VALUE CHAIN MANAGEMENT PRACTICES AND COMPETITIVE ADVANTAGE OF SEAFOOD FIRMS IN MOMBASA COUNTY IN KENYA

BY

JACOB EKIRAPA OKISEGERE

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DECLARATION

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

Signed..... Date...11/11/2012

Jacob Ekirapa Okisegere

D61/63024/2010

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

Signed..... Date...11/11/2012

Dr. Zachary Bolo Awino, Ph. D.

Senior Lecturer,

School of Business, University of Nairobi

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May the Lord God Almighty bless you all abundantly.

DEDICATION

This project is dedicated to my wife Koki, my son Asaph and daughter Adarah.

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ABSTRACT

In today's dynamic and competitive business world, firms must develop strategies that are sustainable. Firms that have a competitive edge over its rivals do so by utilizing several strategic tools that help them identify suitable strategies. One the tool is the value chain model. The value chain model allows managers to distinguish activities in an organization that are critical in organizational value chain. These activities can be linked strategically to create a competitive advantage. In this study, the value chain model was adopted to help investigate the influence of value chain management practices on competitive advantage of seafood firms in Mombasa County. This was achieved through cross-sectional survey by collecting a census of all seafood firms located in Mombasa County. Ten major firms found and six of them participated in the research. The researcher used a questionnaire to collect views, opinions and experiences of seafood firms from a pool of managers involved in strategic decision making. The data obtained was analyzed using descriptive statistics and a regression analysis that was presented in form of figures and tables. The findings indicated that the most influential value chain activities were availability of finance, availability of raw materials, storage facilities and availability of human capital. A regression analysis showed that there was positive relationship between revenue and firm infrastructure and procurement of resources but had a negative relationship with technology development and customer service. In conclusion, value chain management practices were found to have influence on the competitive advantage of seafood firms in Mombasa County. Therefore, it is important for actors in the industry to focus their attention on enabling firm access finances, reduce operational cost and create a synergistic coordination relationship among various industry actors.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The today's dynamic business environment has forced business managers to constantly review their firm's business activities and strategies in order to compete effectively. Strategic managers often develop strategies that will give their firm an edge over its compatriots. These strategies are chosen based on the firm's unique core competencies and capabilities as well as favorable industry factors. Some of the common corporate strategies used include the grand competitive strategies (cost, differentiation and focus), strategic alliance and partnership, merger and acquisition, vertical integration (value chain management), outsourcing, defensive/offensive strategies, functional strategies and diversification (Thompson, Strickland, and Gamble, 2008).

A firm is said to have competitive advantage when it organizes and combines its core competencies and capabilities in a manner that is perceived by customers as of value compared to its rivals. A competitive advantage will then be developed if the plan is sustained over a long period of time without imitations. Value chain management is a useful corporate strategy that managers can use to develop a competitive advantage through integration of firm value chain activities that are critical in the eyes of the customers. Therefore, value chain analysis could be used to map out strategic management practices that firms can apply along their value chain from inception to the final consumer (Johnson, Scholes, and Whittington, 2008; Feller, Shunk, and Callarman, 2006).

Seafood is a globally important food commodity that provides animal protein to human beings. Firms engaged in seafood business are faced with stiff competition which requires them to constantly review their competitive strategies. Multinational firms engaged in seafood business have become vertically integrated, a trend that seems to have influenced local firms. In Kenya, the fisheries subsector which contributed 0.5% of Gross Domestic Product in 2006 with 4.1% sector growth has huge potential for investment, job creation and source of livelihood has seen more firms being attracted and encouraged to enter the industry (MoFD, 2008). However, the seafood business environment have been challenging because of changes in market requirements and lack of favorable factors. The value chain model would be used to analyze the competitive strategies of seafood firms and how they have manipulated their resources and capabilities along the firm value chain to create a competitive advantage.

1.1.1 Value Chain Management Practices

Value chain management is a strategic concept used by firms to create distinctive features or competitive strategies to gain competitive advantage. The concept of value in the business environment can be viewed from a customer perspective or business perspective. For instance, customer's value perspective means ability to meet customer's needs and requirements while from a business perspective, it means the ability to develop unique product or service features that differentiates the firm from its competitors, where value is derived from a technical, organizational and personal form (Feller et al., 2006).

Value chain management is defined Kaplinsky and Morris (2000) as 'the full range of activities which are required to bring the product or service from conception through intermediary phases of production, delivery to final consumer and final disposal after use' (p.4). Similarly, Rich, Baker, Negassa and Ross (2009) state that a value chain management is a 'representation of firm's value adding activities based on the pricing strategy and cost structure'. Thus, a value chain management shows linkages and relationships and their interdependence in a vertically integrated process such that it creates added value to the organization or customer.

The application of value chain analysis helps one map out industry actors by capturing their interactions, linkages and relationships on how those actors act and work. It then becomes a useful tool for assessing linkages of value chain actors, analyzing their nature and determinants of competition as well as inform managers of organizations on the best strategies to compete in a dynamic business environment (Rich et al., 2009; Brown, Lamming, Bessant, and Jones, 2000).

The value chain model commonly used for analysis was developed by Michael Porter in 1985. Porter's model consists of primary activities and support activities. The primary activities are those activities which are directly used to produce goods or services and are linked to value creation while support activities are those which are indirectly involved in production of goods and services. Porter's value chain model emphasizes creation of value adding activities that offer competitive advantage to the organization from the source to the customer (Johnson et al., 2008).

1.1.2 Competitive Advantage

The concept of competitive advantage refers to what firms do differently in winning customers and continue doing so in business. Porter (1985) defines competitive advantage as a way in which a firm chooses a generic strategy to compete in the market. The generic competitive advantage chosen could be a cost advantage and differentiation advantage. Cost advantage is achieved through consistent production of products and services at lower cost than comparable competitors. Differentiation advantage is achieved through continuous development of unique products and performing of services in a superior manner than comparable competitors. The two competitive advantages form the basis in which a firm selects a competitive strategy such as through cost leadership, differentiation and focus. The choices of a competitive strategy would be influenced by the industry structure and the firm's core competencies.

The cost leadership and differentiation competitive strategies are broad in nature than a focus strategy. The choice of given competitive strategy will be determined by the route and scope taken by the firm. For instance, for cost leadership, the firm must seek to be a low-cost producer in the industry. This will involve the ability gain advantages brought about by factors such as economies of scale, preferential access to raw materials or superior technology among other factors (Porter, 1985).

On the other hand, a firm seeking to achieve differentiation needs to develop unique attributes and peculiar features that customers perceive as important and such customers are willing to buy the product at a premium price. Differentiation can then be achieved

through reputation of product durability, image and/or brand positioning. In addition, a focus generic strategy which has narrower scope than both cost leadership and differentiation strategy, will require a firm to choose specific target segment in the industry so as to exploit either cost behavior (cost focus) or special needs (differentiation focus) in a target market segment (Porter, 1985). The value chain analysis is used as a strategic diagnostic tool to investigate sources of competitive advantage. This can be done through dividing firm's activities into discrete activities it performs along the value chain. The firm can then identify relationships and linkages in the value chain activities that it can exploit to create competitive advantage (Johnson et al., 2008).

1.1.3 Seafood Industry in Kenya

Seafood is the most globally traded food commodity providing 20% of 1.5 billion people's average annual intake of animal protein (FAO, 2010). The fisheries sector is a source of livelihood and income to millions of people and it is the fastest growing sector at 3.6% per annum (FAO, 2010). Seafood refers to the fish and fisheries products produced or cultivated from the sea or oceans destined for human consumption. Seafood traded in the market is usually in the form of live/fresh, frozen, prepared/preserved and canned with freezing being the main method of seafood processing. The major world markets are Japan, USA and the European Union (FAO, 2010).

In Kenya, the vast 640 km coastline stretching from Kiunga to Vanga has rich fishery resources that have not been fully exploited. For instance, in 2006, 6500 artisanal fishers landed 7000 metric tonnes (MT) or 4% of total national fish production valued at Ksh 450 million compared to 8000 MT valued at Ksh 700 million in 2009. Capture fishery production is done by industrial fishers, small scale/artisanal fishers, traditional fishers and recreational fishers. The major fish produced are classified as either demersal or pelagic species (MoFD, 2008). In this regard, firms in the seafood industry are faced with a number of management problems such as weak linkage between research, policy managers and private sector players, lack of market access, low value addition capability, limited access to credit, weak institutional, policy and legal framework among others (MoFD, 2008).

1.1.4 Seafood Firms in Mombasa County

According to the association of industrial fishing and processing firms in Kenya, the Kenya Fish Processors and Exporters Association (AFIPEK, 2012), there were eighteen fish processing firms in Kenya. AFIPEK is involved in lobbying for the interests of its members at local, national and international forums with regard to issues such as regulatory framework, training on International Standards Organization (ISO) Certification, compliance to food safety and management system requirements, internal audit training and quality control, licensing and inspections.

Mombasa County with a population of 939,370 people has 100% urban dwellers, a poverty rate of 37.6%, literacy levels of 85.8% and endowed with relatively good infrastructure (CRA, 2012). Mombasa County hosts about ten companies dealing in seafood such as in processing of fish, crustaceans and mollusks (Export Processing Zones Authority, 2005; Trade Invest Kenya, 2008). According to the EPZA (2005) report, the domestic market of the fishery industry in Kenya is not well organized despite accounting 70% of total fish market landed in the country with Nairobi being the main domestic market while European Union, Israel and Asian countries were the leading major export markets. The main fisheries export were Nile Perch accounting for 84% of fishery export product followed by Tuna (13%) and others (3%).

1.2 Research Problem

Value chain management allows management to understand critical and noncritical firm's value chain activities which are important for a firm to develop a competitive advantage. Effective application of value chain management practices can help a firm develop a competitive edge over its rivals depending on the choice of a given competitive strategy. A competitive strategy chosen by a given firm to attain competitive advantage can be derived through cost advantage, differentiation advantage and focus. Cost advantage aims at giving the firm ability to become an overall low-cost provider in the industry especially for target broad market with price-sensitivity characteristics. Similarly, differentiation advantage is appealing to firms targeting broad market base with high variations in needs and tastes. Alternative a firms with a focus strategy, either on cost advantage or differentiation advantage, aims at satisfying the needs of respective niche markets.

In the seafood industry, a lot of attention had focused on value addition as a way of improving competitiveness of firms. However, value addition is a subset of value chain management practices that need to be improved to increase the competitiveness of the Kenya's seafood industry. The competitiveness of Kenyan seafood products in the international market have been hampered by, among other factors, lack of suitable institutional frameworks that could spur industry growth despite its huge potential (MoFD, 2008; Trade Invest Kenya, 2008).

The Kenya's fisheries subsector is undergoing major developmental changes and has received renewed interest because of its contribution to the national economy as an important sector in stimulating economic growth, employment creation and poverty alleviation (MoFD, 2008). A couple of studies and policy papers written indicate the strong potential of the Kenya's fishing industry in ensuring food security, employment and source of livelihood to millions of people (CRA, 2012). The Kenyan marine fishery was being exploited by both artisanal fishers and industrial fishers. Artisanal fishers produce 90% of marine fish and fishery products for local consumption with industrial fishers producing the remaining 10% for export (Mwirigi and Theuri, 2012).

