

**VALUE CHAIN PRACTICES AND MANAGEMENT AT THE KENYA  
MEAT COMMISSION**

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REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS  
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## **DECLARATION**

I declare that this is my original work and has not been presented in any other University or College for Examination or Academic purposes.

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

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## **DEDICATION**

This project is dedicated to my family; my husband James and my children Jeremy, Jesse and Jensen. You deserve an award for being true partners on this journey.

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It has been an exciting study period in the University of Nairobi and I feel privileged to have had the opportunity to carry out this study as demonstration of knowledge gained during the period studying for my master's degree. With these acknowledgments, it would be impossible to remember all those who in one way or another, directly or indirectly, have played a role in the realization of this research project. I therefore thank them all in equal measure.

First, I am indebted to the all-powerful GOD for all the blessings he showered on me and for being with me throughout the study. I am deeply obliged to my supervisor for his exemplary guidance and support without whose help; this project would not have been a success.

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## **ABSTRACT**

The main purpose of the study determined how the value chain practices affect management at Kenya Meat Commission. The study was guided by the following specific objectives: to establish the various value chain practices at Kenya meat commission; to establish the relationship existing between value chain practices and management at Kenya Meat Commission and to establish the factors affecting the relationship between value chain and management at the Kenya Meat Commission. The study was carried out through a case study design where the unit of study was sought to find out the value chain analysis at KMC. The study made use of both primary and secondary data. The target population for this study was senior employees of Kenya Meat Commission. The respondents were the Managing Commissioner, Chief Finance Officer, Production Manager, Sales and Marketing Manager, Livestock Manager, Quality Controller, Human Resources and Administration Manager, Engineering Manager, Procurement Manager. The secondary data was obtained from the KMC's documented strategies and any other relevant information about the KMC. The findings of the study established that the organizations have a number of areas of strategies that can be adopted and maximized for the purpose of ensuring that their work continues into the foreseeable future. Implementation of value chain practices and management faces challenges that limit the focus on quick initial benefits from the implementation and sustaining value in subsequent future functionality releases can help in obtaining longer-term commitment to automation and change. Cross-value chain strategies establish competitive advantage that can be reached only by managing the entire value chain as a whole including all involved functions. Value chain is characterized by classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function. The role the livestock, procurement and quality controller played in the implementation of value chain strategies was in the approval of the quality of livestock that is best for meat production. The management practice suggested by the engineering department involved value chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems, and shared information. The recommendations of the study were that the organizational learning should take place through individuals and their interactions in the organization and managers of organizations or governments should identify those internal processes that enable them to meet the expectations of customers in the target markets and those of the shareholders and seek to establish these into the organizational culture; the mission and vision of the organization should address inherent culture and value system of the organization in order to succeed in its implementation. The firm's resources should have four fundamental characteristics in order to create sustainable competitive advantage. Managers should create an environment where knowledge can be developed and transmitted to all in the organization.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Every firm is a collection of activities that are performed to design, produce, market, deliver and support its product. These activities constitute the value chain. A firm's value chain of the way it performs individual activities is a reflection of its history, its strategy, its approach to implementing its strategy and the underlying economies of the activities themselves. Created by Porter (1990), a value chain "disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation.

The resource based view theory emphasizes economic rent creation through distinctive capabilities. A company resource drives its performance through enabling the company to develop competencies to enable survival and superior performance. Companies will compete on the basis of resources they possess. According to Krogh and Roos, (1995) the firm's resources must have four fundamental characteristics in order to create sustainable competitive advantage. Fahy, (2005) emphasizes three attributes of such resources, that they must be valuable, have barriers to duplication and be appropriable.

Kenya meat commission's operation has been befallen by the liberalization of the meat industry, the large turnover of management, losses occasioned by KMC's buyer of last resort status and loss of the EU markets due to outbreak of foot and mouth disease. These effectively sealed KMC's fate. In spite of the Government of Kenya investing Kshs.1.9 billion in the restructuring efforts, KMC's performance has been below par. The firm has in essence not been able to successfully manage its value chain.

### **1.1.1 Value Chain Practices**

The value chain management processes are presented in a process overview initially and then further detailed with respect to process characteristics and compared within the framework. Value chain strategy focuses on synchronized decisions on business design and business rules in the value chain as summarized in the following definition, (Prahalad, 1990). The concepts to manage the value chain structures by their area of specialization either on supply, demand or values. Secondly, within an integrated framework, the results of the specialized disciplines are combined with the objective to manage sales and supply by values and volume.

Different methods exist to support value chain management decisions in strategy, planning and operations that are applied in respective decision support models. A basic definition of method and model can be found in a review by Teich (2002). Method is based on the Greek term methods meaning way towards something or way or process of examination. Methods and methodological approaches are characteristic for scientific work and solution of theoretical as well as practical problems, reviewed by Nienhaus (2005), reference, simulation, optimization as well as analysis and visualization.

Firms work to ensure that goods and services reach their customers quickly than their competitors through efficient and effective supply chains. The need to do so has driven them to ensure the use of well managed supply chains due to the interdependence among supply chain partners. The management of these supply chains becomes imperative in determining choices in modal analysis, load planning and route planning.

‘However, supply chain management on the other hand faces such challenges as re-engineering, outsourcing and globalization leading to ensuring that supply chains yields value as products and/or services move from point of production to point of consumption. In view of this value management is therefore important along these chains (Zigiari, 2000). The business environment is faced by such effects as globalization, competition and heightened customer expectations resulting in supply chains competing against supply chains. It is therefore important that operations and value chains are managed to ensure survival and prosperity (Dawei, 2011).

Interdependence amongst supply chains is a key factor and thus success or failure of a firm depends highly on activities adopted by supply chain partner. The need for value creation along these supply chains is important. Firms therefore need to clearly identify their value chains and aim to manage them to ensure that value is created in the present and future undertakings.

Managing value requires a fundamental change in the way organization and individuals think, take decisions and behave (Andrew Fearn, 2009). The value added process affects the supply chain relationship and consequently supply chain performance (Quesada, Gazo and Sanchez, 2012).

### **1.1.2 Value Chain Analysis**

Business design comprises traditional company network design decisions on production and distribution sites or production resource capacity design.

The term *business design* also includes market strategy decisions in sales and procurement as well as product strategy and life cycle decisions. Shapiro criticizes supply chain strategy studies that these are often too narrowly defined not covering the company strategy as a whole (Shapiro 2004).

Business rules define upper and lower boundaries and service levels agreed in contracts or given by physical structures of the value chain. The objective is to integrate business design and business rule decisions throughout the global value chain network already on the strategic level to enable global value optima in planning and operations, (Hamel, 1990).

### **1.1.3 Value Chain Practices**

A value chain of activities where products pass through all activities of the chain in sequence and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of added values of all activities. It is important not to mix the concept of the value of the product with the costs of producing it (Nienhaus, 2005).

The value chain does not, however, only include a straight line. There are external activities that influence activities within the value chain proper. They include the surrounding environment in this model, expanding the value chain, in a way.

In such an expanded model, there may be distinction between the core activities, which include the industry's own activities, and upstream and downstream activities. Upstream activities provide inputs into the industry, while downstream activities relate to the outputs from the industry (Nienhaus, 2005).

Value is defined as the amount buyers are willing to pay for what a firm provides, leading to conception of the term "value chain" which is defined as the combination of nine generic value added activities operating within a firm that is primary activities that include inbound and outbound logistics, marketing and sales, service and support activities that is procurement, can generate more value to their customers by reducing non value adding activities (Nikov, 2001).

According to Walters and Lancaster (2000), the value chain is a business system that creates end-user satisfaction and realizes the objectives other member stakeholders and therefore need for value chain management to facilitate the realization of these objectives. Value chain management requires "examining processes (physical, financial and informational) and uncertainties (opportunities for improvement and risks to achievement) from beginning to end of the chain (or network) in an integrated manner in order to optimize overall value"(Hardacre & Collins, 2008).

Awino (2002) identified such universal value chain management practices as operating policies, linkages within supply chain firms, improved performance, information technology systems, strategic alliance, performance measure, goal orientation, customer relationships, guidelines and procedures, supplier selection and supplier evaluation found to compare with best practices globally. However these practices although compared with best practices globally, require a further study to establish other value management practices that add value to both the firm and customers.

