention rates implying that the firm values and rewards its workforce accordingly. Although the financial performance of the firm as evidenced by the ROA values, was on a decline between the year 2013- 2015, the marketing and operational performance of the firm was sound as evidenced by the high customer satisfaction ratings the composite market share of the firm.

The findings of the study were in line with the RBV, Dynamic capabilities and Resource Dependence theories of strategic management. Moreover, the findings agreed with most researchers who argued that adoption of SC practices and the implementation of a SC strategy enhanced organizational performance and that companies across the globe have resulted to the adoption of SCM based on the gains that have hitherto been envisaged. Thus, the study established that the implementation of a SC strategy had a positive influence on the performance of KTDA.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research study sought to determine what influence the implementation of SC strategy had on the performance of KTDA. This chapter covers the summary of results, conclusion and recommendations of the study in line with the objective of the study. This section also explores the limitations of the study and enumerates areas for further research as well as the implications of the study to policy, theory and practice.

5.2 Summary of Findings

The study established that KTDA was implementing an operational excellence strategy SC in all the four basic processes of its SC, corresponding to the SCOR model's; Plan, Source, Make and Deliver/Return though activities such as resource planning and allocation, strategic sourcing and contracting, capacity optimization, quality and fair trade certifications, processes automation and route scheduling, all aimed at attaining SC operational excellence so as to meet customers' needs profitably.

According to the interviewees, the implementation of a SC strategy had helped enhance the firm's performance through way such as reduction of operating costs, savings derived from the prudent negotiation of contracts and the leveraging on economies of scale, enhanced efficiency of operations which has further enhanced the speed to market and ensured consistent product quality and repeat business. These findings implied that the implementation of a SC strategy has had a significant contribution to the performance of KTDA, even whilst noting that the overall corporate success was dependent on the effective implementation of all other functional strategies because the implementation of a SC strategy is inherently cross functional and inter organizational, and what's more in the case of KTDA, inter factory.

The study findings further revealed that some of the benefits that accrued to KTDA from the implementation of a SC strategy included enhanced efficiency of operations and speed to market as a result of the reduction of lead and order cycle times, route scheduling, process automation, and the negotiation of LTA's, the reduction of operating costs thanks to the savings derived from the leveraging on the economies of scale to acquire better trade terms, value analysis, as well as the reduction of labour costs attributable to processes automation and the use of cheaper and alternative sources of energy.

Moreover, quality and fair trade certifications and the use of SOP's across the board as well as the enforcement of stringent plucking and manufacturing conditions have all have served to ensure that KTDA consistently produces quality teas which not only fetch premium prices at the market but also assures the firm of repeat business hence a constant revenue stream for the business. Thus the implementation of a SC strategy yielded numerous benefits to the firm and that led to its enhanced market and operational performance.

According to the interviewees, the firm could use various ways to ensure effective implementation of the SC strategy. These include the involvement of staff in strategy formulation, ensuring timely accurate and effective communication within the organization, setting of clear and achievable organizational goals and objectives, staff training, effective corporate governance and the allocation of adequate funds and resources that are necessary for strategic accomplishment and lastly, performance evaluation to ensure that the set goals are being achieved and corrective action taken where there is a deviation from targeted performance. Thus, it goes without saying, the firm could use various ways in order to ensure effective implementation of the SC strategy, so as to turn reap the benefits of strategic accomplishment.

5.3 Conclusion

The study concluded that the implementation of a SC strategy at KTDA had helped enhance the firm's operational and market performance through the reduction of operating costs/expenses and savings derived from strategic sourcing and contracting, enhanced efficiency of operations, the consistent production of high quality teas which assured repeat business and hence a constant revenue stream, all which contributed to enhanced operational and market performance.

Even whilst noting that strategy implementation is inherently cross functional and inter-organizational, the study also concluded that the overall corporate success of KTDA was not only dependent on the effective implementation of the SC strategy but also that of the other functional strategies. Nevertheless, the implementation of a SC strategy had positively influenced the performance of KTDA in that it had contributed to the reduction of production costs, helped enhance the efficiency of operations as well as the speed to market and lastly, ensured consistent production of quality teas which have assured the firm repeat business, and hence, a constant revenue stream.

5.4 Recommendations

Given that tea is the country's top exchange earner, and the smallholder sector comprises 60% of the country's total production, the study recommends that policy makers continually evaluate the success of and/or the challenges of the KTDA model with a view to ensuring that the laid down policy and regulatory framework is supportive of strategic accomplishment, not only for KTDA but also for other industry players, in view of the fact that the implementation of a SC strategy is inherently inter-organizational. This will enhance the earnings derived from the trade of tea, for both the small scale farmer and the economy at large.

Secondly, as it is the SC that translates the corporate goals of an organization in to day –to-day interactions and ultimately determines the success of the organization, the study recommends that the management of KTDA strives to continually finds ways to effectively implement the SC strategy and other functional strategies at large seeing as the benefits yielded have the potential to enhance both the financial and operational performance of the firm.

5.5 Limitations of the Study

This research study focussed on KTDA the managing agent of the 68 tea factory companies affiliated to her. However, each factory company is governed by an independent board that is involved in the day-to-day running of the factories. This implies that these boards have the leeway to adopt or not adopt the recommendations made by the managing agent, sometimes to their detriment. As such, the performance of the factory companies is not uniform across the board, which in turn impacts on the performance of KTDA MS. This made it difficult to objectively assess the outcome of organizational initiatives such as the implementation of a SC strategy on the performance of the firm as implementation of SC strategy is not only cross functional and inter organizational but also inter-factory in this case .