Mombasa County hosts about half of industrial fishing companies engaged in seafood business but majorly owned by Italians and Koreans (Mwangura, 2005). Mwirigi and Theuri (2012) indicated that the growth of seafood industry in Kenya was dependent on the involvement of all key actors in the seafood value chain. Thus, the value chain approach is a useful strategic diagnostic tool for mapping out key value chain actors, their

activities and interrelationships that influence transfer of goods or services from source to the final consumer. These actors utilize certain value chain management practices not only to compete against themselves but also to compete in the international market.

A review of current studies indicates that there are none or very few studies that have conducted similar studies on seafood industry. The existing studies have focused on other industries, such as International Nongovernmental Organizations (Mwangi, 2003), Sugar (Dulo, 2006), Banking (Odero, 2006), Oil (Wahito, 2011), Television (Nzivo, 2011) and Education (Wairua, 2011). These studies describe how competitive advantage influence value chain management practices of respective firms. Furthermore, a study done by Mwirigi and Theuri (2012) focused on value addition as one of the biggest challenges facing the Kenya's seafood industry. Value addition, is just one aspect of value chain management practices that need to be addressed. The methodology used by Mwirigi and Theuri (2012) to develop their findings were largely based on secondary data and did not articulate the relationship between value chain management practices and competitive advantage. The question arises, what is the influence of value chain management practices on the competitive advantage of seafood firms in Mombasa County about what value chain management practices of seafood firms were being influenced by the need to gain competitive advantage?

1.3 Research Objective

The objective of this study was to establish the influence of value chain management practices on the competitive advantage for major seafood firms in Mombasa County.

1.4 Value of the Study

The findings of this study would be useful to policy makers by informing them on important value chain management practices needed be addressed in order to foster an enabling business environment. The findings would be useful when developing policy guidelines for making changes in the institutional frameworks and policy interventions.

To the practitioners, the findings would be useful in identifying critical sources of competitive advantage found along organizational value chain that have significant influence on competitive advantage. The seafood industry value chains would benefit from understanding the effective strategic management relationship(s) that exist between different actors in the industry value chains.

To scholars, the results would contribute to the existing knowledge on value chain management practices as applied in the seafood industry. It would assist in providing sources information for further research studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter involves a review of literature on the concept of value chain management practices, competitive advantage and how value chain management practices is used by firms to attain competitive advantage. This chapter is divided into three main sections; section one is on corporate strategies, section two is on value chain management practices and section three is on the competitive advantage.

2.2 The Concept of Corporate Strategy

Corporate strategy depicts an organization's game plan to win customers, sustain competition and defend its position in the business environment. The basis of developing a business strategy is to outwit comparable rivals in product and/or service delivery. There are many varied types of strategies that managers of an organization can opt to utilize with reference to their core competences, capabilities and industry conditions. In essence, the corporate strategies used by firms include, among others, the generic competitive strategies, strategic alliance/collaborative partnerships, mergers and acquisitions, vertical integration, outsourcing, defensive/offensive moves, web-based strategies, functional strategies, timing strategies and diversification strategies (Thompson, Strickland, and Gamble, 2008).

First, generic strategies or grand competitive strategies define the overall firm's strategies in business operation. According to Thompon et al. (2008) there are five main types of generic strategies, that is, low-cost provider strategy, broad differentiation strategy, best-cost provider strategy, focused low-cost strategy and focused-differentiation strategy. Each of these strategies aims at satisfying unique customer needs according to customer's perceived or signaled value. A firm that chooses to pursue low-cost provider strategy aims at lowering the overall cost of product/service such that it attracts large base of price-sensitive customers. Similarly, a firm that chooses to pursue broad differentiation strategy would aim at satisfying customers whose needs and preferences are diverse. A firm competing on best-cost provider strategy seeks to strike a balance of low-cost and broad differentiation strategies. On the other hand, focused low-cost strategy aims at serving niche market of price-sensitive customers while focused differentiation strategy aims at serving a niche market with special needs.

Secondly, strategic alliances and/or partnerships are collaborative strategies developed by firms through mutual agreements to gain better outcome than when alone. The mutual agreements could be contractual or collaborative aimed achieving major objectives, to create synergy of individual firm's core competencies and capabilities, minimize rivals threats, minimize risks and open new markets (Thompson, et al., 2008).

Thirdly, mergers and acquisitions strategies have been used by firms where strategic alliances and partnerships were unsuitable due to problems with ownership structure and commitment of the parties involved. Mergers and acquisitions help firms to create a more

cost-efficient business operation, increase geographical coverage, gain access to new technologies and resources as well as develop new industries (Thompson, et al., 2008). Fourthly, vertical integration strategies involve full or partial integration of firm's value chain activities with supplier chains and industry value chains. The extent and scope of integration can further be divided into backward or forward integration. The integration process allows firms to strengthen their competitive position, boost profitability and increase their visibility. However, full vertical integration exposes the firm to higher business risks, increase in capability matching problems and limits operation flexibility (Thompson, et al., 2008).

Fifth, outsourcing strategies involve procuring of non-core business activities which can otherwise be done better and cheaply by a third party. In this regard, outsourcing enables firms to reduce cost of business operation, transfer risk and create more time for managers to concentrate on their core activities. However, the firm may risk outsourcing all types of activities and lose their grip on the activities and expertise that define organizational core competencies, hence, lose their competitive edge (Thompson, et al., 2008). Other strategies that can be used include defensive/offensive strategies which are geared towards defending or advancing firm's competitive position; website strategies that allow firms to reduce cost by utilizing technological advances such as internet-based technologies; functional strategies that utilize specific functional business operation and expertise, and timing strategies that allow firms to capitalize on the first mover or late mover advantages (Thompson, et al., 2008).

The above strategies are particularly important for single businesses but for multi-business enterprises, additional strategies can be employed such as diversification. Diversification entails firm's ability to enter new industries that are either related or unrelated to the existing business portfolio. The goal of diversification is to leverage firm's competencies and capabilities as well as capitalize on brand value, synergy of strategic fit and new emerging opportunities (Thompson, et al., 2008).

2.3 Value Chain Management Practices

Value chain management practices are a series of activities or practices that managers of firms use to create and build a competitive strategy. These series of discrete activities are referred to as value chain activities. The competitive nature of any business environment demands that firms should develop strategies that improve their overall performance against their rivals in order to survive. The concept of value chain management stands out as an important diagnostic tool used by firms to build business value in terms of customer value. The value created by the organization in the eyes of customer or business forms the basis for gaining competitive advantage (Feller et al., 2006).

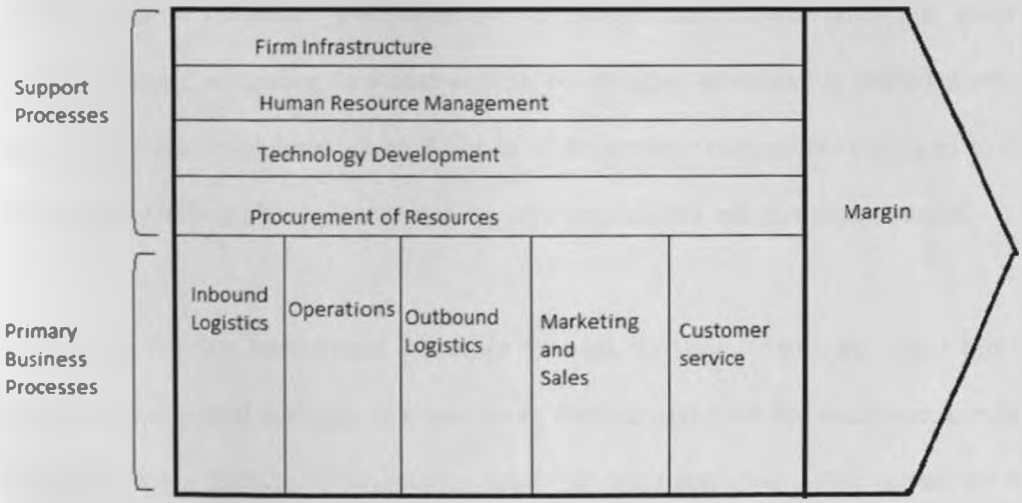
A value chain is known as those activities which are required to bring the product or service from its conception through intermediary phases until it reaches the final consumer such that it creates value through formation of linkages and relationships of value chain actors (Kaplinsky and Morris, 2000). Rich et al. (2009) define value chain as the 'representation of firm's value adding activities based on the pricing strategy and cost structure' implying that each firm has its own value chain but linked to other value chains

which form a network of value chains with interdependencies and linkages in a vertically integrated process that creates added value to the organization. In this regard, value chain analysis refers to the mapping out of actors, capturing their interaction, linkages and relationships to help understand how diverse value chain actors act and work by providing a framework for assessing linkages; analyzing their nature and determinants of competition. Through value chain analysis, organization is capable developing appropriate strategies of competing in the dynamic market place (Rich et al., 2009; Brown et al., 2000).

The development of value chain analysis can be traced to the sectoral type of analysis done by Frenchman Fili?re called '*Fili?re* approach' which was popularized by Michael Porter in 1980s and modified by Hines in the 1990s (Rich et al., 2009). The value chain model has received widespread application in today's business environment to characterize actors, identify cost and profit structure, identify flow of goods, employment characteristics as well as benefit distribution accrued to the actors. It also helps to examine governance structure within the value chain and establish sources of improvement that will provide competitive advantage (Johnson et al., 2008).

A value chain model developed by Michael Porter (Figure 2.1) is composed of a series of activities distinguished as primary activities and support activities. The primary activities are those activities that are directly used to produce goods or services and are linked to value addition. Examples include inbound logistics, operations, outbound logistics, marketing, sales and service. On the other hand, the support activities are those which are

indirectly used to produce goods and services such as firm infrastructure, human resource management, technological development and procurement (Pearce and Robinson, 1997). The primary activities of the value chain provides source of competitive strength while support activities help improve effectiveness and efficiency of the primary activities. The competitive advantage arises where the value adding activities are aligned to meet the overall objective of the organization. For instance, cost leadership or differentiation which gives a profitable margin that represents that difference between cost of production and the price paid by the customer (Johnson and Scholes, 1999).



Source: Adapted from Michael E. Porter, 1985, *Competitive advantage: creating and sustaining superior performance.* Copyright 1985, N. Y: Free Press.

Figure 2.1 Porter's value chain model

Porter's value chain model emphasizes competition through the management of critical activities that are linked from the source of the product/service to the final customer (Feller et al., 2010). The benefits accrued when using value chain analysis are enormous.

For instance, it helps in identification of governance structures in the value chain; helps understand how benefits (profit) are distributed among the actors and helps understand the nature and extent of entry barriers existing in a certain industry, hence enable firms to devise effective marketing and export strategies (Johnson et al., 2008).

2.4 Competitive Advantage

Competitive advantage is a form of or ability of a firm to outperform competitors in product or service delivery (Johnson and Scholes, 1999). Competitive advantage can be gained by a firm over another firm by providing a comparatively a better value of product or service to a customer. The value herein means either lower prices or unique benefits/features. According to Porter (1985), competitive advantage is gained when a firm selects one or combines more than one of the generic competitive strategies to its advantage by utilizing its organizational resource capabilities and core competencies.

A firm can develop competitive advantage through its value chain activities when it divides its operational activities into a series of discrete activities that add value in order to achieve lower cost or differentiation. Each of these activities would contribute in distinguishing firm's position in the marketplace thereby attaining a competitive advantage (Porter, 1985). The firm's ability to achieve profitable margin will be determined by how effective and efficient firm's value chain activities have been configured. For instance, for cost advantage to be achieved a careful cost analysis for each activity must be identified and cost drivers reconfigured.