This research therefore sought to explore such practices as procurement and sourcing, operational excellence, supply chain network design and distribution. Although not universal, value from these practices can only be achieved if and when an organization through connecting and convening key players, developing right strategies, practice seeing the system through one another's eyes, build partnership, evaluate and scale up the value chain and institutionalize successful approaches (Shweitzer, et al., 2008).

#### **1.1.4 Meat Industry in Kenya**

Kenyans consume an average of 15-16 kg of red meat (meat and offal from cattle, sheep, goats and camels) per capita annually, (Behnke and Muthami, 2011) for a national total of approximately 600,000 MT (2009 census) of red meat per year. Cattle are the most important source of red meat, accounting for 77 percent of Kenya's ruminant off-take for slaughter. According to Behnke and Muthami (2011), approximately 80 to 90 percent of the red meat consumed in Kenya comes from livestock that are raised by pastoralists, with the remainder coming from highland cattle.

While Kenyan pastoralists account for the majority of Kenya's meat supply (approximately 60 to 65 percent of the total), a significant portion (20 to 25 percent) comes from livestock raised in neighboring countries with significant livestock populations (Ethiopia, Somalia, Tanzania and Uganda), making Kenya a meat deficit country.

It has been noted that the large cities of Nairobi and Mombasa have the highest per capita meat consumption within Kenya (Behnke and Muthami). The authors estimate Nairobi's consumption at 25.8 kg per person, which would require the monthly supply of approximately 27,839 head of cattle, 71,555 sheep and goats, and 685 camels to Nairobi. Mombasa is another important terminal market (along with Nairobi) for livestock from pastoral areas, and particularly North Eastern Province. Mombasa's annual consumption is estimated at 21.2 kg per person in 2011, requiring a monthly supply of 8,178 head of cattle, 21,021 sheep and goats and 201 camels. Most of the livestock sold in Nairobi and Mombasa comes from pastoral communities, and predominantly from northern Kenya and beyond.

The main markets that supply animals are Garissa, Marsabit, Wajir, Mwingi, Isiolo, and Kajiado. Many of the animals coming from northern Kenya originate from across the border in Somalia and Ethiopia, while some of those from the southern corridor come from Tanzania. The Kenyan meat market is primarily urban and is stratified according to income, with the middle class accounting for the large majority of meat consumers in the urban centers (Behnke and Muthami, 2011).

Although total volumes remain small accounting for only 1 percent of Kenya's meat production), Kenya has experienced an important increase in meat exports since 2005, particularly following the re-opening of the Kenya Meat Commission (KMC) abattoir as an export-licensed facility for use by private exporters. Tanzania and the UAE are Kenya's most consistent markets for meat exports in recent years. However, in 2010, several large new markets were opened or expanded: Qatar, Oman, Kuwait, Somalia and Egypt. Kenya is only a minor exporter of livestock, with the number of head exported never exceeding 7,500 in a given year. The only significant markets are Mauritius and Burundi, which import Kenyan cattle and goats respectively.

#### **1.1.5 Kenya Meat Commission**

The Kenya Meat Commission was established in 1950 by an Act of Parliament, Cap 363 of the Laws of Kenya, to promote the country's meat industry through purchase and slaughter of livestock products in the local and export markets, (Kenya Meat Commission Audit Report, 2008). At the height of its operations, KMC's products and brands were household names in the East African, Middle East and European markets.

It had holding grounds that guaranteed consistent and sustained quality and quantities of livestock. Maintenance of structured stock management and movement system countrywide, (Kenya Meat Commission Audit Report, 2008). In recognition of the value of its human resources, the commission had an elaborate staff welfare infrastructure which included over 800 residential houses, a primary school among other facilities. With KMC having spent all its reserves on expansion, it is still faced with working capital crisis made worse by a large expense base, (Kenya Meat Commission Strategic plan, 2006-2008).



Currently, meat processing at KMC faces a number of challenges. Some of the constraints within the sector include: obsolescence of the factory's machinery and equipment, mismanagement, poor status of the buildings and more sadly lack of a clear value chain strategy for its design, produce, market, deliver and support of its product, (Kenya Meat Commission Audit Report, 2008).

## **1.2 Research problem**

Value chain management within organizations has continued to experience discontinuous and abrupt change. Every organization will be required to reinvent its strategy continuously year after year and make right angle turns quite often (Hemel, 2002). Since the challenges have become a constant, there is need to implement a value chain management practice effectively to aid the development of organizational competencies. Successful organizations will be those that implement and practice value chain successfully.

Contextually, Kenya Meat Commission (KMC) is one of these institutions that are yet to effectively manage challenges facing the implementation of its value chain management and practice. The firm has failed to take off since its revival in June 2006 and has continued to depend on government grants and loans. In spite of the Government of Kenya investing Kshs.1.9 billion in restructuring efforts, KMC performance has been below par (making losses amounting to Kshs.313 million and Kshs.224 million in 2007 and 2008 respectively) and it has been operating at less than half optimum capacity, (Kenya Meat Commission Audit Report, 2008)

Various international studies have been conducted on value chain analysis in companies, Normann, Richard, and Rafael Ramirez, (1993), contends that the way value chain activities are carried out determines costs and affects profits. The authors further revealed that organizations engage in hundreds, even thousands, of activities in the process of converting inputs to outputs. Tomasseli, Diserio & De Oliveria (2008) studied on the value chain management and competitive strategy in the home video game industry showing that mistakes in the management process can lead to a loss of billions of dollars in one generation of consoles or to an almost monopolistic control of the market. Bowen (2012) researched on the effect of mass retail buying practices on competitiveness in the retail value chain and found that the more degree of collaboration among the South African retail players, the more responsive the entire supply chain will be.

Locally Awino (2007), Bwibo (2000), Mbogo (2003), Rukunga (2003), Situma and Ngaruiya (2007). These studies focused on strategic change management challenges and key factors influencing change in Kenyan companies including change in Kenyan companies including non-Governmental organizations and successful management of value chain strategies especially in KCB and Unga group limited. However none has been conducted in the meat industry and particularly on the value chain management and practice in a public enterprise. This indicated that a gap exists that needed to be filled.

The Kenya Meat Commission was therefore an ideal choice considering that it has been unable to cope with its turbulent environment. Therefore, there was a need to undertake a study at Kenya Meat Commission to establish the value chain analysis.

Therefore the research sought to answer the question: what are value chain practices and management at Kenya Meat Commission?

### **1.3 Objectives of the Study**

This study was guided by the following objectives:

#### **1.3.1 General objective**

The study sought to determine how value chain practices affect management at Kenya meat commission.

#### **1.3.2 Specific objectives**

- i. To establish the various value chain practices at Kenya meat commission.
- ii. To establish the relationship existing between value chain practices and management at Kenya meat commission.
- iii. To establish the factors affecting the relationship between value chain and management at the Kenya meat commission.

### **1.4 Value of the Study**

The study is a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The study also highlights important relationships that require further research on the value chain strategies used by the public sector firms.

The study contributes to theories already put down for example the resource-based management and strategic capability theory, where it incorporates external factors such as institutional and market position in relation to the implementation of strategic management. Where it is necessary to consider the shifting character of the external environment and hence the key role of strategic management, which is predominantly about adapting, integrating and reconfiguring internal and external organisational skills, resources and functional competencies towards the changing environment. The research findings contribute to a better understanding of value chain practice and management.

The findings in this research have shed some light on the loopholes that exist in the value chain management process in most, if not all organizations and attempted to recommend practical solutions. The study also forms a reference in the field of value chain practice and management within its core concepts of formulation, implementation and evaluation.

Finally, the research findings contribute to a better understanding of promoting strategic thinking among the managers of KMC when addressing the understanding of value chain analysis. The research forms a basis for further research in this area among academics and lastly, the study forms a reference in the field of strategic management within its core concepts of value chain management.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is concerned with the review of pertinent literature. It covers both theoretical and empirical literature. Theoretical literature focuses on the value chain management challenges and the capacity to adapt to the rapid changes in time. On the other hand, empirical literature lays emphasis on findings of empirical studies on the performance of entities.

#### **2.2 Theoretical Foundation**

As designed by Grant (1991) and much in the same way as Hill (1989) has put it, the resource-based model starts with an extensive analysis of those operating capabilities and competencies existing within the firm. The currently dominant view of business strategy resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making (Kay, 2005).

