

**A VALUE CHAIN APPROACH TO STAKEHOLDERS
ANALYSIS AND MANAGEMENT OF TEA TRADE IN KENYA.**

BY


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**A Research Project Report Submitted in Partial Fulfillment of the
Requirements for the Award of the Degree of Masters of Business
Administration (MBA), School of Business, University of Nairobi.**

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DECLARATION

I confirm that this project is my original work and has not been presented for an award of a degree in any other university.

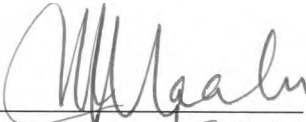
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DEDICATION

I dedicated this research to my mother Sarah Kabon who has been of great support and inspiration in my early stages of education and all my friends and relatives who have been supportive during the time of my studies.

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I would like to acknowledge the following whose contributions facilitated completion of this project. My special thanks go to my supervisor Dr. Maalu for the guidance he gave me when writing this project.

I also register my gratitude to Chai Trading Co. Ltd for providing an enabling environment for me to complete the course. Special thanks to my wife Ruth and the children Gillians and Anthony for their moral support, patience and understanding during the entire duration of my course. Finally to all those who helped me in one way or another I say thank you and may God bless you all.

ABSTRACT

The broad objective of the study was to establish the value contribution by stakeholders in the tea trade using the value chain approach. The study further sought to establish the factors that influence the stakeholder's management in the tea trade. The researcher used questionnaires in collecting the data and the analysis was done using descriptive statistics in the form of tables, frequency and percentages. The relationships between the variables were determined using mean ranking. The target population was 107 Stakeholders comprising 11 tea brokers, 16 warehouse operators, 13 tea packers and 67 tea Buyers. The researchers used questionnaire in collection of primary data.

The findings of the study showed Warehouse operators were the most important stakeholders within the supply chain with Tea Brokers being the least important. It was the contention of most of the respondents that there will be minimal role for the Tea Brokers in the near future due to the advent of technology which would more cheaply provide most of the services offered by brokers. It was further found that foreign exchange rate and world tea demand were considered as the factors that greatly influence the contribution and management of the stakeholders in the Tea Trade.

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ACRONYMS AND ABBREVIATIONS

EATTA	East Africa Tea Trade Association
KPA	Kenya Ports Authority
KTDA	Kenya Tea Development Agency
KTGA	Kenya Tea Growers Association
KRA	Kenya Revenue Authority
TBK	Tea Board of Kenya
TRFK	Tea Research Foundation of Kenya

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Hunger and Wheelen (2005) argued that environmental scanning is essential in determining firm's performance in a competitive industry. External environment consist of those variables that are outside the organization but nevertheless form the context within which corporations exist. He further stressed that internal environment of a firm are those variables within the firm that form the context in which work is done.

Pearce and Robinson (2002) maintain that environmental factors must be anticipated, monitored and continuously assessed in order for a firm to respond appropriately. The environmental factors affecting the tea industry include adverse weather conditions affecting leading to poor production, fluctuation in world crude oil prices that influence input prices fuel and transportation rates. The unstable foreign exchange rates affecting the local currency against the hard currencies used in the trading of the product greatly affect the incomes of the producer and tea trading companies. .

For the purpose of this project the value chain is defined as comprising those stakeholders involved in processing the tea into a packaged form available for sale to consumers. At each stage along the chain, various activities are undertaken that candidate value to the product. These include processing into an exportable quality product, packing, internal transport, warehousing, sales charges, freight, insurance, interest, blending, further processing and packaging and retailers sales costs. Additionally, stakeholders along the chain should have an economic role to play and

must include an adequate profit margin to ensure an acceptable return on their business activities. The study focuses on the stakeholders in the tea trade value chain in the Kenyan tea industry. Tea was selected because of the role it plays in the Kenyan Economy. The product is the largest foreign exchange earner after horticulture. The tea trade has several stakeholders in its value chain which include producers, processing Factories, management Agents, Logistic firms, warehousemen, Tea Brokers, Buyers, Government agencies like Tea Board of Kenya, Kephis ,Tea Research Foundation of Kenya (TRFK), Kenya Ports Authority and Kenya Revenue Authority (Bedford, et al). EATTA is described as a company limited by guarantee that runs the Mombasa Tea Auction and brings together all Tea producers, Buyers, Packers, Warehousemen and Tea Brokers. TBK is the Government regulatory arm of the industry and is charged with the responsibility of promoting tea as a product and undertaking production research through TRFK.

The Kenya ports Authority and shipping Lines are among other stakeholders facilitate the exports of the tea traded in the Mombasa Tea Auction or those shipped directly by producers through direct sales overseas to various world destinations. The port has to be efficient to attract more shipping lines that will deploy their ships to operate and do business at the Mombasa port. When the port is inefficient, fewer ships will call the port and Freight rates and other levies will go up. Shipping Lines do levy vessel delay surcharges as a penalty to cargo shippers thus making business expensive in the region.