On the other hand, for differentiation advantage to be achieved, the firm must create unique and distinctive features which are also supported by organization policies, linkages of activities, geographic location and vertical integration (Johnson et al., 2008). Value chain analysis offers firms significant information and insights on elements of value chain activities that can either be used to eliminate cost disadvantage or create cost advantage. For instance, to eliminate cost disadvantage, the firm has to use best business practices, relocating high cost activities, outsourcing noncritical activities, invent or innovate new technologies as well as redesign business processes. More so, it should build organizational expertise and direct management efforts towards cost-efficiency (Thompson, et al., 2008).

2.5 Value chain and Competitive Advantage

Competitive advantage can be achieved through application of value chain analysis of organizational discrete activities. This can be achieved if the firm wishes to develop either cost or differentiation advantage. According to Porter (1985), a firm can create cost advantage by analyzing the cost drives in its value chain. Once the cost drivers have been defined and appropriately assigned costs, the firm can reconfigure the performance of the critical value chain activities that can reduce cost of operation more significantly.

There are a couple of known cost drivers that firm managers can investigate within their firm's value chain in order to create a cost competitive advance, for instance, economies of scale, learning experience and vertical integration. First, economies of scale arise where a firm can efficiently produce large volume of goods and services than its

competitors. Secondly, a firm can create cost advantage through experience learning curve because over time, the firm gains insight on how to perform better its value chain activities in a more cost-effective manner than its competitors. Thirdly, the firm can create cost advantage through integration of its backward and forward activities such that its activities are strategically aligned to serve a targeted market. According to Thompson et al. (2008) it is important for managers to identify the critical value chain areas that are important in developing cost advantage such as by looking at the organization's own value chain activities, its supplier value chain and the industry forward channel.

This will be important in identifying areas that need to be addressed. For example, internal cost advantage can be remedied through implementing best management practices, revamping cost producing activities, relocating high cost activities, outsourcing, invest in technological improvement and redesigning products or its components. Similarly, supplier chain related cost disadvantage can reduced through negotiating lower prices, search for lower-priced substitutes or collaborate with suppliers. On the industry value chain, cost disadvantage can be reduced through forming strategic alliances, create win-win opportunities with forward channel dealers or change to a more cost effective distribution channel (Thompson et al., 2008).

On the other hand, value chain activities can be used to create differentiation advantage. This can be achieved when a firm create unique value chain features and implement the same more efficiently. These unique features cannot be easily imitated by competitors (Johnson and Scholes, 1999). For example, firm policies, strategic decisions,

interrelationships and timing. The firm's policies which direct the performance of value chain activities can be a source of competitive advantage when such policies encourage creativity, innovations and rapid response in customer service, introduction new products, and deployment of new technologies among others.

Differentiation advantage can be derived in the value chain when the firm employs strategic decisions that seek to ensure value chain activities are closely coordinated and linked to ensure optimum use of the firm's scarce and important resources such as human capital. The close coordination help the firm perform its activities more uniquely and efficiently, and by so doing project create a highly regarded image that can accord it the power to charge high premium on its goods and services. A firm can also create differentiation advantage in its value chain activities through the timing strategies. This involves how the firm plans to deploy its new products, technologies or enter new markets. For instance, a firm adopting first-mover entry strategies is able to develop a differentiation advantage that arises with first-mover advantages and experience learning curve (Thompson et al., 2008).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter constitutes the research methodology used for the study. This research study was accomplished through use of qualitative and quantitative methodologies. This chapter has been divided into four sections namely; section one has the research design, section two has target population, section three explains data collection methods and section four expounds on method of data analysis.

3.2 Research Design

This was a cross-sectional research design aimed at collecting large number of qualitative and quantitative data at a point in time so as to establish patterns of value chain management practices. It was adopted to help establish the extent of linkages and relationships that contributed to firms' competitive advantage. This was because the application of each methodology depended on the context and nature of study (Rich et al., 2009; Hellin et al., 2010).

A cross-sectional research design enables collection of data about given phenomena within a limited time horizon which can help describe incidences of events or provide an explanation of factors related to an organization (Saunders, Lewis, and Thornhill, 2007). A cross-sectional research design was useful in overcoming time and budget constraints (Cooper and Schindler, 2011). The data obtained was useful in gaining insights about

organizations past attitudes or behavior, history, opinions, expectations and their functioning (Cooper and Schindler, 2011; Wairua, 2011). Similar research studies had been conducted by Wairua (2011) when analyzing value chain and competitive advantage in secondary schools, Wahito (2011) who analyzed the oil industry, Nzivo (2011) who analyzed the television industry and Macfadyen et al. (2011) in the Egyptian aquaculture.

3.3 Target Population

The population targeted was a census of all seafood firms located in Mombasa County. A census was suitable in collecting and analyzing data from all possible members of a population (Saunders et al., 2007). There were ten such firms (Appendix IV), namely Alpha Group, East African Seafood Ltd, Wananchi Marine Products Ltd, TransAfrica Fisheries Ltd, Sea Harvest Ltd, Crustacean Processors Ltd, African Meat Company Ltd, ITTICA Ltd and Agri-marine and Organics Company Ltd (EPZA, 2005; AFIPEK, 2012).

These firms had operated in Mombasa County for several years and had established value chain activities. They had an installed capacity of processing 82.5 tons of seafood per day but were only utilizing 46.4 tons. These firms were land-based establishments and those owning water-based freezer vessels. The majority of their seafood products were exported to markets such as the European Union where stringent market requirements are the norm (EPZA, 2005).

3.4 Data Collection

The primary data for the study was collected using a semi-structured questionnaire (Appendix I). The questionnaire was divided into four parts; part one contained questions on general information of the respondent and company, part two on firm value chain management practices, part three on firm competitive strategies and part four on additional comments. The questionnaire was designed on a five-point Likert scale because it was suitable to collect views and opinions of the respondents at a particular point in time. The Likert scale was found to be a useful tool of gauging the attitude of respondents towards an object of interest (Cooper and Schindler, 2011) and when describing variability of phenomena (Saunders et al., 2007).

The respondents were top managers and middle level managers involved in strategic management decisions. The respondents were believed to have had sufficient information regarding their organizations value chain management practices. A 'drop and pick' later method was used to administer the questionnaire which was delivered personally and with follow-ups made through personal visits, telephone calls and emails so as to increase the response rate.

3.5 Data Analysis

The data was analyzed using descriptive statistics and content analysis. The data was first checked for accuracy and completeness, and then coded appropriately for analysis such as in form of percentage to give information relating to the general demographics of the organization. Mean scores to help determine value chain management practices that were

linked to competitive advantage of seafood firms and their extent of influence. A multiple regression analysis was computed to establish the relationship between competitive advantage and value chain management practices. In this regard, a competitive advantage (Y) was expected to be given as a function of indices of key value chain management activities (X).

That is,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots\ldots\ldots + \beta_n X_n$$

Where

Y = Competitive Advantage

X = Independent variable, indices value for each value chain activities category

β_0 = Y-intercept

β_1 to β_n = slope for each unit of X

The results were then presented in form of tables, percentages and graphs. According to Saunders et al. (2007) presenting data in tabular form helps in explaining large number of categories (frequencies) that was suitable to provide answers to the research question (s). Percentages and graphs were useful when presenting proportions of cases under study.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1Introduction

This chapter constitutes the data analysis, results and discussion section. The data analysis involved use of descriptive statistics for values measured using the Likert scale. The results were then presented in form of charts and tables. This was followed by a discussion on the findings. The chapter was divided into three main sections, that is, Section 4.2, 4.3 and 4.4. Section 4.2 which deal with data analysis and results, Section 4.3 deals with content analysis and section 4.4 deals with discussion of the findings.

This study aimed at collecting data from seven seafood firms located in Mombasa County. The researcher found three more firms, making the total number of firms targeted to be ten with a response rate of 60% as shown in the Figure 4.1 below.

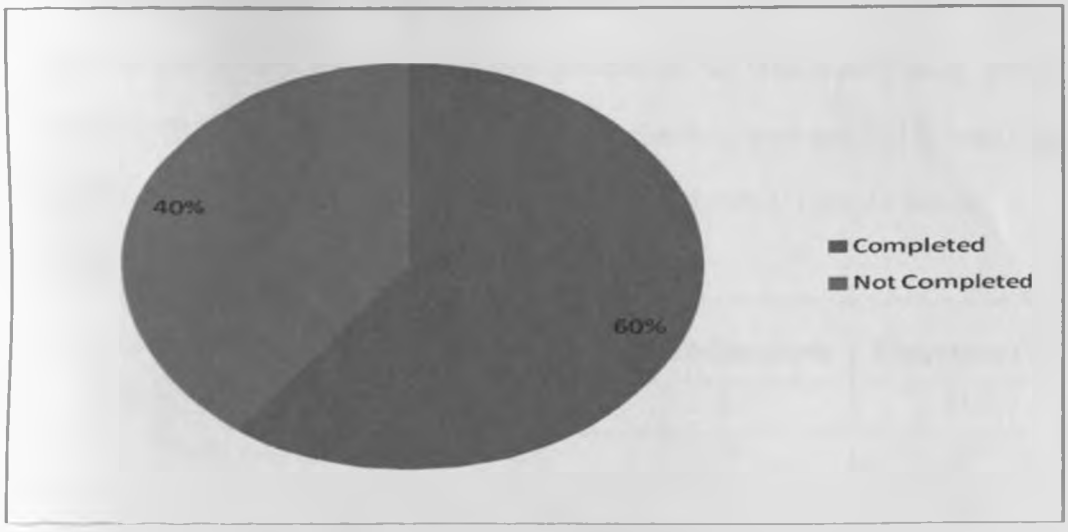


Figure 4.1: Firms response rate

4.2 Organizational Demographics

4.2.1 Respondent's Experience in seafood

A total of six managers completed the questionnaire whose experience was between 0 and 9 years. The highest frequency (66.7%) had experience of less than 4 years while 33.3% had the experience of between 5 and 9 years, and none above 10 years as shown in the Table 4.1 below with a mean experience of 3.67±2.35 years.

Table 4.1 Respondent's Experience

Experience class	Total	Frequency (%)
0 to 4	4	66.7
5 to 9	2	33.3
10 to 14	0	0.0
15 to 19	0	0.0
over 20	0	0.0
Total	**6**	**100**

4.2.2 Respondent Position in their Organization

The respondents were asked to state their position in the organization being studied. Results indicated that 66.7% were in the middle level management and 33.3% were in the top management and none in the senior management as shown in Table 4.2 below.

Table 4.2 Frequency of Respondent's Position

Respondent's Position	No. Respondents	Frequency (%)
Chief Executive Officer/Managing Director	2	33.3
Director /Senior Manager/General Manager	0	0.0
Manager/Head of Section/Departmental Head	4	66.7
TOTAL	**6**	**100.0**

4.2.3 Organization's experience in seafood business

A total of six organization were studied whose experience in the seafood business ranged from 0 to 19 years. The highest frequency (66.6%) had experience of less than 9 years, while 33.4% had the experience of between 10 and 19 years, and none above 20 years as shown in the Table 4.3 below with a mean firm experience was 7.83±5.34 years.