The resource-based view (RBV) offers critical and fundamental insights into why firms with valuable, rare, inimitable, and well organized resources may enjoy superior performance (Barney, 1995). Its current prominence is reflected not only by its dominance in the academic journals but also by its inclusion in leading strategic texts which warrants the conclusion that it is widely taught to students and practitioners in undergraduate, masters' and executive programs.

RBV analysis is phrased in very general terms and is in principle applicable to any resource anywhere in the firm. This wide generality is at the same time a strength and a weakness, the former because of the broad applicability of RBV analysis, the latter because the generality of the RBV also means a corresponding lack of specificity. Others have made similar claims and have suggested various valuable ways of taking the RBV in a more managerial direction. However, one important critique – namely that it is not sufficiently clear in the RBV how resources contribute to firm-level value creation and that operationalization is therefore difficult (Priem and Butler, 2001) has not been satisfactorily answered.

The resource-based view (RBV) of the firm builds itself around the internal competencies of firms. Competitive advantage is seen as being rooted inside a firm, in assets that are valuable and inimitable. It is a resource that is scarce, with few substitutes, or is difficult to imitate, and enables organizations to exploit opportunities, and provides sustained competitive advantage to firms (Barney, 1991). Explicit barriers – introduced either by a firm's internal strategy or by governmental intervention – may facilitate rareness and inimitability of certain resources.

Time lags, size advantages, superior foresight and preferential access to superior information and resources are examples of possible barriers to imitation by competitors (Barney, 1991). By nurturing internal competencies and applying them to an appropriate external environment, firms can develop viable strategies to “exploit opportunities or neutralize threats in the firm's environment” (Barney, 1986; Russo and Fouts, 1997). Hence, RBV addresses the fit between a firm's ability to carry out a task and the opportunity available for the task to be performed.

A further problem of nomenclature hampering the development of the resource-based view has been the variety of labels used to describe the firm's resource set. For example, the term competencies appears frequently in the literature sometimes preceded by the adjectives, core and distinctive, sometimes not, sometimes used interchangeably with the term capabilities which, in turn, is used interchangeably with the term skills which is frequently preceded by the adjective, core. To overcome this ambiguity, the label resources are best adopted as a general, all-embracing one.

Tangible assets refer to the fixed and current assets of the organization that have a fixed long run capacity (Wernerfelt 1989). Examples include plant, equipment, land, other capital goods and stocks, debtors and bank deposits. Tangible assets have the properties of ownership and their value is relatively easy to measure (Hall 1989). The book value of these assets is assessed through conventional accounting mechanisms and is usually reflected in the balance sheet valuation of companies. The other defining characteristic of tangible assets is that they are transparent (Grant 1991) and relatively weak at resisting duplication efforts by competitors. For example, though plant or land may be geographically immobile, they are relatively imitable and substitutable.

Intangible assets include intellectual property such as trademarks and patents as well as brand and company reputation, company networks and databases (Hall, 1992; Williams, 1992).

The presence of intangible assets account for the significant differences that are observed between the balance sheet valuation and stock market valuation of publicly quoted companies (Grant 1991; Rumelt 1987) such as in the pharmaceutical sector where patents are critical.

### **2.3 Value chain practices and Management**

Porter formulates the general strategies for the value chain of cost leadership and differentiation to reach competitive advantage (Porter 1990). These cross-value chain strategies established a principle that competitive advantage can be reached only by managing the entire value chain as a whole including all involved functions. Some authors argue that Porter's value chain is characterized by classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function (Corsten, 2001, p. 93). Over the years, the value chain will be further enhanced towards cross-company-orientation defined in the term supply chain-orientation defined by the term supply chain network. Porter's value chain is one basis for the development of the supply chain.

The term supply chain was created by consultant Keith Oliver in 2012 according to Heckmann et al. (2003). Compared to the company-internal focus of Porter's value chain, the supply chain extends the scope towards intra-company material and information flows from raw materials to the end consumer reflected in the definition of Christopher (1992): "a supply chain is a network of organizations that are involved through upstream and downstream linkages in different processes and activities that produce value in the form of products and services in the hand of the ultimate consumer".



Each primary support activity has, therefore, the opportunity to contribute to the performance of the business unit by enabling it to produce in the market and deliver products or services which meet or surpass the value expectations of buyers in comparison with those resulting from other value chains; Value activities are therefore discrete building blocks of competitive advantage.

An analysis of the value chain rather than value added is the appropriate way to examine competitive advantage. By using the value chain approach, a firm has the opportunity to generate superior value by having both a cost advantage and a differentiation advantage. A cost advantage means understanding costs better and squeezing them out of the value-adding activities. Differentiation means focusing on those activities associated with core competencies and capabilities in order to perform them better than your competitors (Porter, 1990).

Bammann (2007), in his paper, Participatory value chain analysis for improved farmer incomes, employment opportunities and food security, he states that, 'Collaboration between government agencies, non-governmental agencies, and private agribusinesses offers the greatest potential for applying the value chain concept, with the aim of increasing income and employment through improved farming'. The approach can be applied to a wide range of situations and for different beneficiary groups, including youth and women's groups. It can be used for the identification of relevant sub-sectors, commodities or groups of products and in the implementation of a rural development or food production strategy.

With a view to future research priorities, public–private partnerships in research and dissemination can improve the technologies available to small-scale producers and processors, while capacity building can help farmers meet new quality and safety requirements, as well as learning how to manage cash. Value chain programs also facilitate and support producer organizations, which allow economies of scale in buying inputs and selling products.

Improved business services to small farmers and processors whose transaction costs are large relative to the size of their output help them improve quality and efficiency, reduce costs, and expand operations. It is important that governments anticipate future vulnerabilities and build the capacities of chain participants to innovate, diversify or exit as markets change: support for value chains can increase vulnerability if incentives favor products and services susceptible to large shifts in demand and price, (Rafael Ramirez, 1993). The value chain concept was first coined by Michael Porter (1985), the main focus being on cross-functional orientation in the company. He looked into two main activities the primary activities comprising of service, marketing and sales, operations and outbound and inbound activities.

The others were the supporting activities such as procurement, technology development, human development and company infrastructure. Hardacre and Collins (2008) define value chain management as the examination of processes and uncertainties from beginning to end of the chain in an integrated manner in order to optimize overall value.

Accordingly, optimization of overall value requires the need for determining supply chain performance. Firms seek to ensure that consumer needs are met beyond expectation and with this the need to determine supply chain performance. Companies used to concentrate on management within these individual functions instead of focusing on cross-functional value chain optimization therefore resulting in management of the value chain to focus on optimizing volumes and values based on cross-functional management concepts and integrated decision making throughout the value chain (Schultz et al., 2007).

Olhager (2012) investigated the role of decoupling points in value chain management and found that there is one dominant customer order decoupling point (CODP) along the material flow of the value chain. From a company perspective, the CODP can be positioned inside their manufacturing operations or it can be positioned at the suppliers (first tier or even further upstream in the value chain), at the interface with the supplier (raw material inventory), at the border towards the customers (at some finished goods inventory), or even further downstream in the supply chain.

Value chain management practices have been defined as a set of activities undertaken in an organization to promote effective management of its value chain. The practices of Supply chain management are proposed to be a multi-dimensional concept, including the downstream and upstream sides of the supply chain (Rao et al., 2004). Value chain management practices include procurement and sourcing; operational excellence; and supply chain network design and distribution.

According to Porter (2001), the business of a firm can best be described as the value chain in which total revenues minus total cost of all activities undertaken to develop and market a service yields value. All organizations consist of activities that link together to develop the value of the business, and together these activities form the organization's value chain.

Such activities may include purchasing activities, manufacturing the products, distribution and marketing of the company's products and services (Lynch, 2003). A firm will be profitable as long as total revenues exceed total costs incurred in creating and delivering the product or service. Therefore firms should strive to understand not only their value chain operations, but also their competitors, suppliers and distributors value chains.

#### **2.4 Value Chain management process**

Value chain management is defined and positioned with respect to other authors' definitions. A value chain management framework is established with a strategy process on the strategic level, a planning process on the tactical level and operations processes on the operational level. These management levels are detailed and interfaces between the levels are defined. Corsten points out that a supply chain is a special type of network composed of multi-level logistic chains owned by legally separated companies.