1.1.1 Stakeholders Analysis and Management

Wheelen and Hunger (2008) explains stakeholders as those individuals or groups who depend on an organization to fulfill their own goals and who in turn the

organization depends. Modern business entities are seen as economic institutions and are involved in society's social, political, and legal environment. Hence organizations are not only responsible to the shareholders but to all stakeholders. The warehousemen handle and store the product, the Broker facilitates the testing and canvassing for the buyers. While the buyers export the product in Bulk form or Pack in small sachets or become a packer member and pack the teas in various forms and sizes that is accessible to the consumer locally and overseas.

Slowman and Hinde (2008) observed that a stakeholder is that individual affected by the operations of a firm. Stakeholders differ in power to influence business decisions but ultimately they might all shape the purpose of the organization or industry in certain respects. However, given the wide number of stakeholders, many conflicts of interest can arise. Competition and jostling for clients is a common phenomenon among all tea players. Most stakeholders would desire to gain bigger share of the business besides trying to have a higher influence in the trade.

Individuals in an organization or industry have stakes in an organization and can be affected by the organization actions, objectives and policies. Stakeholders are not equal and are entitled to different considerations. The consideration or benefit to a stakeholder should be proportionate to the value addition the stakeholder brings to the value chain. It might be possible to find that the stakeholders with the highest value contribution have little influence in the trade while those with little contribution have the highest influence. The study will attempt to explore the stakeholder analysis using the value chain approach and establish the management factors that exist in the industry.

Wetherly and Otter (2008) considers Stakeholders as individuals or groups that are affected by organizations decisions and would therefore have interest in the decisions and behaviors of such business entities. The higher the stakeholders interest in the business the greater the pressure to influence the goings and direction of the business because of the potential benefits or harm to their business arising from the firms actions.

Biegon (2007) emphasized the need for an evaluation of the stakeholder's issues and needs. This will aim at establishing the needs of the local stakeholders in relation to the desired forms of support from the Government in order to support the tea products. Stakeholders along the supply chain should have an economic role to play and must include an adequate profit margin to ensure acceptable return on their business activities. Stakeholder management is that process of identifying key stakeholders and winning their support. The process will involve, negotiating, contracting and managing relationships in order to motivate the stakeholders support in meeting organizations objective. (Johnson et al, 1999).Stakeholders expectations differ and it is normal for conflicts to exit and conflict management will sometimes call for a compromise between the expectations that cannot be made and the setting of priorities over certain issue seen as important.

1.1.2 Value Chain Analysis

An industry is made of many players whose number is determined by the attractiveness of the industry in a sustainable growth and profitability (Ikundo, 2007).

Sloman and Hinde (2007) view value chain as various stages or activities that help to create a product value. A value chain shows how value is added to a product as it

moves through each stage of production from raw materials to its purchase by the final consumer. As tea is moved through the various stages to reach the ultimate consumer, value is created by various stakeholders in the chain while they derive certain benefits from the product.

Capon (2008) considers value chain as a framework for examining the configurations of organization resources to achieve competitive advantage. Resources and systems have to be arranged in a manner that creates value at minimum cost or reduce overall cost. This will allow firms to gain, maintain and improve competitive advantage.

Wheelen and Hunger (2008) explains value chain as a linked set of value creating activities that begin with supply of raw materials to production and marketing of a product or service and end with distributors getting the final goods into the hands of the final consumer. The purpose of a value chain is to attain a full and seamless interaction among stakeholders to create a win-win situation for all. The value chain relevant to tea industry relate to the movement of the readymade teas from the tea processing firms located within the tea growing areas and transferred to Mombasa where the traders and tea players meet to transact in the tea at the Mombasa Tea Auction Floor.

Haberberg and Rieple (2008) considered Value chain as the way an organization decided to undertake the important activities at each stage in the development, production and delivery of its products and service. An organizations operations have to be configured so that its outputs are produced efficiently and effectively.

1.1.3 Tea Trade in Kenya

The Kenyan tea industry export earnings amounted to ksh109 in the year 2011 compared to ksh 97 Billion and ksh 69 Billion in 2010 and 2009 respectively (Kariuki,2011).The trade is largely organized in the categories of producers, Brokers, Packers, Buyers/Exporters and Warehousemen and is grouped as EATTA members. Other key players and stakeholders include the Government regulatory Agencies that include TBK, TRFK, KEPHIS, KRA and KPA. Tea industry has many players who have organized themselves in various related groups depending on the type of services offered to the industry .This include tea broking, buying and exporting, warehousing and related logistics. These groups have gone further to form mutual associations called East Africa Tea Trade Association (EATTA) task with the responsibility to coordinate member`s mutual activities and deal with all common external interest (EATTA,2010).

TBK is the licensing and regulatory body for all the tea players in the industry. It also has the task of marketing the product and maintaining product movement statistic from production to markets as posted in the TBK website. The tea producers are grouped under the large scale producers operating large scale tea producers run mainly by the Multinationals companies. The association is called Kenya Tea Grower Association (KTGA.) It has mandated to promote the tea estate workers wages policies that would boost working harmony among the industry workers.

The small scale teas producers are over 500,000 farmers are operating and managed by Kenya Tea Development Agency (KTDA). According to the KTDA website, the company sources important inputs such as fertilizer and machinery in big quantities

and accord the Farmers economies of scale in pricing. KTDA also coordinates the logistics and marketing of tea produced by small scale growers through a direct sale process or through the Mombasa Auction and in turn is paid management fees by the factories it manages .Other independent private producers operate small factories and are equally members of EATTA.