Moreover, the study was limited by the busy schedule of the interviewees which affected the pace of data collection. Nevertheless, the researcher made courtesy calls to the respondents to book appointments with them outside working hours when they were not fully occupied with office work and could focus on the interview without the usual office interruptions.

Lastly, the information being sought in the study was considered confidential and some interviewees were not willing to participate in the study. To gain interviewees confidence, the researcher obtained permission from the company management and assured the interviewees as well as the company's management, confidentiality of the information sought.

5.6 Suggestions for Further Research

This study explored the influence of the implementation of a SC strategy and the performance of KTDA, an agricultural based manufacturing firm in Kenya. For comparison and benchmarking purposes, the study recommends that similar studies be done on other industries in emerging markets and Kenya in particular. This will allow for generalization of findings on the influence of implementation of SC strategies and organizational performance among firms in Kenya and/or emerging markets as well as appropriate tactical approaches to implement SC strategies.

5.7 Implications of the Study

This study is useful to academicians, corporate managers and practitioners in the broad arena of SCM in that it has contributed to the existing body of knowledge by establishing that the implementation of a SC strategy at KTDA had helped enhance the firm's operational and market performance through the reduction of operating costs/expenses and savings derived from strategic sourcing and contracting, enhanced efficiency of operations and the consistent production of high quality teas which assured repeat business and hence a constant revenue stream, all which contributed to enhanced operational and market performance. Moreover, this study also enumerated areas for further research which will guide further research in the field. Lastly, based on the understanding that tea production is vital to livelihoods and economies of the producing countries, the findings and implications of this study are useful to policy makers and other government institutions managing the tea sector and the agricultural sector at large, within and without the Kenya boundaries, as a guide and pointer to policy formulation and implementation.

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APPENDICES

Appendix 1: Interview Guide

Section A: Demographic Information

1. What is your age?
2. How long have you worked in the tea industry?
3. Which position do you hold in the organization?
4. What is your highest level of education?

Section B: Performance of KTDA

5. How would you rate the performance of your firm over the last four years (2012-2015)?
6. How would you rate the composite market share of your firm?
7. How would you rate the customer satisfaction of your firm? [Use a five point Likert scale of 1-5 where; 1-Very poor, 2-Poor, 3-Fair, 4-Good and 5-Excellent].
8. How would you rate the employee retention rates? [Use a five point Likert scale of 1-5 where; 1-Very low, 2-Low, 3-Moderate, 4-High and 5-Very high]

Section C: Relationship between Implementation of SC strategy and Performance of KTDA

1. Has your firm been actively employing a Supply Chain (SC) strategy?
2. Which SC strategy is employed by the firm?
3. Using the SCOR model of Plan, Source, Make and Deliver/Return, how is the SC strategy implemented throughout the firm?

4. How has the implementation of a SC strategy enhanced performance of KTDA?
5. What are some of the benefits accruing to your organization that you can attribute to the implementation of a SC strategy, that lead to enhanced organizational performance?
6. In which ways can the firm ensure effective implementation of the SC strategy leading to superior organizational performance?
7. Does your organization prepare formal standards of performance?
8. Does the organizational goals list quantify measurable targets such as volume, market share, growth rate, profitability?
9. Is there a fairly free flow of information within the tea industry regarding market and SC activities by other firms?
10. Does the organization systematically measure actual performance versus goals?
11. Are the SCM practices and initiatives based on opportunities and threats identified and prioritized at all levels of management on a daily basis?
12. Does the firm provide adequate resources for implementation of SC strategic initiatives based on the strategic objectives of the function as well as the firm's strategic plan?
13. What influence does the implementation of a SC strategy have on the performance of KTDA?

Thank You

Appendix 2: Letter from KTDA



KTDA MANAGEMENT SERVICES LIMITED
KTDA FARMERS BUILDING | P.O. Box 30213 GPO 00100 Nairobi
Tel: +254 20 2221441/2/3/4, 322 7000/1/2 | Fax: 254 020 2211240
E-mail: info@ktdateas.com | Site: www.ktdateas.com

**MBA Administrator,
School of Business,
University of Nairobi,
P.O. 30197- 00100.
NAIROBI.**

Dear Sir/Madam,

RE: INTERVIEWS ON IMPLEMENTATION OF SUPPLY CHAIN STRATEGY AND PERFORMANCE OF KENYA TEA DEVELOPMENT AGENCY (KTDA MS)

This is to confirm that Ms. Wangari Wahome, Registration No. D61/72520/2014, conducted the above mentioned interviews within the months of June and July 2016, with the below mentioned senior managers in the organization:

- General Manager Operations
- General Manager Sales & Marketing
- General Manager (Freight) Chai Trading Co. Ltd
- Group Head of Procurement
- Senior Buyer
- Factory Unit Managers of Kangaita, Mataara, Kagwe, Kambaa, Kapkoros and Gathuthi Tea Factory Companies

Please do not hesitate to contact me for any further clarifications.

Yours faithfully

**ALFRED NJAGI
GENERAL MANAGER-OPERATIONS**



Directors:

L. S. Tiampati MBS (Chairman/Managing), J. Kipngetch, A. K. Rimberia, B. Soy (Ms), B. K. Ngari