Table 4.3 Organization's Experience

Experience (years)	No. Of Firms	Frequency (%)
0 to 4	2	33.3
5 to 9	2	33.3
10 to 14	1	16.7
15 to 19	1	16.7
Over 20	0	0.0
Total	**6**	**100.0**

4.2.4 Organization Diversification strategy

The respondents were asked to state whether their organization engaged in other businesses. The results obtained showed that 66.7% engaged purely in seafood business while 33.3% were engaged in other businesses or were diversified as shown in Fig 4.2.

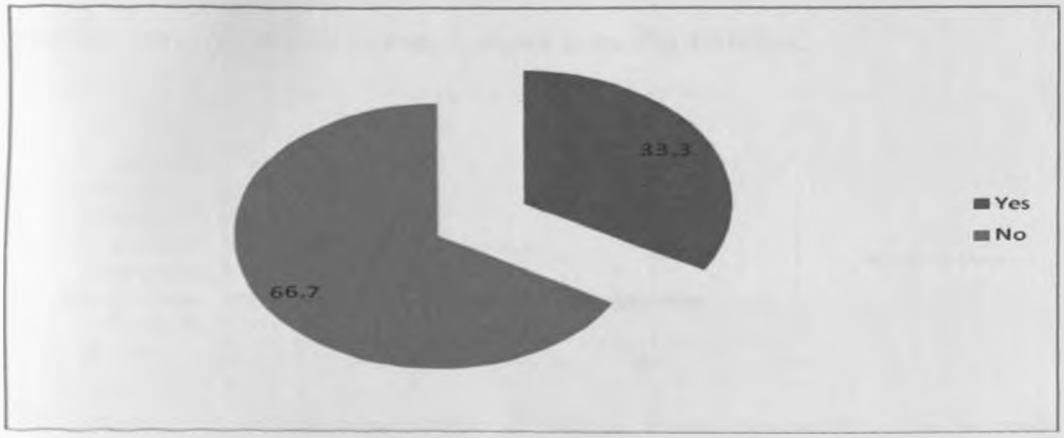


Figure 4.2: Firm Diversifcation Frequency

4.2.5 Firm Ownership

The respondents were asked to state who the owners of the firm were. The frequency results obtained indicated that 66.7% (4 firms) were owned by the locals and 33.3% (2 firms) were owned by locals and foreigners and with none owned by the government did not own any as shown in Fig. 4.3 below.

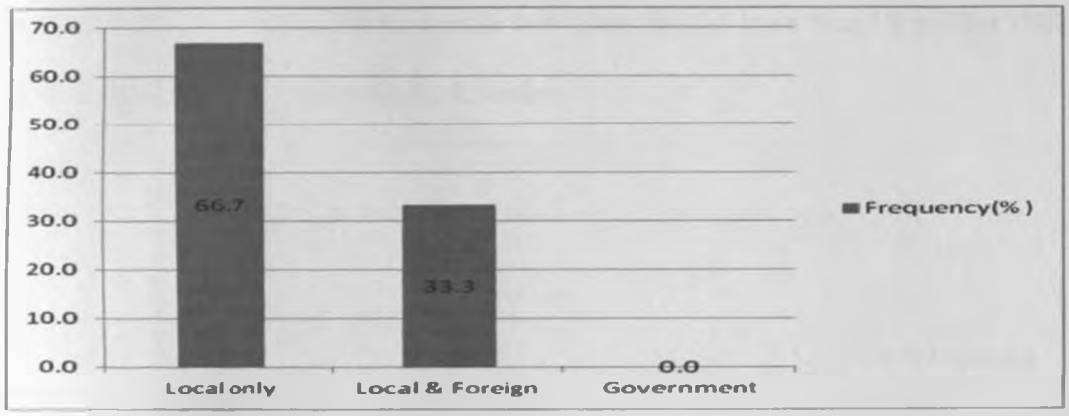


Figure 4.3: Firm's ownership Frequency

4.2.6 Firm Ownership Structure

The respondents were asked to state the ownership structure of their organization. The results of the frequency obtained indicated that 66.7% (4 firms) were partnership while 33.3% (2 firms) were parent company. There was none which was a sole proprietor, franchise, subsidiary or joint venture as shown in the Fig 4.4 below.

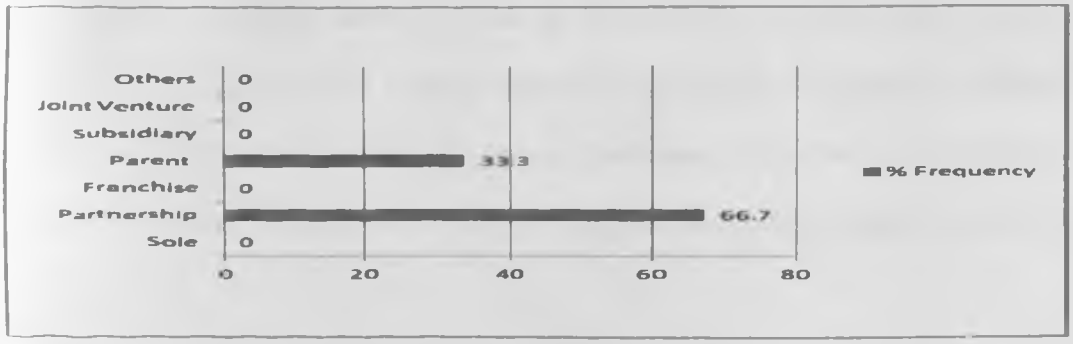


Figure 4.4: Frequency of firm's ownership structure

4.2.7 Total Sales Turnover

The respondents were asked to state the average annual turnover for the past three years (in United States Dollar/USD) of their organization. The results of the frequency obtained indicated that 66.7% (4 firms) had annual turnover of less than one million US Dollars (Ksh. 83 million), 16.7% (1 firm) had annual turnover of between one and five million USD (Ksh83- 415 million) while another had a turnover of more than 10 million USD (Ksh 830 million) as shown in figure 4.5 below.

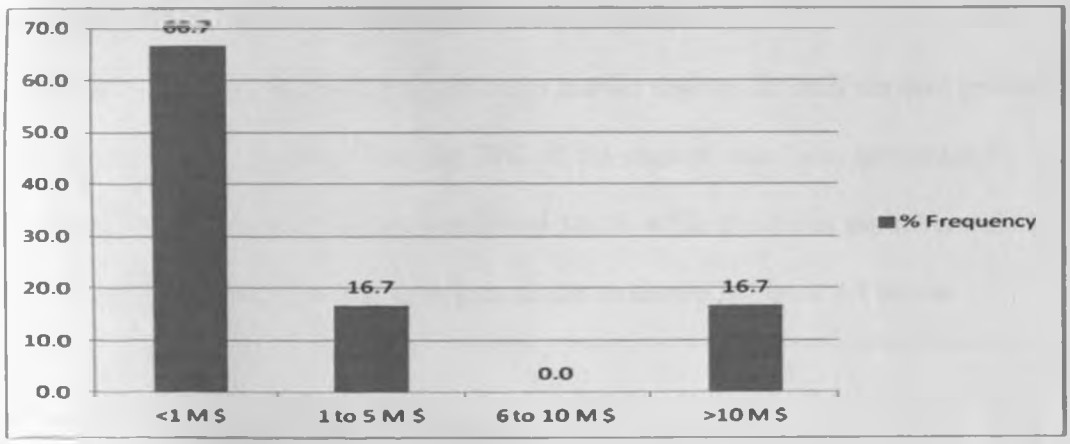


Figure 4.5: Average Annual sales Turnover for the past three years

4.2.8 The proportion of sales turnover firm seafood business

Respondents were asked to state what proportion of their firm's average annual turnover came from the seafood business. The findings showed that 66.7% of the firms reported having had 80-100% of their average annual turnover being contributed by seafood business, while the other two firms (16.7% each) indicated seafood business contribution of 40-59% and 0-19% respectively in the past three years as shown in Figure 4.6 below.

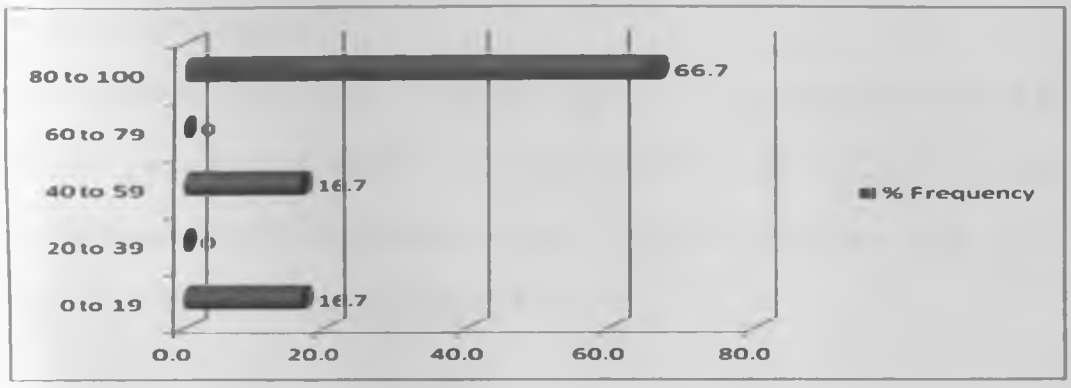


Figure 4.6: Proportion of Sales Turnover from Seafood business

4.2.9 Proportion of Market share of the seafood business

The respondents were asked to indicate major market regions for their seafood products. The results obtained showed that the 50% of the market share was accounted by the European Union; the local market contributed 38.2% while the Asian market contributed 11.8% and none from the North American market as shown in Figure 4.7 below.

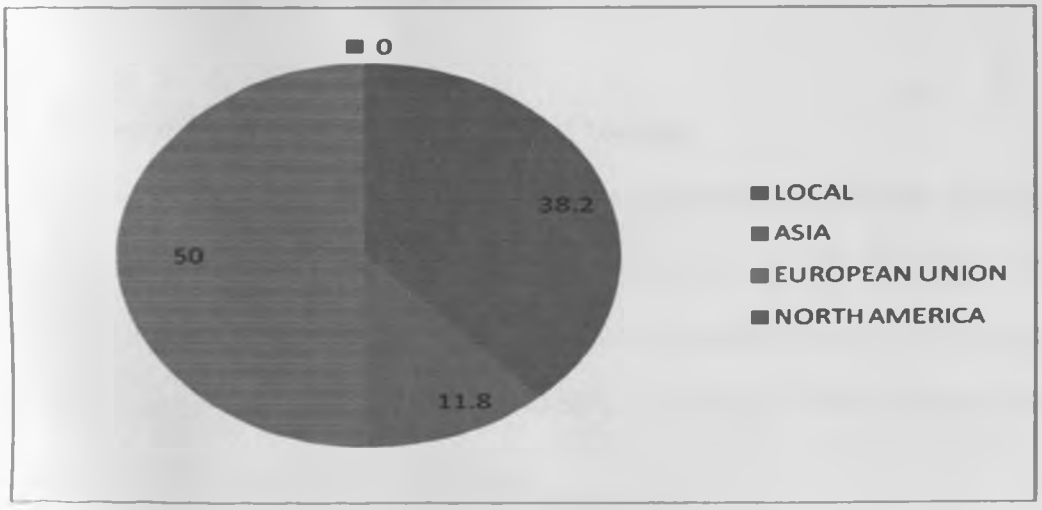


Figure 4.7: Percentage of Market Share

4.2.10 Total Workforce

The respondents were asked to indicate the category of total employees working in the firm. The findings showed that 83.3% (5) of the firms had a total workforce less of than 50 employees while 16.7% (1) had more than 100 employees and none in the 50-100 category of employees as shown in Figure 4.8 below.