The members of the EATTA represent the key stakeholders in the tea trade as it represents the producer to the buyer members. The various groups of the EATTA membership constitute the outbound value chain of the tea industry. Pre determined fees are paid to gain membership entry to the EATTA and those that are not members are excluded from the participation in the trade. Other stakeholders outside the EATTA members include the Banks, Kenya Ports Authority and shipping Lines.

1.2 Research Problem

A value chain approach is the technique to be used to evaluate the value contribution by the stakeholders. The delivery of a mix of products and will involve different economic actors who manage their own value chains (Johnson, & Scholes, 2002). The industry wide synchronized interactions of local value chains that create an extended value chain is referred to as a value system (Porter, 1990). The success of the tea sub sector has attracted many stakeholders who have directly or indirectly contributed to the success of the trade. The tea trade stakeholders are largely based in Mombasa country which is seen as the hub of the tea trade activities by virtue of the location of the tea Auction and the proximity to port of Mombasa.

The tea trade subsector plays a vital role in the Kenyan economy and is an important source of Foreign Exchange in the region`s largest economy. The earnings from tea

rose to Kenya shillings 109 billion in 2011 compared to earnings of 97 billion in 2010 (TBK). Kenya is the leading exporter of tea in the World, with its exports in 2011 reaching 421 million kilograms, and accounting for about 22% of the global tea export volumes (TBK). Tea is the leading foreign exchange earner in the country accounting for 21% of the total export earnings and it supports over 3 million people directly and indirectly and accounts for 4% of country's Gross National Product (TBK, 2011). The tea trade subsector of the industry is mainly driven by the Mombasa Tea auction activities which bring together major stakeholders and logistics organization that effect the smooth exportation of the tea.

Various studies have previously been done in the tea industry but none has evaluated the contribution made by the various stakeholders to the tea value chain. Biegon (2007) researched on the challenges facing the tea industry in exporting value added (branded) teas and concluded that the industry lacked Government and industry support branded tea exports. Musau (2003) in his studies on value chain management practices in manufacturing firms in Kenya revealed that value chain managements empower companies to be more competitive. Odero(2006) in his research on the value chain and competitive advantage in the corporate Banking industry in Kenya focusing in the case of Citibank observed that many activities that are important to any value chain converge at the customer satisfaction and satisfaction. Ikundo (2007) in his studies of the perception of pharmaceutical producers and end users towards the role played by pharmaceutical users using value the chain concept in Kenya revealed that distributors were highly regarded by both producers and users because of the roles played in hooking up manufactures product to the users. Maruti (2006) on her studies that investigated stakeholder's analysis and management practices in Horticultural firms within Nairobi and its environment concluded that customers and the

Government regulatory arm were viewed as essential stakeholders and were directed towards meeting and satisfying the needs of the two stakeholders.

A critical look at these studies reveal that there has been great emphasis on the stakeholders roles in influencing management decisions of organizations but little has been done to link the roles to the value chain of a specific sector and trade as that of tea. Despite the contribution of tea to the general economic development of the country, no study has been done to determine the value creation by the stakeholders. The study therefore seeks to answer the following questions: What contribution does each stakeholder make to the tea value chain? And which factors influence the stakeholder's management in the Tea Trade?

1.3 Objective of the Study

This study has two objectives

- i. To establish the value contribution by each stakeholders in the Tea Trade using value chain approach.
- ii. To determine the factors that influence stakeholder's management in the tea Trade.

1.4 Significance of the Study

The study will assist managers understand the stakeholders relationship within the firm and the industry as well as the importance of each stakeholder group in their organizations (Burnes, 1996). The study will assist the stakeholders evaluate their roles and contribution in the value chain and determine the challenges facing their continued roles and participation in the chain.

The government through its agencies and regulatory bodies will gain immense knowledge of the key stakeholders involved in the tea trade value. This will guide and influence any future decisions on implementation of any new policies and new taxes. Information on the trade stakeholders who must be won is essential. The involvement of all key stakeholders in any changes to the trade or the wider industry is important to the Government for any meaningful and smooth implementations to be achieved.

The study is expected to assist potential and new entrance who wants to join the tea trade and largely the industry to appreciate the dynamics and structure that exist in the trade and the main players involved. The tea trade management and staff will gain a deep understanding and appreciation of the value chains concept as a management tool as they clearly see the value added within their activities. The study will provide an understanding of the adaption of value chain in tea trade and its application as a management system within the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter presents a review of the related literature on the subject under study by various researchers, scholars and authors. The study will draw materials from several sources which are closely related to the theme and objectives of the study. Models by writers are used to illustrate the various sub topics mentioned in the objectives of the study.

2.2 The Concept of Stakeholders Analysis

Johnson, Scholes, & Whittington (2008) describe stakeholders as those individuals or organizations that rely on a firm to fulfill their own objectives and the firm similarly depend on the Organization. Organizations have internal and external stakeholders. Internal stakeholders include shareholders, Board Members, staff and management. The size and influence of the internal stakeholders is determined by the level of governance structure practiced by the organizations. External stakeholders are those individuals and groups that have some claim in the firm and include suppliers, customers, financiers, government and the general public. The purpose of business organizations is to create and deliver value to customers and profits to the shareholders (Ansoff and Macdonnel, 1994). Strategy therefore is geared towards achieving profitability and business survival. However, the long term success of the business strategies adopted is determined by the extent to which they provide best value in the eyes of the stakeholders (Jonson and Scholes, 2003).