The focus in the supply chain is the coordination of flows of materials and information between these companies. Corsten's examples show the supply chain structure starting with raw materials up to the final consumer (Gössinger, 2001).

The network aspect in supply chains is illustrated by Shapiro where supply chain networks are composed by nodes connected by transportation networks (Shapiro 2001, p. 6). Compared to Corsten, Shapiro extends the supply chain including many-to-many-relations between vendors, plants, distribution centers and markets.

Stadtler addresses the aspect of multi-level manufacturing of semi-finished and final assembly products as well as multi-level distribution steps. He also introduces different node types for procurement, production, distribution and sales and confirms the one-directional flow of material and the one-directional flow of information similar to Corsten. Stadtler emphasizes the difference between intra-organizational and inter-organizational supply chains (Stadtler 2004).

Chopra and Meindl (2001) support the aspect of many-to-many relations and a supply chain network. Additionally, they add the aspect of direct relations between partners in the supply chain across several supply chain steps. The primary purpose of the supply chain is to satisfy customer needs, in the process generating profit for itself. The review of Knolmayer supports the cross-node communication to ensure collaboration across the chain. Additionally, communication is not only one-directional but bi-directional as well as supply chain does not only cover material and information but also monetary flows.

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 .

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, an 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 Filière called '*Filière* 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 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).

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 drivers 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 is 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, investing in technological improvement and redesigning products or its components.



Similarly, supplier chain related cost disadvantage can be 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 details how the study was carried out. It covers the design adopted in the conduct of the study, how data was collected and eventual analysis of the data in order to generate research findings for reporting.

#### **3.2 Research Design**

The study was carried out through a case study design where the unit of study was sought to find out the value chain analysis at KMC. The design was most appropriate as detailed, in-depth analysis for a single unit of study was desired.

Case study research design provided very focused and valuable insights into phenomena that might otherwise be vaguely known or understood. The design enabled the researcher not only to establish factors explaining phenomena but also unearth underlying issues.

#### **3.3 Data Collection**

The study made use of both primary and secondary data. The target population for this study was senior employees of Kenya Meat Commission. The researcher used purposive sampling to select 9 respondents drawn from the top level management because they were mainly the ones who deal with strategy implementation.

The respondents were the Managing Commissioner, Chief Finance Officer, Production Manager, Sales and Marketing Manager, Livestock Manager, Quality Controller, Human Resources and Administration Manager, Engineering Manager, Procurement Manager. These respondents were better placed in providing required data because they play a leading role in ensuring that they position KMC within a favorably business environment through instituting appropriate timely responses.

The interview guide was administered through personal interviews which allowed for further probing. The secondary data was obtained from the KMC's documented strategies and any other relevant information about the KMC. The data was obtained through review of relevant documents, key among them the KMC's strategic plan and other relevant documentations.

### **3.4 Data Analysis**

Both the primary and secondary data were qualitative in nature. Given this fact, content analysis was used to analyze the data. According to Nachmias and Nachmias (1996), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

The data obtained was compared with existing literature in order to establish areas of agreement and disagreement.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the result of the analysis of data collected through interviews with 9 respondents drawn from the top level management of Kenya Meat Commission. The respondents were the Managing Commissioner, Chief Finance Officer, Production Manager, Sales and Marketing Manager, Livestock Manager, Quality Controller, Human Resources and Administration Manager, Engineering Manager, Procurement Manager.

The data was analyzed using content analysis based on meanings and implications emanating from respondents information and documented data. Specifically, it starts with the analysis of the general information of the respondent and their organization then proceeds to interpret results on the value chain practices and management at Kenya Meat Commission.

#### **4.2 Research Findings**

This section presents the general information about the respondents at Kenya Meat Commission. The findings are presented in the following subsections of the study.

#### **4.2.1 Strategies adopted by KMC**

The study findings established the strategies adopted by Kenya Meat Commission in a bid to revive the organization. The response revealed that organizations have a number of areas of strategies that can be adopted and maximized for the purpose of ensuring that their work continues into the foreseeable future. Regardless of the time and location of the organization, there are factors that generally determine its ability to thrive in dynamic environments and even better succeed. According to the response, the areas of strategies adopted for organizations include Human Resource Sustainability, Economic/Financial Sustainability and Social Sustainability.

Human Resource Sustainability is more concerned with internal effectiveness and efficiency. Every organization is interested in performance. Performance is a matter not only of what people achieve but how they achieve it (Armstrong, 2006: 499/8). This aspect will involve intentional planning on skills transfer on management and leadership of organizations.

Given that labor mobility is on the increase and many in organizations, local or regional, leave for greener pastures, retiring, deaths etc. It is the highest opportunity for organizations focused on building strong management teams. The use of working board members will also go a long way in ensuring accountability and transparency as a measure of good corporate governance.

It will also be fundamentally helpful for firms to plan for succession through massive delegation with authority and nurturing talent. Especially regarding managers in the workplace, demographic trends indicate that there are not sufficient numbers of next-generation leaders to replace retiring baby-boomers in organizations. Thus, succession management is an increasingly important priority (Senge, 1990). Management is responsible to ensure that the organization continually has high-quality operations and employees. One of the most important practices to meet human resource stability is to conduct successful succession planning.

Employees leave their jobs either on a planned or unplanned basis. Unplanned termination may occur because of sudden illnesses or death, or poor performance on the part of the employee. Organizational learning should take place through individuals and their interactions in the organization. As a result, managers must create an environment where this knowledge can be developed and transmitted to all in the organization. Organizations that will excel in the future were those that discover how to tap people's commitment and capacity to learn (Senge, 1990).

Economic sustainability is having a set amount of capital for a certain period of time. Those who consume the capital must also conserve it so that they will continue to enjoy it towards the end of the specified period. This means that organizations with long term intent to exist must preserve their resources as they consume them so that generations in the future can enjoy them as well. To achieve this, organizations must regenerate their resources at a rate that is equal to or faster than its consumption.

This may include protection of assets, investment of surplus finances and standardizing remuneration especially for the Chief Executive Officers. In his analysis on how governments are gearing towards sustainability practices. Yabs (2010) underlines that there are major economic strides made in Kenya during the Kibaki administration with increased Gross Domestic Product and the question now is how this can be sustained to attain Vision 2030. Managers of organizations or governments should identify those internal processes that enable them to meet the expectations of customers in the target markets and those of the shareholders and seek to entrench these into the organizational culture.

Even among the not for profit organizations, there has been growing consensus that social entrepreneurs must have economic independence to continue their operations (Boschee & McClurg, 2003). Social Sustainability is about social capital. Social capital is an important aspect of sustainability because it is through communities and organized civil societies that organizations can easily and inexpensively learn, grow and satisfy the needs of its customers. Without proper levels of social capital, it can easily deplete and violence as well as mistrust can take over.

When that happens, societies and everything else that depends on them is destroyed. Through proper maintenance of and adherence to laws, rules, and values that societies have developed for the common good, social sustainability can be achieved. Respect for cultures, practices and values of the indigenous people are crucial.



Given that organizations rely on the support of the local people and the goodwill of the government, it is inevitable that they pay attention to the set of values that exist among the communities they seek to deliver the product to and also in most instances, source of labor and raw materials (Njoya, 2004). Any organization that is a by-stander on the road to the future will watch its structures, values and skills become progressively less attuned to the industry realities owing to the ever changing environmental realities.

The mission and vision of the organization should address inherent culture and value system of the organization in order to succeed in its implementation (Mintzberg et al, 2009). The value system of the organization's internal operations should tally to some extent to that of the surrounding and should be seen to show concern for those communities that have accepted them to operate amongst them.

#### **4.2.2 Value Chain Practices**

The interview guide sought response on whether the value chain practices are understood and supported by the commission, management and employees. The respondents understood and supported the value chain practices of KMC. The value chain practices supported by the management and employees involve the value chain of cost leadership and differentiation to reach competitive advantage. Cross-value chain strategies establish the principle that competitive advantage can be reached only by managing the entire value chain as a whole including all involved functions. Value chain is understood as the classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function.

The value chain was enhanced towards cross-company-orientation defined in the term supply chain-orientation defined by the term supply chain network Supply Chain and Supply Chain Network Porter's value chain is one basis for the development of the supply chain. The findings are in line with Porter (1990) that the general strategies for the value chain of cost leadership and differentiation to reach competitive advantage. These cross-value chain strategies established a principle that competitive advantage can be reached only by managing the entire value chain as a whole including all involved functions.