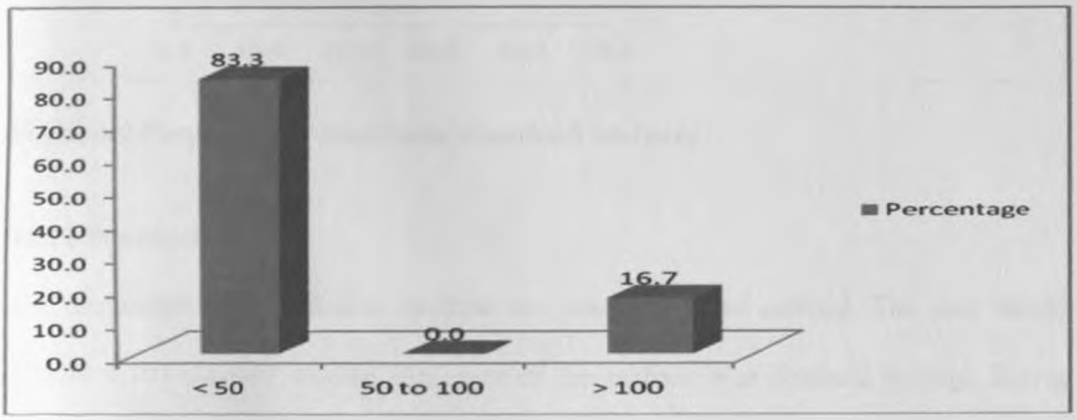


Figure 4.8: Total workforce (% of firms)

4.2.11 Proportion of workforce in the seafood business

The respondents were asked to indicate the relative percentage of employees working in the seafood business. The results (Figure 4.9) had shown that 50% (3) of the firms studied had 80-100% of their employees working in the seafood business while the other firms had a frequency of 16.7% each on 40-59%, 20-39% and 0-19% category of the employees working in the seafood business.

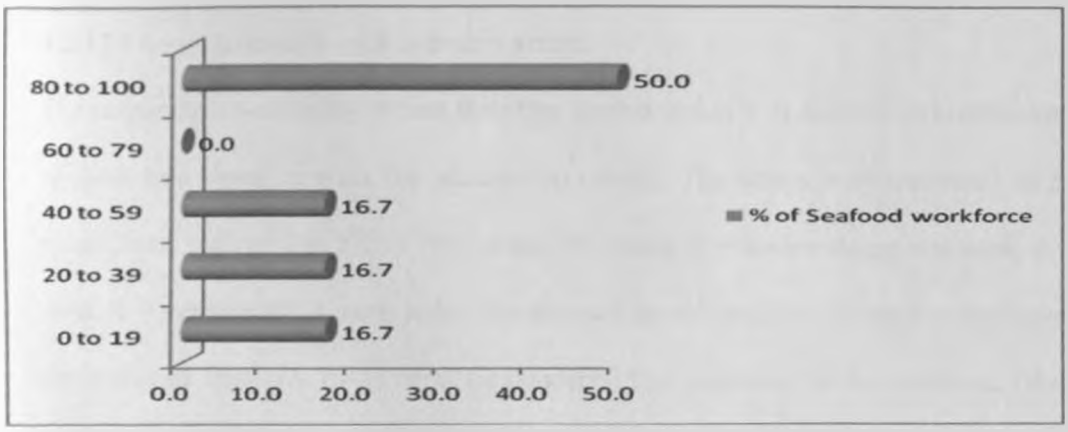


Figure 4.9 Proportion of workforce in seafood business

4.2.12 Source of seafood

The respondents were asked to indicate the main source of seafood. The data results (Figure 4.10) obtained showed that most of the seafood was obtained through fishing vessels (50%) owned by the individual firms. This was followed by purchase from middlemen (37.5%), that is, where the firms did not own fishing vessels, they bought them from fishermen or brokers or middlemen (referred as Middlemen). In addition, 12.5% seafood products came from aquaculture or mariculture while none was imported.

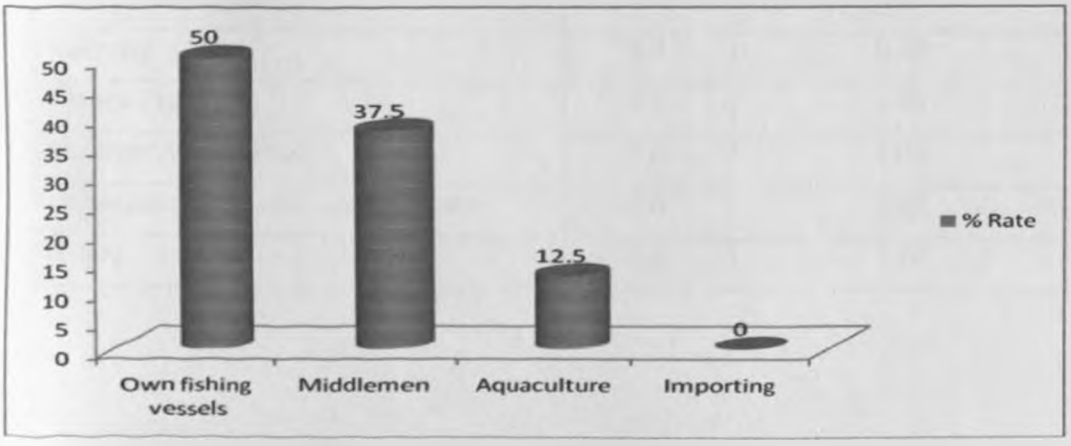


Figure 4.10: Source of seafood

4.2.13 Firm relationship with industry actors

The respondents were asked to rate their firm's relationship with selected industry actors to show how strong or weak the relationship existed. The ratings were measured on 5-point Likert scale of 1 to 5 (5 = very strong, 4= strong, 3 = neither strong nor weak, 2 = weak, 1 = very weak). A mean index and standard deviation of the ratings for each actor was obtained from five (n=5) firms (respondents) that responded to the question. Table 4.4 below indicated their relative strength from the highest to the lowest. Both suppliers and employees were rated highly ($\bar{x}$= 4.6±0.46) while universities/research organization ($\bar{x}$= 2.6±1.02) and non-governmental organizations ($\bar{x}$= 1.6±1.20) had weak relationship with firms as shown in table 4.3 below.

Table 4.4 Firm relationship with industry actors

	Mean ($\bar{x}$)	**Standard Deviation (σ_x)**
Suppliers	4.6	0.49
Employees	4.6	0.49
Internal Departments	4.4	0.80
Customers	4.4	0.80
Government agencies	4.4	0.49
Customs	4.4	0.49
Service Providers	4.2	0.40
Business Associations	3.6	1.02
Universities /Research organizations	2.6	1.02
NGO's	1.6	1.20

4.2.14 Processing Activities/Value addition

The respondents were asked to indicate all the processing activities that their firms performed as way of adding value to the product. The results indicated that 45.5% of the products were frozen, 36.4% were preserved and 9.1% were cured while 9.1% were sold without undergoing processing as shown in figure 4.11 below.

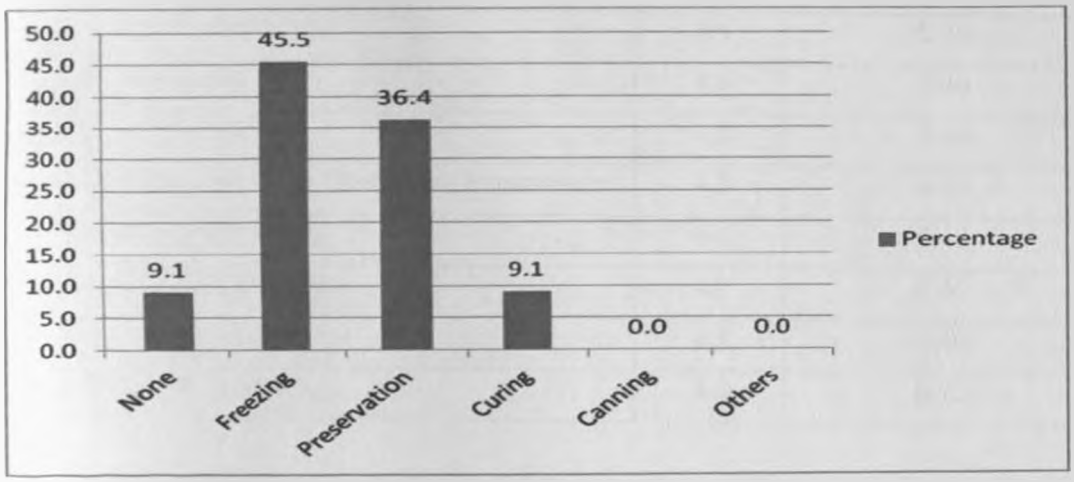


Figure 4.11: Processing/value addition activities

4.2.15 Importance of organizational value chain activities

The respondents were asked to rate the importance of organizational value chain activities that were measured on 5-point Likert scale of 1 to 5 (5 = very important, 4= important, 3 = neither important nor not important, 2 = less important 1 = not important). A mean index and standard deviation of the ratings for each activity was obtained from five (n=5) respondents. Table 4.5 below indicated their relative importance from the highest to the lowest. Finance was rated as very important ($\bar{x}$= 5.0±0.00) followed by raw materials, personnel, customer requirements, regulation and firm infrastructure with each having a mean rate of 4.8±0.40. On the other hand, advertisements/sales ($\bar{x}$= 4.2±0.40) and information technology ($\bar{x}$= 4.2±0.75) were least rated.

Table 4.5: Importance of Organizational value chain activities

Value chain activities	Mean ($\bar{x}$)	Standard Deviation (σ_x)
Finance	5	0.00
Raw materials/inputs	4.8	0.40
Personnel/staff	4.8	0.40
Customer requirements	4.8	0.40
Legal/regulation	4.8	0.40
Firm infrastructure	4.8	0.40
Production/Operations/Continuous Improvement	4.6	0.49
General Administration	4.4	0.49
Research &Development	4.2	0.40
Advertisement/sales	4.2	0.40
Information Technology	4.2	0.75

4.2.16 Relative easiness of obtaining finance or credit facilities

The respondents were asked to indicate the relative ease they experienced when accessing finance/funds from different sources of funds. This was measured on a 5-point Likert scale of 1 to 5 (5 = very easy, 4 = easy, 3 = neither easy nor hard, 2 = hard, 1 = very hard). The results obtained indicated that firms found it easier to obtain funds from their own savings/shareholders (($\bar{x}$= 4.0±0.63), than from commercial banks ($\bar{x}$= 3.4±0.80), venture capitalists ($\bar{x}$= 2.6±1.02) and nonfinancial institutions ($\bar{x}$= 1.2±0.75) as shown in Table 4.6 below.