Wheelen and Hunger (2008) view stakeholder analysis as a process that identify and evaluate corporate stakeholders depending on their direct or indirect connection with

the organization and the level of bargaining power it would have to directly influence the organizations activities. The effects of any decision on each stakeholder require to be evaluated from ethical perspective and social responsibility which goes beyond the economic contribution of the firm. Business entities are expected to actively promote the betterment of society and act in a manner that benefits all of the company stakeholders (Thomson, Strickland,&Gamble,2008).This involves initiating and promoting activities that improve the general welfares of the society. The institution that provide resources to a firm and thus have interest in the performance of the firm (Barney, 2007).Guarding and management of stakeholders interests is essential if a firm wants to strengthen its business position by establishing an all-inclusive ethic (Thomson et al.,2008). Organization employees, management, customers and other suppliers pay extra attention in the way resources are deployed and used in a company because of their underlying expectations.

Business enterprises being a coalition of interest groups, top management role is to balance these different interests'. These interests often conflict and is popularly referred to as the stakeholder approach to the firm (Grant, 2005). Organizations create value for their customers to the extent that the satisfaction gained exceed the price they customer pay for the product or service. The Value created by firms is distributed among different stakeholders as per their expectations in the firm. Wages and salaries are paid to employees, interest is paid to Lenders, rent is paid to Landlords, and taxes are paid to the government and profits paid to the business owners.

Stakeholders are the internal or external individuals and groups that have interest in an organization. These groups will seek to influence the organization to act in their best

interest (Capon, 2008). Hence, Stakeholders analysis involves identifying who they are and evaluating their power and interest in the organization. They can be differentiated along the lines of power, legitimacy and urgency of their concerns for immediate attention (DuBrin, 2009). The various groups that make up a firm's general environment are Stakeholders and they tend to shape the purpose of an organization or industry in certain respects despite their different levels of power and influence (Slowman,&d Hinde, 2008). An industry has a wide number of stakeholders and that elements of conflict of interest do arise and must be managed. Modern business entities are seen as economic institutions who are actively involved in society's social, political and legal environment. Hence the firms are responsible to all stakeholders' and not only to the shareholders.

Rosen (1995) asserts that stakeholders are individuals and organizations who influence, or are influenced by decisions made by the organization. It therefore follows that Stakeholder analysis is the determination of the individuals and bodies and establishing their objectives and interest .Conflict among stakeholders do occur due to conflicting interests and therefore formal trade-offs, bargaining or compromise between stakeholders in negotiating industry objectives and strategy. Opposing stakeholders must be convinced, given way or be overruled.

Organizations just like individuals have needs which have to be satisfied majorly through making profits and through maximization of revenue that exceed costs. (Kibera,1996) view stakeholder as anyone with an interest in the performance of an organization or industry. Most business entities have many stakeholders who are

concerned with its prosperity and would expect to receive positive returns from the business that will meet and exceed their individual and collective needs.

Organizations in an industry operate as economic actors to convince the controlling stakeholders to continue operating and not to close (Habernerg & Rieple,2008). Stakeholders shape what an organization does and they set the objective and yardsticks that are used to measure their success or failure. stakeholders are people with an interest in an organization`s performance, the desire to influence its behaviour and resource deployment within its value chain in order to generate financial resources, reputations and value for its users.

The survival of any industry relates to its ability to adopt to change. However, political maneuvering to preserve the interest of the powerful stakeholders may slow down the change process. Mintzber, Ahlstrand, & Lampel (2009), consider stakeholder`s analysis as an attempt to cope with political forces through a rational approach. It is the planning process that is seen as a solution to the messiness of politics. It involves the stakeholder behaviors analysis, explanation and coalition analysis by the stakeholders. (Freeman1984) suggested four strategies that can result from such stakeholder`s strategy formulation process as that of offensive, defensive, holding the current position and changing the rules.

Cole (1997) emphasizes the importance of stakeholders depending on the enterprises reliance on the particular stakeholder. A food industry like tea is subject to various health and safety laws that requires a closer attention to the public health inspectors. The laws are largely aimed at ensuring that the product is safe for consumption and

that the working conditions are safe and health for the employees. Failure to meet the legal requirements can lead to fines or closure of the business. The situation would be different for example for a firm which has had to over borrow to finance its business investments .the creditors would exert a lot of pressure and influence on the company actions.

Taylor and Spares (1979) emphasized the stakeholder's theory (developed by Stanford Research institute) and suggested that a firm has obligations not only to shareholders and customers but to all individuals with which it has transactions and relations. These include supplier customer's etc. Firms therefore continuously monitor and promote stakeholders relations for the success of the firm. Management of firms in any industry strive to balance and meet the minimum stakeholder requirements while paying extra attention to those interests that merit priority depending on the critical role to the existence of the firm. The conflict that arise due to the different stakes and claims to the organizations strategies (Mallin, 2010).However, all these interests must not be pursued with equal measure but should be evaluated and prioritized.An example of the general public who may be interested in social responsibilities of the organization while the stockholders are more interested in profitability.

