

**APPROACHES AND CHALLENGES OF PRIVATIZATION BY
KENYA TEA DEVELOPMENT AGENCY (KTDA) LIMITED**

BY

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ABSTRACT

Public institutions have recently been faced with multiple challenges arising from increased competition from the private sector and public scrutiny. To remain competitive as well as profitable, some have resulted to privatization. The Kenya Tea Development Authority has faced serious challenges both in the internal operating and external environment which required urgent attention to avoid any serious impact in the local tea industry. This was made worse by global developments in the tea industry, resulting in low returns in the entire tea value chain and the farm level. KTDA therefore needed to position itself to increase its competitiveness, global market share and increase returns. The objectives of the study were to establish the approaches that KTDA Ltd had used in its privatization process and also, the challenges it encountered in its privatization.

This was a case study which sampled ten employees thus achieving a 100% response rate. Both primary and secondary data were collected. Primary data was collected through face to face interviews and also through self administered semi-structured questionnaires. Data was analyzed using frequencies, means and standard deviations. These were presented in tabular format. Qualitative data was analyzed using content and factor analysis.

The research findings revealed that various approaches implemented by KTDA towards achieving its privatization were not well defined to most stakeholders. It was evident that the need to plan ahead, pressure from stakeholders and response to customer needs were viewed as the important factors that necessitated the privatization. The objectives of the privatization according to those interviewed were to increase competitiveness of KTDA Ltd and reduce costs. It was evident that privatization changes were largely initiated at the top management level and the privatization vision was clearly articulated, nor understood by all staff. The privatization process faced rather strong resistance from stakeholders, due to issues such as, parochial self interest, fear of the unknown, fear of inability to develop relevant skills among other factors. In an attempt to react to these factors, training and education, communication, use of local change

leaders, promise of reward, coercion and authority, manipulation and use of reward were the commonly used mechanisms. Other factors that had hindered the privatization process were interference by factories and politicians. Out of the set out objectives, interviewees agreed that the privatization had enabled KTDA Ltd to operate on autonomous basis, as well as enhancing efficiency of the organization, while the main key successes factors present included properly trained staff to manage the privatized institution and who are well equipped to drive the business.

It was however recommended that for an effective privatization of KTDA Ltd to take place, the shareholding structure of the organization and the factory companies should be restructured. The dual role of KTDA Ltd as a management agent and a tea grower's investment issue should be addressed to avoid the current confusion with a subsidiary company being formed to manage the factories. The organization should further decentralize its function to the regional offices to enhance service delivery to the various factories. Implementation of proper management of the human capital and good corporate governance policies are paramount factors for streamlining the privatization process of KTDA Ltd.