Table 4.6 Source of funds

Source	Mean ($\bar{x}$)	Standard Deviation (σ_x)
Own savings/Shareholders	4.0	0.63
Commercial Banks	3.4	0.80
Venture Capitalist	2.6	1.02
Nonfinancial institutions	1.2	0.75

4.2.17 Factors that trigger review of business operation review

The respondents were asked to rate factors that were most likely to trigger review of processes and operations so as to attain improved efficiency or effectiveness. This was measured on 5-point Likert scale of 1 to 5 (5 = very high, 4= high, 3 = moderate, 2 = low, 1 = very low). A mean index and standard deviation of the ratings for each factor was obtained from six (n=6) firms/respondents. Table 4.7 below indicated operational costs were highly rated ($\bar{x}$= 5.0±0.00), followed by storage/preservation facilities ($\bar{x}$= 4.7±0.47), reliability of supplies/inputs ($\bar{x}$= 4.5±0.76), quality control and standardization ($\bar{x}$= 4.5±0.76), and availability of skills ($\bar{x}$= 4.5±0.76). On the other hand, the least rated factors included development of information communication technologies ($\bar{x}$= 3.5±1.26), climate change ($\bar{x}$= 3.2±1.34), and pollution ($\bar{x}$= 3.0±1.00).

Table 4.7 Factors that trigger business review to attain efficiency and effectiveness

Factors	Mean ($\bar{x}$)	Standard Deviation (σ_x)
Operational costs	5.0	0.00
Storage/preservation facilities	4.7	0.47
Reliability of supplies/inputs	4.5	0.76
Quality Control and Inspection	4.5	0.76
Availability of skills and expertise	4.5	0.76
Standardization & certification requirements	4.3	0.75

Government policy/regulation/tariffs, etc	4.2	0.90
Logistics, transportation and distribution systems	4.2	0.69
Competitors actions	4.2	0.90
Top management directives	4.2	0.69
State of economy	4.0	0.82
Globalization	3.7	1.11
Customer feedback	3.7	1.79
Development of ICT	3.5	1.26
Climate change	3.2	1.34
Pollution	3.0	1.00

4.2.18 Factors that improved firm's competitiveness

The respondents were asked to rate factors that had helped the company improve their competitiveness in the marketplace either in terms of cost or uniqueness/distinctiveness. This was measured on 5-point Likert scale of 1 to 5 (5 = very high 4= high, 3 = moderate, 2 = low, 1 = very low). A mean index and standard deviation of the ratings for each factor was obtained from six (n=6) firms/respondents. Table 4.8 below indicated that quality of product was highly rated ($\dot{x}$= 5.0±0.00), followed by skilled, experienced and motivated staff ($\dot{x}$= 4.7±0.47), production/processing technologies ($\dot{x}$= 4.7±0.76) and serving specific customer needs ($\dot{x}$= 4.5±0.76). On the other hand, the least rated factors included having an effective procurement system ($\dot{x}$= 3.8±1.07) and firm location ($\dot{x}$= 3.8±0.90).

Table 4.8 Factors that improved firm's business competiveness

Factors	Mean ($\bar{x}$)	Standard Deviation (σ_x)
Quality of product	5.0	0.00
Skilled, experienced & motivated staff	4.7	0.47
Production/processing technologies	4.7	0.75
Serve specific customer needs	4.5	0.76
Top management support	4.3	0.75
Pricing	4.3	0.75
Access to market information	4.3	0.75
Economies of scale	4.2	0.69
Firm reputation/image	4.2	0.37
Conducive working environment	4.2	0.90
Organizational culture, learning and experience	4.0	0.58
Aggressive advertisement, promotion and partnership	4.0	0.82
Branding and packaging	4.0	1.00
Effective procurement system	3.8	1.07
Firm location	3.8	0.90

4.2.19 State of competition in the seafood industry

The respondents were asked to indicate the state of competition in the seafood industry. The response obtained indicated that the competition was very high (33.3%), high (33.3%) and moderate (33.3%). This generally indicated that competition in the seafood industry was high-very high (67%) as shown in figure 4.12 below.

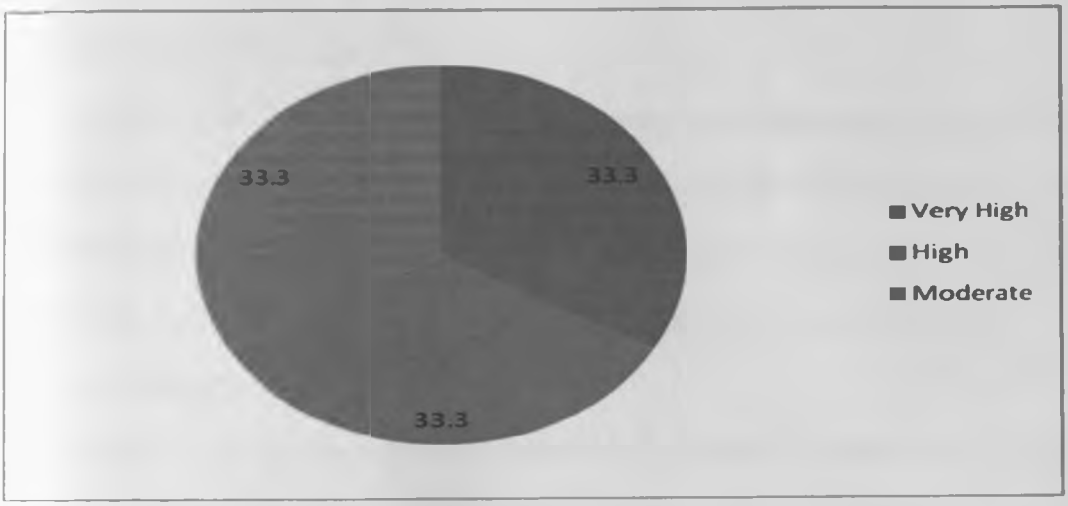


Figure 4.12: State of competition

4.2.20 Competitive Strategies

Respondents were asked to indicate one statement that best described the overall focus of their firms. Each statement represented one of the four major competitive strategies described by Michael Porter. That is, statement one described the broad cost strategy, statement two described the broad differentiation strategy, statement three described the cost-focus strategy and lastly the differentiation-focus strategy. The results showed that all firms (100%) followed the cost-focus strategy as illustrated in Table 4.9 below.

Table 4.9 Competitive Strategy pursued by seafood firms

Competitive Advantage	No. firms	% Frequency
Broad cost strategy	0	0
Broad differentiation strategy	0	0
Cost-focus strategy	6	100
Differentiation-focus strategy	0	0
Total	**6**	**100**

4.2.21 Multiple Regression Analysis

A multiple regression analysis was computed using the mean indices of independent variables or value chain activities. The mean indices were calculated after grouping the individual's variables into discrete value chain activities (Appendix V) that were distinguished as dependent variables, independent variables and control variables.

Dependent variable: Competitive Advantage

Competitive advantage as a dependent variable was measured using proportion of sales turnover, that is, the product of average sales turnover (Fig 4.5) and the percentage of sales (Fig 4.6) that was attributed to seafood business. Furthermore, the results in Table 4.9 indicated that all firms (100%) were pursuing a cost focus competitive advantage. It was then assumed that the proportion of sales turnover (TOT %) attributed to seafood business would be appropriate measure of competitive advantage.

Independent Variables: Value Chain Activities

The objective of the study was to find out the relationship between value chain activities and competitive advantage. The value chain activities were then considered as independent variables and coded accordingly. The mean indices of primary activities and secondary activities were then used for analysis. The primary activities included inbound logistics, operations, outbound logistics, marketing and sales, and customer service. Secondary activities included firm infrastructure, human resource management, procurement of resources and technology development as shown in Table 4.10 below.

In addition, the mean indices of value chain activities indicated that two of the primary activities were considered most important, that is, operations ($\bar{x}$= 4.6±0.44) was the most important activity followed by outbound logistics ($\bar{x}$= 4.5±0.20), human resource

management ($\bar{x}$= 4.3±0.24), Inbound logistics ($\bar{x}$= 4.3±0.25), procurement of resources ($\bar{x}$= 4.1±0.22), marketing and sales ($\bar{x}$= 4.1±0.26), customer service ($\bar{x}$= 4.1±0.33), firm infrastructure ($\bar{x}$= 3.9±0.41) and the least being technology development ($\bar{x}$= 3.5±0.00).

Table 4.10 Value Chain Activities

Value Chain Activities	Mean	S.D.	n	Classification
Operations	4.6	0.44	5	Primary Activity
Outbound Logistics	4.5	0.20	2	Primary Activity
Human Resource Management	4.3	0.24	7	Secondary Activity
Inbound Logistics	4.3	0.25	2	Primary Activity
Procurement of Resources	4.1	0.22	3	Secondary Activity
Marketing & Sales	4.1	0.26	7	Primary Activity
Customer Service	4.1	0.33	3	Primary Activity
Firm Infrastructure	3.9	0.41	6	Secondary Activity
Technology Development	3.5	0.00	2	Secondary Activity

Control variables: Organizational Profile Characteristics

Organizational profile characteristics such as organization experience, ownership status, ownership structure, proportion of employees working in the firm's seafood business and diversification strategy were used as control variables. However, the values of these control variables were coded and transformed as the logarithm of their estimated values as indicated in the regression Table 4.11 below. That is the logarithm of organizational experience (Log-OGE), the logarithm of ownership (Log-OWN), the logarithm of the proportion of total workforce (Log-WKF %), the logarithm of ownership structure (Log-OWS) and the logarithm of the diversification strategies (Log-DIV).

Regression Analysis Results

The results of the regression analysis indicated that competitive advantage (sales/TOT%) were positively related to firm infrastructure (FMI) and procurement of resources but negatively related to technology development (TED) and customer service (CUS) and with zero relationship with human resource management (HRM), inbound logistics (IBL), operations (OPR), outbound logistics (OBL) and, marketing and sales (MAS) as shown in Table 4.11. In addition, there was a negative relationship of sales turnover with organizational experience (Log-OGE) and with zero relationship with ownership structure (log-OWS), workforce (log-WKF %), diversification (log-DIV) and ownership (log-OWN).

Thus, the regression equation for the results showing the relationship between competitive advantage/sales turnover (Y) as sum of function of value chain activities mean indices (X) and control variables.

That is,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots\ldots\ldots + \beta_n X_n + \ldots \beta_n Z_n$$

Where

Y = Competitive Advantage (Sales turnover)

X = Independent variable, mean indices of value chain activities e.g. outbound logistics

Z = Control variables

β_0 = Y-intercept

β_1 to β_n = slope for each unit of X or Z

This can then be written as:

$$Y = -19.48 + 2.78FMI + 0HRM - 3.09TED + 6.97POR + 0IBL + 0OPR + 0OBL + 0MAS - 0.37CUS - 6.55log\text{-}OGE + 0log\text{-}OWS + 0log\text{-}WKF\% + 0log\text{-}DIV - 0.03log\text{-}OWN$$

Or rewritten as

$$Y = -17.48 + 2.78FMI - 3.09TED + 6.97POR - 0.37CUS - 6.55log\text{-}OGE$$

Table 4.11 Summary of regression analysis

Regression Statistics		
Multiple R	1	
R Square	1	
Adjusted R Square	65535	
Standard Error	0	
Observations	6	
	Coefficients	**Standard Error**
Intercept	-19.48	0
FMI	2.78	0
HRM	0	0
TED	-3.09	0
POR	6.97	0
IBL	0	0
OPR	0	0
OBL	0	0
MAS	0	0
CUS	-0.37	0
log-OGE	-6.55	0
log-OWS	0	0
log-WKF%	0	0
log-DIV	0	0
log-OWN	0	0
RESIDUAL OUTPUT		
Observation	*Predicted TOT%*	
1	1	
2	1	
3	10	
4	1	
5	2.95	
6	0.095	

4.3 Content Analysis

Content analysis was used to analyze questions that had options of additional information, where major themes were to be categorized and analyzed appropriately. The questions required the respondents to state or indicate whether they had any additional information or comments they would like to suggest. There were no additional comments received from the data collected.