Organizations operate in a wider society and therefore should take account of the views of the various stakeholders beyond that of the shareholders (Mallin,2010). This will ensure that the company achieves its objectives with integrity and sustainability. Various stakeholders groups and different interests and related to the company directly or indirectly. Those that relate directly to the company include employees, providers of credit, suppliers and customers. However, those that indirectly relate to

the company include the local communities, environmental groups and the government.

2.3 Value Chain Analysis

Value chain analysis enables the firm to identify and concentrate on its core competences and outsource those functions and resources where it has no distinctive competence (Porter, 1985). Distinctive competences are those resources organizations possess that are relatively unique, provide a valuable service to customers and are difficult to copy (Johnson and Scholes, 2003)

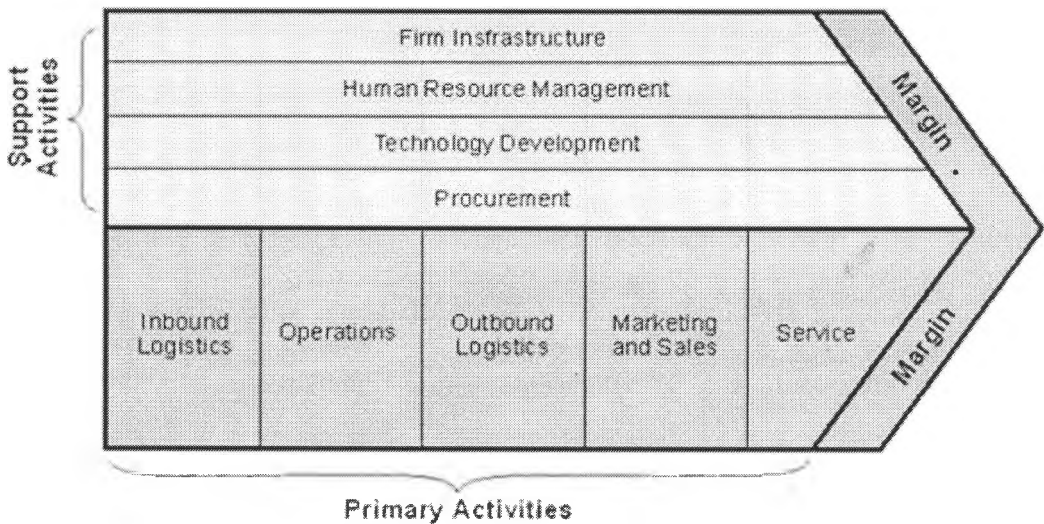
Porter (1985) came up with generic value chains existing in organizations and classified the two as primary activities and that of support services. The primary activities include inbound logistics, Operations, Outbound Logistics, Marketing and after service support. This concept has since been extended beyond individual organizations and it can apply to a whole supply chain and distribution Network. A good product is a combination of a set of linked activities that are performed from design, assembly processing, transportation, distribution, storage and after sales service. Firms specialize in their roles and one organization is part of a wider value chain system (Johnson and Scholes, 2002). Value chain is a way of looking at a business as a chain of activities that transform inputs into outputs that have value to customers (Pearce and Robinson, 2005). Customers generally derive value on a product or service from three different sources that include the activities that differentiate the product, activities that lower the cost of the product and those activities that will meet the customer's needs in a timely manner. Value chain

Analysis attempts to understand how a business creates value by examining the contributions different activities within the business or industry to that value.

The various value chains of suppliers, the firm itself, firm distributions channels and those of buyers constitute a value chain system (Porter, 1990). Example of the movement of tea through the value chains of producers, local buyers, Packers, shipping Lines and ultimately to overseas buyer and consumers. The following diagram outlines the value chain model developed by Michael Porter.

The value chain provides a basic analytical framework for organization to identify where individual business functions add value and costs to their overall operations.

The Value chain Model



Source: Porter value chain, 1995

2.3.1 Value Chain Activities

The value chain is a valuable mapping tool used to identify the key financial aspects of each functional activity in the organization. In effect there are two type of supply chain in the organization that include the primary and support services (Porter, 2005)

The primary supply chain flows from left to right through the organization and involves the organization taking in bought goods and services (inward logistics), transforming them through a value adding operations process and then selling them onwards (through outbound logistics). The secondary/support supply chains feed the organizations and shown beneath the primary supply chain.

2.3.2 Primary Activities

Inbound Logistics. These are activities that are concerned with the receiving, storing and distribution of inputs from supplier to the producer. Low cost is fundamental to every firm's competitiveness (Mintzelberg and Quinn, 1999).