Corsten (2001) argues that Porter's value chain is characterized by classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function. Over the years, the value chain will be further enhanced towards cross-company-orientation defined in the term supply chain-orientation defined by the term supply chain network.

The response further indicated that the value chain management process is understood as a strategy process on the strategic level, a planning process on the tactical level and operations processes on the operational level. These strategies did lead to increased productivity and profitability of the organizations but as the benefits of these levelled off, it was realized that the approach to the way organizations work needed to be changed. The above changes were a by-product of the "isolationist" (closed system) world picture of the enterprises involved in the full value chain; with organizations (the system) trying to survive in a hostile environment; assuming that all other participants in the value chain were adversaries with whom the organization must

compete, even though the operations performed by the separate organizations may be supplementary in nature rather than complementary.

The findings are in line with Gössinger (2001) that the focus in the supply chain is the coordination of flows of materials and information between these companies. The network aspect in supply chains is illustrated by Shapiro where supply chain networks are composed by nodes connected by transportation networks (Shapiro 2001, p. 6). Compared to Corsten, Shapiro extends the supply chain including many-to-many-relations between vendors, plants, distribution centers and markets.

#### **4.2.3 Successful management of the value chain process**

The programs put in place to guarantee successful management of the value chain process at KMC involve integrated frameworks where the results of the specialized disciplines are combined with the objective to manage sales and supply by values and volume. The concepts to manage the value chain structures by their area of specialization either on supply, demand or values. The findings are in line with Nienhaus (2005) that value chain activities where products pass through all activities of the chain in sequence and at each activity the product gains some value.

The chain of activities gives the products more added value than the sum of added values of all activities. It is important not to mix the concept of the value of the product with the costs of producing it. The value chain does not, however, only include a straight line.

There are external activities that influence activities within the value chain proper. They include the surrounding environment in this model, expanding the value chain, in a way. In such an expanded model, there may be distinction between the core activities, which include the industry's own activities, and upstream and downstream activities. Upstream activities provide inputs into the industry, while downstream activities relate to the outputs from the industry.

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. Strategy 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).

#### **4.2.4 Challenges in implementation of value chain management and practice**

There are numerous challenges that organizations face when implementing supply chain technology. Here are the biggest supply chain integration mistakes companies make: Failure to secure top-management sponsorship and leadership: Since supply chain processes impact so much of a company's mission critical value-chain, securing top management sponsorship and leadership is critical for cross-functional commitment, driving enterprise-wide accountability, or allocating proper resources to insure a successful implementation. One tried-and-true solution is creating an executive steering committee to ensure that resources are aligned and obstacles are removed.

Wrong Process, worst practice: Prior to an implementation, it is critical that companies conduct research to ensure that the new technology is supported by the right process and is grounded in cross-industry best practices related to that process. The ultimate benefits of a technology are best gained by talking with others who have successfully applied such technology within their supply chains. Many supply chain technology providers can provide information on best practices or referrals to those companies that have gained significant benefits in utilizing the technology.

Inaccurate and out-of-date information: Timely data and information are what successful supply chains are all about. Many of the initial benefits of supply chain technology automation have been neutered by the existence of inaccurate or untimely data.

Before implementing any new software, the implementation team must first dedicate efforts to make sure that all data related in any way to the application is clean and accurate.

The adage of "garbage-in and garbage-out" has a special meaning in supply chain management technology. **No cross-functional representation:** A broad-based team that is empowered to make decisions about planning and implementation will ensure a successful supply chain and ultimately value chain system. This team should include the ultimate stakeholders. Systems integration is a critical requirement in most supply chain technology. It is essential that the implementation team have IT representation to lead the systems integration effort and address needs for inbound and outbound data or new integration and information reporting needs.

**Broad scope:** While a long-term end-state is the goal, do not attempt to implement everything at once. Apply the 80-20 Pareto principle of impact. Focus on core needs of the process being automated and on scope that can deliver the initial benefits of an implementation. Celebrate short-term wins and incremental benefits. A limited focus on quick initial benefits from the implementation and sustaining value in subsequent future functionality releases can help in obtaining longer-term commitment to automation and change.

#### **4.2.5 Success of value chain practice and management**

The value chain practice and management has been successful as indicated by the formulation of general strategies for the value chain of cost leadership and differentiation to reach competitive advantage. These cross-value chain strategies have established a principle that competitive advantage can be reached only by managing the entire value chain as a whole including all involved functions.

Value chain is characterized by classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function. Each primary support activity has, therefore, the opportunity to contribute to the performance of the business unit by enabling it to produce for the market and deliver products or services which meet or surpass the value expectations of buyers in comparison with those resulting from other value chains; Value activities are therefore discrete building blocks of competitive advantage.

An analysis of the value chain rather than value added is the appropriate way to examine competitive advantage. By using the value chain approach, a firm has the opportunity to generate superior value by having both a cost advantage and a differentiation advantage.

The findings are in line with Bammann (2007) that participatory value chain analysis for improved farmer incomes, employment opportunities and food security; he states that, ‘Collaboration between government agencies, non-governmental agencies, and private agribusinesses offers the greatest potential for applying the value chain concept, with the aim of increasing income and employment through improved farming’. The approach can be applied to a wide range of situations and for different beneficiary groups, including youth and women’s groups.

#### **4.2.6 Attributes of success of KMC**

The success of the Kenya Meat Commission was attributed to the group members knowing each other well: this characteristic, which provides a means of team and community building within an organization, is the keystone on which all of the remaining characteristics are built. It must be present and continuously renewed if the organization is to function effectively.

Members are involved in defining organizational purposes: the level of motivation of group members to work for group goals is increased in proportion to the level of involvement by members in establishing these goals. Members are utilized to help generate ideas: while it may be quite simple for a few group leaders to produce ideas for special programs, this does little to develop a sense of ownership and participation among other group members. There is a commitment to group decision making: the firm belief in the adage that “people support programs they help to create” and the full participation by the membership in generating ideas, coupled with group decision making, works to ensure a full measure of group participation and support.



Skills, resources, and liabilities of the group and community are identified: many groups are often rich in natural resources and skills available through members. Systematic problem solving techniques are used: resolve conflicts when they appear and do not wait for them to fester. The group effectively communicates itself and its projects to its members and to the community: the timeline with which the group communicates itself to others outside the group and members inside the group has implications for such important factors as recruitment of new members and attendance at functions sponsored by the group.

The group participates in periodic evaluation and assessment: groups need to become accustomed to routinely evaluating a variety of aspects of group life, ranging from the way meetings are handled to assessing the success of a particular project or program.

#### **4.2.7 Recommendations to improve implementation of value chain**

The response of the respondents revealed the recommendations made to improve the implementation of value chain management and practice. The respondents made recommendations that organizational learning should take place through individuals and their interactions in the organization and managers should identify those internal processes that enable them to meet the expectations of customers in the target markets and those of the stakeholders and seek to establish these into the organizational culture; the mission and vision of the organization should address inherent culture and value system of the organization in order to succeed in its implementation. The study findings are in line with McPhee and Wheeler (2006).

From a traditional value chain perspective, focusing on the internal core activities of a firm is not enough to derive value in today's firms. Successful firms are now "replacing from an internally focused strategy-development models to alternatives that allow a broader view of the firm a part of the world around it" (McPhee and Wheeler, 2006). In this context, firms should include, as well, the activities that create value through external relationships (McPhee and Wheeler, 2006).

McPhee and Wheeler (2006) proposed an added-value chain model where it includes a set of expanded business activities from different business models and a re-definition of value that incorporates brand, reputation, and relationship-based value drivers of the firm.

Thus this model encompasses three new ideas: firstly, a new definition of value that includes intangible assets, secondly, it moves from a centric view to view the firms as part of a broader community, and finally, it adds activities that involves cross-functional teams of employees from across several areas,(McPhee and Wheeler, 2006).

### **4.3 Finance Manager**

The study further inquired on the financial status of the organization currently. The findings revealed that the financial status of the organization has fluctuated over the last five years. The study inquired a comparison of its status in 2006/2007 and discovered that the operational results of the organization in 2006/2007 were declined in comparison to the current status in the recent year. This was determined by the financial performance of the organization from the year 2006/2007 and the last financial year 2013/2014.