4.4 Discussion

This section explains the major findings of this research and makes comparison with existing literature with regard to the influence of value chain management practices on competitive advantage of seafood firms. The results of this research study depict interesting findings. For instance, although the respondents were relatively young in the industry, they had a rich array of knowledge and experience. The firm's under study had depicted a sustained growth beyond the inception stage.

The seafood firms under study had strong relationship with suppliers and employees (both with $\bar{x} = 4.6 \pm 0.49$) compared to the weak relationship with universities/research organizations ($\bar{x} = 2.6 \pm 1.02$) and non-governmental organizations ($\bar{x} = 1.6 \pm 1.20$). This exemplified the importance placed by the seafood firms on the supply of raw materials and availability of human capital than on research and ecological issues. It is evident that value chain management practices are discrete organizational activities which were strategically chosen, linked and managed such as that the firm can achieve competitive advantage in the market place. The regression analysis of the findings indicated that

certain value chain management practices were either positively related or negatively related to the competitive advantage of firms as measured using the proportion of sales turnover over a period of three years attributed to seafood business while controlling for firm's characteristics. For instance, firm infrastructure and procurement of resources were found to be positively related to sales turnover while technology development and customer service were negatively related. The rest of the value chain activities had zero relationship. However, organizational experience, used as a control factor, was found to have had a negative relationship with sales turnover.

Seafood firms in Mombasa County indicated that a majority of their seafood (50%) was obtained through firm's fishing vessels while 37.5% of the seafood was obtained through middlemen/brokers/fishermen. In this regard, about 91% of this seafood was processed in one form or another as a method of value-addition. In this study, a majority of seafood was frozen (45.5%) or preserved (36.4%) and 9.1% was cured. These results concurred with FAO 2010 report which indicated that 49.8% of world seafood products were frozen (FAO, 2010). On the hand, results show that finance was the most important activity in their organizational value chain. However, the relative ease of accessing credit facilities from other sources of funds was a limiting factor. For instance, it was relatively easy to obtain funds from savings or shareholders than from commercial banks, venture capitalists and/ or non-financial institutions. This was similar to earlier indications that accessibility to financials services in the seafood industry remains critical in helping firms attain competitive advantage.

The findings of this study revealed that seafood firms in Mombasa County were more likely to review business operations so as to improve their effectiveness or efficiency due to changes in their operational costs, followed closely by storage or preservation facilities, quality control and inspection, and availability of skills and expertise. On the same note, activities that improved seafood firms' competitiveness were largely influenced by the ability to provide quality products, existence of skilled, experienced and motivated staff, production or processing technologies used as well as ability to serve specific customer needs.

More so, the state of competition is considered to be high or very high (66.7%). This can be explained by the fact that all firms (100%) surveyed employed a cost-focus competitive strategy and most of the products were exported to the European market (50%) where stringent market conditions existed. The results obtained in this study were similar to what FAO reported that European Union was one of the largest world markets for seafood (FAO, 2010).

Furthermore, a number of external factors under the study were found to influence the favorability of seafood firm's competing in the international market. The most important factor was the role of government such as in terms of policy, regulation and tariffs. This was followed by the state of economy, the effect of globalization, climate change and pollution. According to FAO (2010) lack of effective and efficient institutional frameworks had led to development of new and private marketing mechanisms which may be unfavorable to industry players in the developing countries.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter constitutes the summary, conclusion and recommendations of the research study. It also constitutes limitations of the study, suggestion for further research and implications of the study on policy, theory and practice. This chapter was divided into six main sections; that is, Section 5.2 deal with summary of the findings, Section 5.3 deal with conclusion, Section 5.4 deal with recommendations, Section 5.5 deal with limitations of the study, Section 5.6 deal with suggestions for further research and section 5.7 which deal with implications of the study to policy, practice and theory.

5.2 Summary of the Findings

The summary of these findings seek to answer the research question stated in the research problem as to what value chain management practices are being influenced by the need to develop competitive advantage in the seafood industry and more particularly to answer the research objective that asked what relationship existed between value chain management practices and competitive advantage in the seafood industry especially with respect to firms located in Mombasa County. The research study was based on the strategic concept of value chain management which is useful in identifying critical organizational activities that create a competitive edge for a given firm.

The findings of this research were collected from six firms located in Mombasa County which represented 60% of firms that were found present in the County during the period of study. The respondents were composed of managing directors (33.3%) and middle level managers (66.7%) whose mean years of experience was 3.67±2.35 years with that of seafood firms being 7.83±5.34 years. A majority of the firms had a total workforce of less than 50 employees and sales turnover of less than Ksh 83 million. These firms were mainly owned by local nationals and had formed partnership with other firms.

The findings indicated that firms had developed a strong relationship with suppliers and employees but had a weak link with business associations, universities/research organizations and non-governmental organizations. The findings also suggest a development of a strong vertical integrating system, since most of them own their own fishing vessels where they get majority of the seafood as well as buy fish from the middlemen where it was processed (frozen or preserved) for export market. The strong partnership suggested by the findings point to a view that there may be a strategic collaboration between local firms and foreign firms in improving their market access, especially to the European Union and Asian markets.

The results of this study indicated that a review of business operations were likely to be influenced by operational cost and existence of good storage/preservation facilities. This concurred with the response that indicated that the quality of product and existence of skilled experienced and motivated staff as crucial in improving business competitiveness. On the hand, finance was identified as one of the most important factor that influenced

organizational value chains. More so, access to it was found to be relatively hard to get from non-financial institutions, venture capitalists and banks. Generally, competition in the seafood industry was high-very high. This was explained by the findings which showed that all the firms studied pursued a cost-focus strategy. This strategy may be unsustainable for small firms because of the increasingly changing customer preferences and tastes. For instance, the findings showed that packaging and branding as well as effective procurement systems were considered moderate in improving firm's business competitiveness.

Indeed, the mean indices of the aggregate value chain activities revealed that operations, outbound logistics, human resource management and inbound logistics were the most crucial value chain activities of the seafood firms in Mombasa County in gaining competitive advantage. Further analysis using regression analysis indicated a positive relationship of sales turnover (competitive advantage) with firm infrastructure and procurement of resources. Similarly, it had negative relationship with technology development and customer service suggesting the impact of these activities on individual firm's competitive advantage.

5.3 Conclusion

Competitive advantage is a major focus of most for-profit firms. It is a driving force that ensures growth and survival in today's competitive and dynamic business world. There are four main generic strategies that are pursued by firms as advocated by Michael Porter. That is, low-cost strategy, differentiation strategy, cost-focus strategy and differentiation-

focus strategy. The choice of one or more these strategies are dependent on the organizational capability, competencies and resources, industry factors and remote factors. A competitive strategy that gives a given firm an advantage over the other can be investigated using different strategic tools, among them the value chain. The value chain is useful in identifying activities and their actors as well as establishing linkages and relationships of those activities and actors used to gain competitive advantage.

In this study, seafood firms in Mombasa County have established strong relationship with suppliers and employees, have partnered with other firms in management of seafood activities which had helped them stay in business for some time. The findings in this study suggest the importance of availability and accessibility of financial resources as critical factor in organizational value chain. It further notes that operational costs, quality of products, availability of skilled, experienced and motivated staff are essential in gaining competitive advantage.

On a wider perspective, the findings of this study indicated that operations and outbound logistics were rated highly as critical in the industry value chain but a regression analysis indicated it had zero relationship with sales turnover. On the other hand, the regression analysis showed positive relationship between sales turnover with firm infrastructure and procurement of resources while having a negative relationship with technology development and customer service. This means that there was need for industry players to invest more on development of effective procurement system that may help reduce overall value chain activity costs.

The current status of fisheries sector shows an inclined focus on value chain addition as a way of improving the marketability of Kenya's seafood products. There is a strong emphasis on individual firms to develop their own capacity to compete in the international market. This may not be easy given the strong competitive nature of the seafood industry. There are calls for policy makers and practitioners to strengthen their relationships and engagement in ensuring that fisheries resources are utilized well and productively.

5.4 Recommendations and Implication for Policy and Practice

It was observed that all of the firms studied pursued cost-focus strategy in a market that was very competitive. More so, operational costs were the most significant factor influencing review of business processes and operations. In this regard, the researcher recommends that existing industry players should review their competitive strategies with respect to changes in the marketplace. A thorough market research analysis could point to the use of broad differentiation strategy, broad cost strategy and differentiation-focus strategy. This can be achieved through the value chain activities such as customer service, branding and packaging, storage and preservation technologies, information technology and strategic alliances.

The researcher recommends improvement of business environment especially with regard to political will and government policies. The existing government policies, laws and regulations need to be reviewed so as to create an enabling environment to spur economic growth in the seafood industry. The Kenyan coastal fisheries has enormous resources that

need to be effectively utilized and managed such that it can contribute towards job creation, food security, wealth creation and poverty alleviation. The value chain model used in this study had demonstrated that competitive advantage was related to value chain activities. The findings suggest that a holistic approach of investigating relationships between value chain activities, actors and the linkages between various actors and the activities can be achieved. This implies that policy makers can adopt the value chain approach to diagnose institutional frameworks that support development of the seafood industry and those that hinder. Therefore, it can provide an opportunity for development of progressive policies.

Industry practitioners could find the research findings in this report useful in identifying sources of competitive advantage within and without their organizational value chains. For instance, firms can seek to develop strategic alliances, joint ventures and collaboration with established overseas firms. Secondly, firms can invest in intangible and non-imitable assets such as reputation, excellent customer service, branding and packaging to create a competitive advantage.

To theory, the implication of this study would be found to be useful in extending the broad knowledge on the seafood industry and the application of value chain analysis. There were few studies which had been done on the seafood industry. Therefore, the findings in this research may form a basis for further research in the fisheries subsector.

5.5 Limitations of the study

The views expressed in this study were limited to those of given by respondents drawn from private organizations engaged in seafood business in Mombasa County. It did not include views from other industry players such as artisanal fishermen, marketers, research firms, universities, government agencies, local/foreign consumers and suppliers. An in-depth understanding could have been gained if some of these actors were included in the study.

The research study targeted a census of all major seafood firms based in Mombasa County which were found to be ten but only 60% (6 firms/respondents) agreed to complete the questionnaire. More so, some questions were left unanswered prompting their omission in the data analysis. Similarly, some respondents were hesitant to answer the questionnaire because the respondents said that they were 'busy with other important things' or the information asked was 'sensitive'. In some cases, it was difficult for the researcher to get audience from the information gatekeepers.

5.6 Suggestions for Further Research

The limitations noted above suggest that further research could be carried out on the entire seafood industry to include all major actors in the seafood industry value chain such as government agencies, research organizations, artisanal fisheries and service provider's chain. In addition to being replicated in other major inland fisheries such as in Lake Victoria, Lake Turkana and the aquaculture sub-sector.

It would be important to investigate further the challenges and barriers for accessing information from information gate-keepers, access to credit facilities, and barriers that create existence of a weak relationship between seafood firms and universities/research organizations/ non-governmental organizations. In addition, it should focus on finding possible solutions.