Operations. This involves all the activities associated with transforming inputs into outputs and final product form. It includes machining, packaging, assembly, equipment maintenance, testing, printing and facility operations. Efficiency in volume processing and manufacturing, continuous improvement in operations while maintaining a flexible and speedy response to both market and customer needs

(Grant, 2005). In the tea trade, these are services covered by warehousing companies in blending and sorting of tea. Warehousing plays an important role in linking manufacturing, distribution and consumer as it provides other services. Materials coming into the warehouse are sorted, sequenced and then shipped to the manufacturers (Wisney and Stanley, 2008)

Outbound Activities are the value chain activities associated with the collecting, storage and physical distribution of the product to the buyers. Warehousing of all finished goods, material handling, and delivery vehicles operations and scheduling (Porter, 2005). Outbound Logistics add value for the seller when customers' needs are met at minimum costs possible. In the tea trade this services cuts across all the

stakeholders from the buyers, warehousing and tea packing organizations. The warehouse tea preparations, container stuffing and transportation of the loaded containers to the Port in order to connect carrying vessels that convey the goods to the overseas buyers and consumers. These logistics and order fulfillment process is quite involving and most firms outsource the function to third party logistics service providers who offer the expertise service at the lowest cost (Wisney and Stanley,2008).

Marketing and sales. Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organization objectives.(Aarker, Kumar & Day,2005). Marketing management involves managing demand which in turn involves managing customer relationships (Kotler and Amstrong,2004). Customers generally want a wide variety of products to choose from and upon order placement, they expect prompt delivery that meet their expectation in terms of quality and form (Wisney and Stanley, 2008).

Marketing of tea has become a fierce battle grounds where both domestic and foreign competitors fight for the market share. Individual organizations and Tea Board of Kenya are involved in the marketing of Kenya Tea.

Services are the activities associated with the product value enhancement or maintenance. This includes the machine repairs, parts supply and training of the parties involved in the product production. In the tea trade this include all the value addition services offered by the traders in blending and packing of the tea in an acceptable and presentation manner that meets customer requirement.

Support Activities include procurement, technology development, human resource and firm infrastructure. The procurement activities include the purchase of goods and services in accordance with the value chain concept. The tea is conveyed to the warehouses in Mombasa by use of tracking companies' services which have to be competitively sourced. Warehousing firms provide storage and handling services alongside other value addition activities such as blending, sorting, grading and general preparations that make the product ready to be delivered to the port for export to international markets.

Every value activity embodies technology (Porter,1985). Most firms apply technology in the transmission of documents or in the production of the final reports. Technological development involves all activities that is geared towards improving the product or the process. The tea trade has been spearheading the transmission of information to the members through emails .Most recently efforts to facilitate e-auction is under way courtesy of technology development.

Organizations are managed and staffed by people. Employees are trained and encouraged to maximize their potential so that organizations can maximize their effectiveness. Managers must be concerned with the staffing, retention, development, adjustment and managing change (Wayne, 2003). Staff training and competence is essential in meeting customer's satisfaction (Cole, 2002). Well trained staff will provide multi-skilled contribution to the overall aims of the organization especially in the service industry where employees come face to face with their customers. The firm infrastructure consists of such activities that include general management,

planning, finance, accounting, legal government affairs and quality management. Infrastructure supports the entire value chain. Business firms continuously lobby the government and municipal council to improve on the roads infrastructure to allow for efficient facilitation and handling of tea trade.

The value chain provides a structure to capture the linkages of organizational activities that create value to customer and profit for the firm (Chase, Jacobs, Aquilano, & Agarwal, 2006). Linkages are relationships between the way one value activity is performed and the cost of performance by the other. However, selecting and defining relevant value activities requires that activities with discrete technologies and economics are separated. The basic guiding principle of separating activities is that it should be done according to their economics contribution, impact of differentiation and those that represent a significant or growing proportion of cost (Porter, 1985).

Value chain is a system of interdependent activities and is related by linkages within the chain. The delivery of a product requires a coordinated effort of activities in operations, outbound logistics and support services. Exploiting linkages among stakeholders require information that allows optimization and coordination to take place. Managing linkages and the value activities themselves leads to a firm's sustainable source of competitive advantage (Porter, 2005).

2.3.4 Application of Value Chain in Stakeholder's Analysis

Stakeholder management is the key to achieving competitive advantage that will enable sustainable growth of economic value. Economic value creation is when the price that the consumer is willing to pay for the goods and services is greater than the

cost of producing them. All stakeholders may compete for the share of the value created by the rest whether they have contributed to creating it or not (Argandona, 2011).

Creating value along the supply process primarily relate to the position of the company in the supply process. Companies position at the beginning of the chain and companies interfacing with the customers at end of the chain typically have greater potential to create value (Maclean, 2003). In the tea trade the producers and buyers can utilize warehousing service to pack and Blend the tea to meet the client requirements and thus create value to the product.

Porter (1985) identifies supply chain coverage, quality and the strengths the supply chain relationships and the ability of the supply chain as areas of competitor's strength and weaknesses. Firms in the tea trade compete against each other in their various clusters within the stakeholders groups. Those firms which have efficient value chain will have lower cost and hence strong ability to compete favourable.

The goal of value creation extends beyond shareholders value. Environmental responsibility and sustainable development will lead to innovation, growth and ultimately shareholders value Grant (2005). The purpose of value chain is to identify all parties in the chain of distribution; every process is evaluated to determine the contribution to perceived value made by every stage or link in the chain. Any operational features that does not add value or attract high cost may be considered for elimination (Rosen, 1995). If one member of the chain adds desirable value; it may be at the expense of the potential profit of another stakeholder. Value chain analysis guides on the decision of whether or not product price adjustment can be effected and

by how much .Stakeholder management is the methodology within which sustainable trade development can be delivered.