Organizational performance determines to a great extent the financial status of the organization. In addition the respondents indicated that financial management practices that the department adopt in relation to the value chain in the organization. The response revealed that prudent financial management practice has led to an improved financial performance in the context of severe liquidity problems often needing government intervention. Financial management is essentially a combination of accounting and economics. First, financial managers use accounting information balance sheets, income statements, and so on to analyze, plan, and allocate financial resources for business firms. Second, finance managers use economic principles to guide them in making financial decisions that are in the best interest of the firm. In other words, finance is an applied area of economics that relies on accounting for input.

Financial management involves managing the finances of a business. Financial managers are the people who manage a business firm's finances and they perform a number of tasks. They analyze and forecast a firm's finances; assess risk, evaluate investment opportunities, decide when and where to find money sources and how much money to raise, and decide how much money to return to the firm's investors. Finance managers measure the firm's performance, determine what the financial consequences will be if the firm maintains its present course or changes it, and recommend how the firm should use its assets. Finance managers also locate external financing sources and recommend the most beneficial mix of financing sources, and they determine the financial expectations of the firm's owners.

All finance managers must be able to communicate, analyze, and make decisions based on information from many sources. To do this, they need to be able to analyze financial statements, forecast and plan, and determine the effect of size, risk, and timing of cash flows. The researcher found that the Commission uses strict budgets in order to keep costs focused and as per plan.

This coupled with the implementation of prudent financial practice requirements such as appropriate levels of authorization of expenditure, transparent setting of prices for the procurement of animals, transparent setting of customer prices and adherence to credit limits has enabled the Commission keep these costs at a minimum, hence contributing to the overall low cost strategy of the Commission.

The study also sought to determine the challenges that KMC is facing currently. The response revealed that in dealing with rising operating costs the organization faces challenges; volatile prices of livestock which are affected by the prevailing weather patterns. The researcher found that during the rainy season livestock suppliers are reluctant to provide animals for sale thus affecting the supply hence the purchase prices. The Commission is also often required to carry out government intervention programs referred to as 'off-take' programs to alleviate farmer's suffering in times of drought. The government usually dictates the prices at which such programs must pay for livestock supplies which in turn affects the prices of livestock across the board even away from those targeted by the program.

The Commission also faces severe liquidity problems from time to time often requiring government intervention which sometimes delays leading to a cash crunch affecting operations hence the bottom line. In the added-value chain model, the definition of value incorporates profit margin and intangible assets like leadership quality, innovate capability, brand equity and competences in strategic-alliance development. This new value definition gives to the firms the ability to evaluate how their strategy affects both “hard” and “soft” assets of the firms (McPhee and Wheeler, 2006).

The added-value chain includes three new primary activities and one new support activities from the original value chain from Porter (1985); they are: Supply Chain Management, Product use, End of Primary Use and External Networks. As in the Porter’s value chain (1985), the supply chain remains outside the added-value chain. However, it includes the activities that involve the interaction of the firm with suppliers such as product quality, R&D, product development partnerships, and sharing of production knowledge (McPhee and Wheeler, 2006).

The idea is to include the customer interaction into the firm’s value chain (not just the responsibility of the sales and marketing departments as in the traditional value chain). This involves activities related to how customers use the product: managing customer networks, product testing and development and outsourcing (McPhee and Wheeler, 2006). By including product usage intelligence in the value chain (as means of informing product development) (McPhee and Wheeler, 2006), firms can think from a value network perspective and can co-create value with customers (Prahalad and Ramaswamy, 2004).

The added-value chain incorporates the value of capturing some of product's residual value after the customer is finished with it. These activities are leasing management, product take-back, management of secondary markets and recycling (McPhee and Wheeler, 2006).

These sets of activities include the management of external networks and other firms, that is, customer, suppliers, vendors, institutions, peer associations and stakeholders. In corporate strategy, this topic is considered as potentially important component, as for example when firms are members of technology cluster (Porter, 1998). According to Porter (1998) firms that participate actively with academic players can create a competitive advantage that is, building value from activities derived from their external networks.

When firms include the analysis into the added-value chain, they can decide how to determine their relationship with external networks that influence most to increase their value proposition; for instance, using the external networks to build value through innovation, knowledge capture, and reputation building (McPhee and Wheeler, 2006).

#### **4.4 Production, Sales and Marketing Managers**

Majority of the respondents indicated that the current turnover of the organization compared to the turnover of the year 2006 has decreased to about 2.5% from 2006. This has however been fluctuating depending mainly on the easing of the liquidity and working capital situation through government intervention. Sales revenue fluctuated between Kshs.605M in 2008 to Kshs.1.48B in 2012 with a low of Kshs.581M in 2009.

The Production and Sales & Marketing departments have adopted management practices in relation to value chain in the organization. The management practices adopted by the marketing management are the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers. These include restaurants, hotels and butcheries mainly found in Nairobi, Mombasa and surrounding areas.

The Commission also serves the export market mainly the Middle East region. The two departments' management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point of entry in the Commission to point of consumption. The department of marketing takes the design, planning, execution, control, and monitoring of value chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance.

A value chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers. Both departments are responsible for the conversion of raw materials to finished goods and ultimately receivables for the business.

In order to do this effectively and at the lowest cost, the departments have synchronized their activities such that slaughter and processing days are consolidated thereby having fewer slaughter days that are heavier i.e. carry larger volume thereby utilizing full capacity on these days and keeping overheads down and ultimately per unit cost down.

Export sales are also scheduled to coincide with the slaughter days so that the delivery schedule corresponds with the slaughter schedule. This also reduces the holding time of the product hence reducing the risk of spoilage and keeping holding costs down i.e. refrigeration costs. The respondents identified that challenges they face in the implementation of management practices. The challenges that they face in the implementation of management practices in the organization, one of these challenges include market changes: coping with continuous rapid changes in the market place and the need to find new ways in anticipating changes in the marketing department of the Commission. For example, the current global financial crisis is considered a significant change which requires enlightened management skills to adapt to it. Supply from other countries such as Brazil and Australia to the Middle East market affects the ability of the Commission to increase market share.

The available quantities are also little compared with the consistent supply from these larger livestock producers. Reshaping the organizations, structures, strategic merging with other organizations, searching for new markets and reducing overhead costs are some of the initial solutions which can be implemented to cope with such change. The other challenge the organization faces in the implementation of management practices is that the lack of skills.



Organizations take prior precautions to retain the skilled employees by applying motivation and empowerment theories to secure their loyalty and job satisfaction. According to Cole (2004) competitive advantage springs advantage springs primarily from the knowledge and skills of the workforce.

The Commission suffers a high rate of turnover of staff with special skills that take time to master hence are not easy to replace. Moreover, Critical Success Factors are “the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department or organization. CSFs are the few key areas where "things must go right for the business to flourish and for the manager's goals to be attained” (Bullen & Rockart, 1981). According to Grunert and Ellegaard (1992), CSFs can be used in 4 different ways: “as a necessary ingredient in a management information system, as a unique characteristic of a company, as a heuristic tool for managers to sharpen their thinking and finally, as a description of the major skills and resources required to be successful in a given market”.

Thus, KSF in this study is defined the same as in Ghosh, et. al (1998), “as factors which are critical for excellent performance of the company, rather than just survival. Grunnert and Ellegard (1992) defined Key Success Factors as the skills or resources of a company that provide competitive advantages in value and/or cost in any market. KSF can be distinguished in the degree of how easy competitors can emulate them, that is, in their level of changeability (Grunnert and Ellegard, 1992). Key Success Factors also differ if they are conjunctive or compensatory.

The former, are the necessary factors conditions for superior performance and, the latter, are the factors that open up for choices of areas of excellence and hence formation of strategic groups (Grunnert and Ellegard, 1992).

There are several techniques for identifying Key Success Factors, Leidecker and Bruno (1984) proposed the following: environmental scanning, industry structure analysis, industrial expert's opinions, competitor's analysis, best practice analysis, assessment of the company's internal feeling or judgment, intuitive factors and gathered data of profit impact and market strategy. In this master thesis, a mix between internal assessment of a firm and from industrial expert's opinions will be used. This internal assessment technique focuses into explore what the firm does well and not so well while with the experts' opinions technique, the KSF are extracted from people who have excellent knowledge and experience in the industry.