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APPENDICES

Appendix I: Questionnaire

PART ONE: GENERAL INFORMATION

1. Name of Respondent (optional. initials allowed).....
2. Name of the Organization (optional) .....
3. How long have you worked in this organization?

Length of service (years)	0-4	5-9	10-14	15-19	Over 20
Tick (√)					

4. What is your position in this organization?

Position	**Tick (√)**
CEO/Managing Director	
Director/Senior Manager/General Manager	
Manager, Head of Section/Department/Division.	
Others (Please specify)	

5. How long has your organization been operating in seafood business?

Period of Operation (years)	0-4	5-9	10-14	15-19	Over 20

Tick (√)					

6. Is your organization engaged in other businesses? (a) YES (b) NO

7. Who are the owners of the firm?

Firm Owners	**Tick (√)**
Local	
Foreign	
Government	
Others (Please specify)	

8. Please indicate the ownership structure of your organization?

Firm Ownership Structure	**Tick (√)**
Sole proprietorship	
Partnership	
Franchise	
Parent Company	
Subsidiary	
Joint Venture	
Others (Please specify)	

9. What was your firm's total average annual turnover in the last three years (in US Dollars)? (Please Tick)

Turnover (USD Million)	Under 1	1-5	6-10	Over 10

Tick (√)				

10. What proportion of your annual turnover (in 13 above) comes from seafood business? (Please Tick)

Proportion of Turnover (Percentage)	0-19	20-39	40-59	60-79	80-100
Tick (√)					

11. What proportion of your seafood products were sold to the following markets? (***Please tick (√) relative percentage per market***)

Proportion of market share (Percentage)	0-19	20-39	40-59	60-79	80-100
Local Market					
European Union					
North America					
Asia					
Other markets					

12. What is your organization's total workforce?

Total Workforce (No.)	Less than 50	50-100	over 100
Tick (√)			

13. What proportion of your workforce (in 16 above) work in the seafood business?

Proportion of workforce (Percentage)	0-19	20-39	40-59	60-79	80-100
Tick (√)					

PART TWO: VALUE CHAIN MANAGEMENT PRACTICES

14. How do you get your seafood products?

Source of Seafood	**Tick (√)**
Own fishing vessels	
Buy from fishermen/brokers/middlemen	
From Farming/aquaculture/mariculture	
Import	

15. How strong is your firm relationship with the following actors? (5) Very Strong, (4) Strong, (3) Neither Strong nor Weak, (2) Weak, (1) Very Weak.

Actors	**5**	**4**	**3**	**2**	**1**
Internal Departments					
Suppliers					
Customers					
Service providers					
Employees					

Government Agencies					
NGO's					
Customs					
Business Associations					
Universities/ Research organizations					
Others (specify)					

16. To what extent does your firm perform the following processing activities on your seafood products? (Please tick all that apply)

Processing Method	**Tick (√)**
None	
Freezing	
Preservation	
Curing	
Canning	
Others (Please specify)	

17. To what extent are following activities important in your organization value chain operation? (5) Very Important, (4) Important, (3) Neither important nor not important, (2) Less Important, (1) Not Important

Activities & Costs	**5**	**4**	**3**	**2**	**1**
Research and Development					
Raw material/inputs					

Production/Operation/Continuous Improvement					
General Administration					
Personnel/Staff					
Advertisement and Sales					
Customer Requirement(s)					
Legal/Regulatory Compliance					
Firm Infrastructure					
Finance					
Information Technology					
Others (specify)					

18. How easy do you obtain finance/credit facilities from the following sources?

(5) Very Easy, (4) Easy, (3) Moderate, (2) Hard, (1) Very Hard.

Credit Facilities	**5**	**4**	**3**	**2**	**1**
Own Finance/shareholders					
Commercial Banks					
Venture Capitalists					
Nonfinancial Institutions					
Others (specify)					

19. To what extent do the following activities/factors trigger a review of your business operation and processes in order to improve efficiency and effectiveness? (5) Very High, (4) High, (3) Moderate, (2) Low, (1) Very Low.

Factors	**5**	**4**	**3**	**2**	**1**
Operational costs					
Reliability of supplies/inputs					
Climate change					
Government policy/ regulation/tariffs etc					
Pollution					
Quality control and inspection					
Standardization and Certification requirements					
Storage/preservation facilities					
Development of ICT					
Availability of skills/expertise					
Logistics, transportation & distribution systems					
Globalization					
Competitors actions					
Customer feedback					
Top Management directives					
State of economy					
Others (specify)					

PART THREE: COMPETITIVE STRATEGIES

20. To what extent have the following activities/factors improved your firm's competitiveness in terms of cost or distinctiveness? (5) Very High, (4) High, (3) Moderate, (2) Low, (1) Very Low.

Factors	**5**	**4**	**3**	**2**	**1**
Economies of scale					
Skilled, experienced and motivated staff					
Top management support					
Organization culture, learning and experience					
Firm reputation/image					
Pricing					
Serving specific needs of customers					
Conducive working environment					
Effective procurement system					
Aggressive advertising, promotion & partnership					
Location of firm					
Branding and Packaging					
Quality of product					
Production/Processing technologies					
Access to market information					
Others (specify)					

21. To what extent do you consider competition in the seafood industry?

State of Competition	Very High	High	Moderate	Low	Very Low
Tick (√)					

22. Please choose one statement from the following that best describes your firm's overall focus in seafood business?

Statement	**Tick (√)**
We consistently seek to deliver products at lower price than competitors in order to serve broad needs of our customers.	
We consistently seek to deliver unique products to a large number of customers.	
We continuously seek to satisfy specific needs of our customers and ensure our operational costs are at minimum.	
We continuously seek to deliver few unique products that will satisfy the needs of our specific target market.	

PART FOUR: ADDITIONAL COMMENTS

23. Do you have any other comments about the activities of your firm or other actors in the industry?

.....

.....

Thank you for your cooperation and assistance!

Appendix II: Authority to collect data

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telegrams "Varsity", Nairobi
Telex 22095 Varsity
P O Box 30197
Nairobi, Kenya

DATE 27/08/2012

TO WHOM IT MAY CONCERN

The bearer of this letter JACOB LEKIKAPA OKISEGERE

Registration No D61/63024/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
27 AUG 2012
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

Appendix III: Self-introductory letter

Jacob Ekirapa Okisegere

School of Business

University of Nairobi

P.O. Box 30197

Nairobi

Dear Sir/Madam

RE: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the School of Business, University of Nairobi pursuing a post graduate degree leading to Master of Business Administration. In partial fulfillment of the requirement for the award of the degree, am required to complete a management research project entitled **"Value Chain Management Practices and Competitive Advantage of Seafood Firms in Mombasa County".**

To achieve this, your organization was selected for this study and you are kindly requested to complete the attached questionnaire. The information collected will be purely used for academic purposes and held confidentially with no instance of your name appearing in the final report. A final copy of this research project findings shall upon request be availed to you.

Your cooperation and assistance is highly appreciated.

With Thanks,

Jacob E. Okisegere — MBA Student, UON

Dr. Z. B. Awino — Supervisor, UON

Appendix IV: List of seafood firms in Mombasa County

1. Alpha Group
2. East African Seafood Ltd.
3. East Africa Deep Fishing Ltd.
4. Wananchi Marine Products Ltd.
5. TransAfrica Fisheries Ltd.
6. Sea Harvest Ltd.
7. Crustacean Processors Ltd.
8. African Meat Company Ltd.
9. ITTICA Ltd.
10. Agri-marine and Organics Company Ltd.*

(Source: EPZA, 2005; AFIPEK, 2012;*Field data)

Appendix V: Eadf Ltd

To whom it may concern

6/09/2012 With Compliments

Kindly note that Mr. JACOB EKIRAPA OKUEGERE visited our office during his Research Programme to collect some data.

Regards

Naum Toroe.

Managing Director

EAST AFRICA DEEP FISHING LIMITED
P.O. Box 83296
MOMBASA

EAST AFRICA DEEP FISHING LTD

Mordhar Mohd Habib Road, Al Amin Plaza
Opp Sheetal Plaza
P.O Box 83296 - 80100 Mombasa - Kenya
Tel 041 - 231 9685 Fax 041 - 231 9684

Appendix VI: Amco Foods Ltd

AMCO Foods Limited

P.O.Box 81734
Mombasa
Kenya-80100
Pin : P051919910

Phone: + 254 20 2638591
Fax: + 254 20 2038592
E-fax : + 1 610 673 3551
E-mail: sales@amco-foods.com

11th Sept, 2012

TO WHOM IT MAY CONCERN:

This is to confirm to you that Mr. Jacob Ekirapa Okisegere visited our company and I assisted him by filling the questionnaire at the best of my knowledge.

We wish him the best in his further studies.

Yours faithfully,

For

Edwin Oloo
Quality Controller Manager
Amco Foods Ltd.

Appendix VII: Easf Ltd

East African Sea Food Ltd.

Telephone: 533355 / 532925 /6
Fax: 533236 / 533750

ROAD "A
OFF ENTERPRISE ROAD
P O BOX 10271
NAIROBI
KENYA

17th October 2012

TO WHOM IT MAY CONCERN

This is to confirm to you that Mr. Jacob E. Okisegere of ADM. D61/63024/2010 came to our office to collect data and we assisted him to the best of our knowledge.
We wish him well in his studies.

Yours faithfully,

David Ouko
Superintendent

Appendix VIII: Amoc-Kenya Ltd

AMOC - KENYA

Agri-Marine and Organics
Company Limited,
P.O Box 3727 - 80100
Mombasa - Kenya

Phone: +254 721 448 919
enquiries@amoc.co.ke
sales@amoc.co.ke
orders@amoc.co.ke
www.amoc.co.ke

Date: 17th October 2012

TO WHOM IT MAY CONCERN

Dear Sir,

This is to confirm to you that Mr. Jacob E. Okisegere D61/63024/2010 visited our company to collect data and we assisted him to the best of our knowledge.

We wish him all the best in his studies.

Regards,

Mr. Roy Wafula Makhaso

Managing Director

AMOC-KENYA LTD

Appendix IX: Crustacean Processors

CRUSTACEAN PROCESSORS

EXPORTERS & PROCESSORS OF HIGH QUALITY SEA FOOD

P. O. BOX 42507
MOMBASA
KENYA

EMAIL: crustacean@ikenya.com

TEL. 2319586
FAX: 2319587
MOB 0729 403563

17TH OCTOBER 2012

TO WHOM IT MAY CONCERN

RE: JACOB EKIRAPA OKISEGERE- D61/63024/2010.

This is to confirm that the above named visited our company and collected data.

Best Regards.

Yours faithfully,

JAIRUS AMBIRA,

QAM.

Appendix X: Ittica Ltd

ITTICA LIMITED

Shimanzi Road
P. O. Box 89382
Mombasa - Kenya.
Mobile: 0733 364409
0725 943818

ittica@africaonline.co.ke

Ref: 005/17/10/2012

17/10/2012

TO WHOM IT MY CONCERN

This is to confirm that Mr. Jacob Ekirapa Okisegere,of admission number: D61/63024/2010 came to our office to collect data and we assisted him accordingly. Thank you.

Yours faithfully,

ITTICA LIMITED
P O Box 89382
MOMBASA

Eliud Mutua

OPERATIONS MANAGER