The tea value chain, or marketing chain, comprises those stakeholders involved in converting the tea into a bulk packaged product available for blending and sale to consumers. At each stage along the chain, value is added to the product with associated costs. For example, the cost of conversion to black tea, factory packing, internal transport, warehousing, sales charges (auction and direct), freight, insurance, interest, blending and packaging and retailers sales costs. Additionally, stakeholders along the chain should have an economic role to play and must include an adequate profit margin to ensure an acceptable return on their business activities.

2.4 Factors that Influence the Stakeholders Value Creation

Globally tea production continues to grow faster than consumption, meaning that prices will keep falling for some time to come thus eroding the tea value (Gumo, 2010). He further argued that the tea trade or industry requires a new body to lobby that will and act as the industry think tank that can bring all the players together. He proposed the establishment of Kenya tea council. The trade unions have continued to have trade disputes and conflict with the Growers associations over the introduction of tea plucking machines seen as a solution to the ever rising labour costs, thus affecting the product input costs(Daily Nation,14th August,2012 p.11).

Levies and taxes affect the marketing and competitiveness of Kenyan teas in the global arena. The ad valorem 1% tax introduced in the early this year by the TBK on all teas imports and exports nearly disrupted the trade harmony. Traders protested the introduction of the new levy and skipped one weekly Mombasa tea auction as growers

threatened to boycott tea leave harvesting and production (“Tea Growers threaten boycott to protest at new tax”,2012). The tea sub-sector has had to contend with several challenges threatening its survival. The markets of the tea product are heavily concentrated in Egypt, Sudan, the United Kingdom, Afghanistan and Pakistan account for 70% of Kenya’s exports (TBK, 2012). Demand in Egypt and Middle-Eastern Countries has remained strong for many years and this concentration of business is not good for both pricing and political stability in the respective countries.

There has been growing concern on the likely impact of climate change on the production levels and quantities of tea available in the market. The extreme temperatures, irregular rainfall and other climatic events such as drought, frost and hailstones tend to impact on the production levels (TBK,2012).Price stagnation and decline in the demand for tea in most of the traditional markets is a wakeup call for the traders to consider diversifications to other markets considering the general decline of tea prices in the world market.

Increased production in Kenya could have a negative effect on prices as the countries Output influences world tea prices. The tea sector is increasingly being forced to adopt ethical practices that embrace socially, environmentally and financially responsible business. Importers, particularly those from the UK, have increasingly been demanding that the tea supply chain complies with employee social and welfare standards. Increased Marketing, branding and value addition will be the only way to penetrate the new markets (TBK,2012)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter explains the methodology used to carry out the study. This includes the research design, target population, data collection methods and data analysis used in the study.

3.2 Research Design

Research design is the blueprint that guides the research process in coming up with the solutions to the research problem (Nachmias & Nachmias, 1996). It constitutes the plan and structure of investigations for the collection, measurement and analysis of data conceived to obtain answers to the research questions (Cooper & Schinder, 2003). In order to achieve the research objectives, the research design used was a census survey method to determine the stakeholder's analysis in the Kenya tea trade, a value chain approach. The design was chosen due to the small size of population to be studied.

3.3 Target Population

The population for this study were all the stakeholders in the tea trade. Stakeholders in the tea trade for the purpose of the study; were drawn from the Membership of EATTA (EATTA Membership list, July 2012) and the relevant government Agencies and Regulatory Authorities, (Kenya Ports Authority and Tea board Kenya). All the business organizations that do warehousing, tea broking, Blenders & packer, buyers and exporters were identified as One Hundred and seven (107) stakeholders. The respondents were persons vested with the responsibility for decision making in their respective firms and included Managing Directors and General Managers.

3.4 Data Collection

The data was collected using questionnaires method which was found suitable to the context of the study. Semi-structured questionnaires were developed and administered to the respondents. The questions were both structured and non-structured and were prepared as closed and open ended in order to allow the respondents the discretion to explain their opinions freely. The closed ended questions had yes or no answers (Mugenda & Mugenda, 2003) and Likert scaled.

The Questionnaires were self-administered to top management and heads of departments in the organisations either through drop and pick to companies within Mombasa or emailed to the target respondents. The time frame for the return of the completed survey questions was after two weeks which ensured ample time for respondents.

3.5 Data Analysis

The data was adequately checked for accuracy and completeness before analysis commenced. They were coded and entered into the statistical package for social sciences (SPSS) for the analysis to be conducted. The data analysis was done using descriptive statistics in the form of tables, frequency and percentages. The relationships between the variables were determined using mean ranking.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents the results and findings obtained from direct responses and data analysis obtained from tea handling companies. The chapter is broken into three segments with the first being the response rate and background information of the study. The other two sections present the finding on each of the two objectives of the research. The first one establishes the value contribution by each stakeholder in the Tea Trade using value chain as an approach and the other analyses the factors that influence stakeholder's management in the tea Trade.

4.2 Profile of the Respondents Organizations

The respondent's demographic characteristics were established based on the company's identity, number of employees, type of business, company ownership and the respondent's designation.