#### **4.5 Human Resource and Administration Manager**

The study inquired on the establishment of KMC currently. The response revealed that the establishment of KMC was based on the level of operations at a particular instance as it relies heavily on casual labor. The current establishment is 465 permanent and contracted staff with 100 casual workers. According to the respondents Kenya Meat Commission (KMC) was formed in 1950 through an Act of Parliament with an objective of providing a ready market for livestock farmers and providing high quality meat and meat products to consumers. It is a public institution and by far the oldest and the most experienced meat processor in Kenya and the larger East African region. KMC was re-opened on 26th June, 2006 after 15 years of

closure with the objective of promoting the meat industry in Kenya, both domestic and for export. It was expected that with its huge capacity, it would complement government efforts in Kenya's economic recovery.

The interview guide sought to find out the relationship between management and commissioners since 2006 and also the relationship between management and other employees. The findings revealed that the relationship between the management and commissioners since 2006 has cordially been mutual, where the two authorities have worked together for the betterment of the organization. The relationship has overseen the growth and development of KMC. The relationship of managers with other employees has also improved with the management putting in place structures and policies that create for mutual benefits of managers and employees at KMC.

The interview sought to determine the culture that prevails at KMC and the findings revealed that an organization's culture consist of the values, beliefs and norms that influence the behavior of people in an organization. Organizational culture is considered as a contributing factor to organizational success over the long-term. Organizational culture can have a statically significant impact on the "bottom line" of financial results and that it can have a profound impact on corporate success. The respondents identified the dimensions involved in organizational culture at KMC as Customer-Client Orientation: the way the organization thinks about and treats its customers. People Orientation or Orientation toward Employees: the way the organization thinks about and treats its people.

The standards of performance and accountability: the organization's standards for performance and what people are held accountable for.

Innovation and Commitment to Change: how the company views, reacts to, and manages innovation and change. Company Process Orientation: the view that people in the company have of such processes as planning, decision making, communication, and what we term "corporate citizenship" or "social responsibility." Organizations can have strong or weak cultures; functional or dysfunctional cultures.

A strong culture is one where all employees understand and behave in ways consistent with company values, beliefs and norms. A weak culture is one where people don't understand what the culture is and/or don't embrace it. A functional culture has a positive impact on the company's success. A dysfunctional culture detracts from a company's ability to be sustainably successful over the longer term.

In the area of the internal processes of the organization, KMC has three internal processes that were identified by the respondents. This includes operations management: they are in charge of improving asset utilization and supply chain management; The customer management that deals with the expanding and deepening relations and innovations; The regulatory & social management that deals with establishing good relations with the external stakeholders.

The Internal Process Perspective focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers. Internal Processes are lead indicators where management intervention is possible to affect customer and financial outcomes.

For the internal-business-process perspective, managers identify the processes that are most critical for achieving customer and shareholder objectives. Companies typically develop their objectives and measures for this perspective after formulating objectives and measures for the financial and customer perspectives.

The internal process of KMC did support the new strategies implemented in the organization because the management team in charge of the internal process were involved in the formulation of the new strategies in the organization. On how strategy implementation challenges affect the implementation process on culture, the respondents cited that culture is a set of important assumptions (often unstated) that members of an organization share in common.

#### **4.6 Livestock, Procurement, Quality Controller**

The study revealed that the role the livestock, procurement and quality controller played in the implementation of value chain strategies was in the approval of the quality of livestock that is best for meat production. The department is also involved with the purchasing of the livestock that would best qualify for meat production.

The role the department plays in the implementation of value chain strategies is putting in place policies that would maintain high quality standards of meat production in the organization ensuring a streamlined supply of livestock at least cost both in terms of purchase price and non-adherence to specifications.

Effective strategies of implementation adopted by KMC for value chain, the researcher established that management has put in place measures such as weighing of live animals after an overnight stay within the commission's premises to ensure accuracy of weight.

The payment for livestock after slaughter and grading has been done, commonly referred to as Hot Carcass Standard Weight is the favored method of livestock procurement as this enables the commission to only pay only for what has been passed as fit for production as well as the requisite grade. This contributes to the overall cost leadership strategy of the commission.

The study inquired into how strategy implementation challenges affect the implementation process of value chain. On structure, the study revealed that structure provides overall framework for strategy implementation, it is not in itself sufficient to ensure successful execution. Since the challenges has become a constant, there is need to implement a value chain management practice effectively to aid the development of organizational competencies.

Within the organizational structure, individuals, groups and units are the mechanisms of organizational action, and the effectiveness of their actions is a major determinant of successful implementation. In this context, two basic factors encourage or discourage effective action-leadership and culture. These were observed to be present at the commission.

#### **4.7 Engineering Manager**

The interview guide sought to determine the management practices that the Engineering department would suggest in value chain process. The findings revealed that the management practice suggested by the engineering department involved value chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems, and shared information.

According to Lambert and Cooper (2000), operating an integrated value chain requires a continuous information flow. However, in many companies, management has concluded that optimizing product flows cannot be accomplished without implementing a process approach. The respondents indicated the Kenya Meat Commission (KMC) is one of these institutions that are yet to effectively manage challenges facing the implementation of its value chain management and practice. Value chains pose challenges regarding both quantity and value. Value chain trends include: Globalization; Increased cross-border sourcing; Collaboration for parts of value chain with low-cost providers; Shared service centers for logistical and administrative functions; increasingly global operations, which require increasingly global.

The department has carried out a n analysis of all spares required to run the plant and has come up with a list of critical spares that are stocked within the factory. This ensures that any breakdowns are dealt with promptly. The commission also outsources services that can be done better by specialist firms such as repair of the main refrigeration system.

By scheduling repairs the department has ensured that problems are anticipated and pre-emptive action taken to minimize downtime, given that most of the equipment is very old. The factory was constructed in 1938. These trends have many benefits for the commission because they make possible larger lot sizes, lower taxes, and better environments for the maintenance spares.

There are many additional challenges when the scope of supply is global. This is because the lead time is much longer, and because there are more issues involved, such as multiple currencies, policies, and laws.

The consequent problems include different currencies and valuations in different countries, different tax laws, and different trading protocols are dealt with by categorizing of plant spares. The respondent suggested an overhaul of some equipment in the factory to reduce the frequent breakdowns, increase productivity and keep with modern times by enabling the production of a wider range of products. The researcher found that these plans were already in place.



## **CHAPTER FIVE**

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

#### **5.1 Introduction**

The study inquired into the value chain practices and management at Kenya Meat Commission. The respondents cited that it involved the implementation of organization strategy through the application of the value chain practices and management process to obtain the desired results. Particularly, the study was guided by the following specific objectives: to establish the various value chain practices at KMC; to establish the relationship between value chain practices and management at Kenya meat commission and to establish the factors affecting the relationship between value chain and management at the Kenya meat commission.

#### **5.2 Summary of the results**

The study inquired into the strategies adopted by Kenya Meat Commission in a bid to revive the organization. The response revealed that the organizations have a number of areas of strategies that can be adopted and maximized for the purpose of ensuring that their work continues into the foreseeable future.

Any organization that is a by-stander on the road to the future will watch its structures, values and skills become progressively less attuned to the industry realities owing to the ever changing environmental realities. The mission and vision of the organization should address inherent culture and value system of the organization in order to succeed in its implementation.

The challenges in implementation of value chain practices and management include: Failure to secure top-management sponsorship and leadership; wrong process, worst practice; inaccurate and out-of-date information; no cross-functional representation and broad scope. A limited focus on quick initial benefits from the implementation and sustaining value in subsequent future functionality releases can help in obtaining longer-term commitment to automation and change. The value chain practice and management has been successful as indicated by the formulation of general strategies for the value chain of cost leadership and differentiation to reach competitive advantage.

These cross-value chain strategies have established a principle that competitive advantage can be reached only by managing the entire value chain as a whole including all involved functions. Value chain is characterized by classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function.

The success of Kenya Meat Commission was attributed to the group members knowing each other well: this characteristic, which provides a means of team and community building within an organization, is the keystone on which all of the remaining characteristics are built. It must be present and continuously renewed if the organization is to function effectively. Members are involved in defining organizational purposes: the level of motivation of group members to work for group goals is increased in proportion to the level of involvement by members in establishing these goals.

The study revealed that the financial status of the organization was doing much better compared to the last five years in performance. The study inquired a comparison of its status in 2006/2007 and discovered that the financial status of the organization in 2006/2007 was declined in comparison to the current status in the recent year. This was determined by the financial performance of the organization from the year 2006/2007 and the current year of 2014. Organizational performance determines to a great extent the financial status of the organization.

The study inquired on the establishment of KMC currently. The response revealed that the establishment of KMC was based on the level of production as a fairly large number of staff were engaged on casual basis. According to the respondents Kenya Meat Commission (KMC) was formed in 1950 through an Act of Parliament with an objective of providing a ready market for livestock farmers and providing high quality meat and meat products to consumers. It is a public institution and by far the oldest and the most experienced meat processor in Kenya and the larger East African region. KMC was re-opened on 26th June, 2006 after 15 years of closure with the objective of promoting the meat industry in Kenya, both domestic and for export.

It was expected that with its huge capacity, it would complement government efforts in Kenya's economic recovery. The study revealed that the role the livestock, procurement and quality controller played in the implementation of value chain strategies was in the approval of the quality of livestock that is best for meat production. The department is also involved with the purchasing of the livestock that would best qualify for meat production.

The role the department plays in the implementation of value chain strategies is putting in place policies that would maintain high quality standards of meat production in the organization. The interview guide sought to determine the management practices that the engineering department would suggest in value chain process. The findings revealed that the management practice suggested by the engineering department involved value chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems, and shared information.

### **5.3 Conclusion**

The study made conclusions based on the study findings that the organizations have a number of areas of strategies that can be adopted and maximized for the purpose of ensuring that their work continues into the foreseeable future. Implementation of value chain practices and management faces challenges that limit the focus on quick initial benefits from the implementation and sustaining value in subsequent future functionality releases can help in obtaining longer-term commitment to automation and change.

Cross-value chain strategies establish competitive advantage that can be reached only by managing the entire value chain as a whole including all involved functions. Value chain is characterized by classical separation and thinking in organizational units instead of processes, since not processes but activities are listed by organizational function.

The role the livestock, procurement and quality control played in the implementation of value chain strategies was in the approval of the quality of livestock that is best for meat production. The management practice suggested by the engineering department involved value chain business process integration involves collaborative work between buyers and suppliers, joint product development, common systems, and shared information.

#### **5.4 Recommendations**

The study made conclusions based on the study findings that the organizational learning should take place through individuals and their interactions in the organization and managers of organizations or governments should identify those internal processes that enable them to meet the expectations of customers in the target markets and those of the shareholders and seek to establish these into the organizational culture; the mission and vision of the organization should address inherent culture and value system of the organization in order to succeed in its implementation.

The firm's resources should have four fundamental characteristics in order to create sustainable competitive advantage. Managers should create an environment where knowledge can be developed and transmitted to all in the organization.

### **5.5 Limitation of the study**

The research met with various challenges when conducting the research that included the fact that the managers do not want to give information due to client confidentiality. In addition, some of the interviewees would not find the subject to be of interest.

Additionally, some respondents would not want to give the information as they considered it of competitive importance. The respondents being normally very busy people may not have found a lot of time to be interviewed. Since the research was conducted via open-ended interviews, a large amount of time was needed to collect information from the respondents. Time limitation made it impractical to include more respondents in the study.

This study was also limited by other factors in that some respondents may have been biased or dishonest in their answers. However, the researcher did look for contradictions in the information given and no inconsistency were found.

### **5.6 Areas for further study**

Value chain practices effect on management at Kenya Meat Commission is a specific area that targeted one organization. The study recommends that research could be conducted in similar organizations that have value chain practices and management. In Kenya, value chain practices have gained acceptance mainly in governmental organizations. Given that this study focused on value chain practices and management at KMC, studies needs to be done on challenges that face all organizations that apply value chain practices.

## **5.7 Implications of the study on Policy, Theory and Practice**

Value chain management practice can expose strategic and operational misalignments within chains, and the consequential misallocation of resources, and hence opportunities for improvements which create value and economic sustainability. This research sought to find out why and how value chain management is integrated into the social and environmental aspects of sustainability in pursuit of sustainable competitive advantage at the Kenya Meat Commission.

The study design, methodology and approach were based on a review of existing literature and interview with the heads of departments. The results highlighted flaws in narrow tools, and the need to broaden the boundaries of value chain practice, the interpretation of “value” and relationships along the chain in order to highlight opportunities for creating sustainable value chains. Value chain management and practice has largely focused on economic sustainability and has paid inadequate attention to social and environmental consequences of firm behavior, and the re-allocation of resources within and between firms in the chain.

This leads to the risk producing recommendations that either ignore the competitive advantage offered from improving environmental management and social welfare, or have such detrimental external consequences as to render any proposals unsustainable when exposed to government or broader (public) scrutiny. Value chain management and practice variants need to be developed that incorporate all three pillars of sustainability. The experiences at the Kenya Meat Commission are presented in the study and ideas for future research and applications proposed.

The development of sustainable value chain management and practice tools should identify business opportunities consistent with Porter and Kramer's imperative for value chains to create shared value between business and society. By adopting the broader dimensions identified the practice and management of the value chain will be able to become more widely applicable and more relevant in business scenarios where there is a growing imperative to include social and environmental impacts into "mainstream" business strategies.



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**APPENDICES**  
**APPENDIX I: COVER LETTER**

**STELLA MUHORO,**  
**University of Nairobi,**  
**P.O BOX, 30197**  
**Nairobi.**

**August 2014**

**Dear Sir/Madam,**

**RE: DATA COLLECTION**

I am a postgraduate student at University of Nairobi undertaking a Master of Business Administration degree Program majoring in Strategic Management. One of my academic outputs before graduating is a thesis and for this I have chosen the research topic “Value chain practice and management at the Kenya Meat Commission”.

You have been selected to form part of the study. This is to kindly request you to assist me collect the data by responding to the interview guide. The information you provide will be used strictly for academic purposes and will be treated with utmost confidence. A copy of the final report will be available to you upon request. Your assistance will be highly appreciated.

**Yours sincerely,**

**STELLA MUHORO**

## **APPENDIX II: INTERVIEW GUIDE**

### **MANAGING COMMISSIONER**

- i) What strategies were adopted by KMC in a bid to revive the organization?
  
- ii) Were the value chain practices understood and supported by the commission, management and employees?
  
- iii) What programs were put in place to guarantee successful management of the value chain process?
  
- iv) What challenges were faced in the implementation of the value chain management and practice?
  
- v) Has the value chain practice and management been successful?
  
- vi) What would you attribute the success of KMC?
  
- vii) What recommendations would you make to improve implementation of the value chain management and practice?
  
- viii) What challenges is KMC currently facing?

## **FINANCE MANAGER**

- i) What is the financial status of the organization currently?
- ii) How would you compare to its status in 2006/2007?
- iii) What financial management practice did your department adopt in relation to the value chain in the organization?
- iv) What challenges did you face in the implementation of these management practices?
- v) How did you address these challenges?

## **PRODUCTION, SALES AND MARKETING MANAGERS**

- i) What is the turnover currently compared to 2006?
- ii) What management practices did your department adopt in relation to the value chain in the organization?
- iii)
- iv) What challenges did you face in the implementation of these management practices?
- v) How did you address these challenges?

## **HUMAN RESOURCE AND ADMINISTRATION MANAGER**

- i) What is the establishment of KMC currently?
- ii) Describe the relationship between management and commissioners since 2006
- iii) Describe the relationship between management and other employees
- iv) Describe the culture that is prevailing at KMC currently
- v) What are the company's internal processes?
- vi) What management practices did your department adopt to support the value chain strategy?
- vii) Did the internal process support the new strategy?
- viii) What challenges did you face in the implementation of these management practices?
- ix) How did you address these challenges?



## **LIVESTOCK, PROCUREMENT, QUALITY CONTROLLER**

- i) What role did you play in the implementation of the value chain strategy?
- ii) What strategies did your department adopt in relation to the value chain the organization?
- iii) How did you address these challenges?

## **ENGINEERING MANAGER**

- i) What management practice did the Engineering department suggest in the value chain process?
- ii) What is the state of the current machinery in KMC?
- iii) Does it support the value chain management practice?
- iv) What challenges did your department face in the implementation of the value chain practice and management?
- v) What suggestions would you make to maintain and improve the current status of machinery in the institution?