4.2.1 Response Rate

The study targeted 107 firms listed by EATTA as buyers, brokers, packers and warehouse operators. However, only 60 firms responded and returned the questionnaires given out to all the companies. This represent 56.07% response rate which is an acceptable research response.

4.2.2 Organizations profile

The respondents indicated that 19 (31.7%) of the companies had less than 10 employees, 26 (43.3%) employed between 10 and 50 and 15 (25.0%) had over 50 employees. This information is illustrated in Table 4.1.

TABLE 4. 1 Number of company employees

Number of employees	Frequency	Percent	Cumulative Percent
Less than 10	19	31.7	31.7
10-50	26	43.3	75.0
Above 50	15	25.0	100.0
Total	60	100.0	

Source: Research Data (2012)

The companies were said to be involved in various business in the Tea supply chain as is illustrated by the summary in Table 4.2.

TABLE 4. 2 Type of business

Type of business	Frequency	Percentage
Tea warehousing	12	20.0
Tea buyer	30	50.0
Tea broker	8	13.3
Tea packer	6	10.0
Shipping line	3	5.0
Others	1	1.7
Total	60	100

Source: Research Data (2012)

According to information in Table 4.2, there were 12 (20.0%) warehousing companies, 26 (50.0%) Tea buyers, 8 (13.3%) Brokers, 6 (10.0%) Packers, 3 (5.0%) Shipping line and a regulator (Tea Board of Kenya). Further, it was indicated that 25 (41.7%) of the companies were predominantly family owned, 11 (18.3%) were predominantly non-family, 9 (15.0%) were all family, 5 (8.3%) were public owned while 10 (16.7%) were either private quoted companies or multinational companies. This information is illustrated by Table 4.3.

TABLE 4. 3 Type of business Ownership

Ownership	Frequency	Percent	Cumulative Percent
Predominantly family (above 51%)	25	41.7	41.7
Predominantly non-family (above 51%)	11	18.3	60.0
All family	9	15.0	75.0
Public	5	8.3	83.3
Others	10	16.7	100.0
Total	60	100.0	

Source: Research Data (2012)

The respondents were drawn from senior management positions in their companies including managers in charge of warehouse, export, finance, operation, trading, procurement e.t.c. depending on the nature of the business the respective company was involved in, a company director and Tea executives. This means that the respondents were authoritative persons in their companies who were capable of providing credible information required for the study.

4.3 Value contribution by Stakeholders in Tea trade

Value chain analysis enables a firm to identify and concentrate on its core competences and outsource those functions and resources where it has no distinctive competence (Porter, 1985). Distinctive competences are those resources organizations possess that are relatively unique, provide a valuable service to customers and are difficult to copy (Johnson and scholes, 2003).

The purpose is to use value chain analysis to assess the contribution of various stakeholders with special focus on the contributions of warehouse operators, tea buyers, packers and tea brokers. The respondents for the purposes of determining the contributions of the stakeholders were required to describe the category of services their companies offered. In response, 14 (23.3%) respondents indicated that they

specialized in warehousing, 15 (25.0%) said they were involved in tea broking while 31 (53.4%) were buyers (exporters). This means that majority of the operators are buyers (exporters). Further, 56 (93.3%) indicated they were members of EATTA, 28 (46.7%) were members of Kenya Chamber of Commerce, 20 (33.3%) were members of KIFWA, 12 (20.0%) members of DATA and 8 (13.3%) were members of either Tea Board of Kenya, KEBS, FKE, KTA, IATA or KTA.

Then the respondents were invited to rank the various tea trade industry stakeholders based on their perceived importance. The result of their ranking scheme based on the mean and standard deviation was as is summarized in Table 4.4.

TABLE 4. 4 Rank of stakeholders

Stakeholder	Mean	Standard. Deviation
Tea Broker	4.09	1.199
Tea warehouse	4.60	.764
Tea Board of Kenya	4.38	.976
Ports Authority and Customs	4.30	.926
Shipping Lines	4.20	1.176
EATTA	4.20	.917
Grand Mean	4.295	

Source: Research Data (2012)

According to the information in Table 4.4 which shows the ranking of the stakeholders in the Tea Trade industry based on importance, Warehouse with the highest mean score (4.60) was ranked as the most important stakeholder, followed by Tea Board of Kenya, Ports Authority and Customs, Shipping lines and EATTA and lastly Tea brokers as the least important stakeholder in the tea trade industry. This ranking seems to support the attempted move by Tea Board of Kenya to phase out Brokers due to its irrelevance and replace it with electronic system.

One of the objectives of this study was to determine the value worth of stakeholders in the supply chain in the Tea trade. The process was achieved through evaluation of a set of parameters which include market forces and the relative value of stakeholder groups. As is established above, the first parameter regards the power and interest rating of the stakeholders relative to other forces within the supply chain of the Tea trade. The mean ranking of the respondents views are summarized in Table 4.5

TABLE 4. 5 Ranking of market forces.

Variables	N	Mean	Standard. Deviation
Members concerns	60	3.80	1.054
Marketing concerns	60	4.33	1.145
General Economic trends	60	4.00	1.042
Technological Changes	60	4.25	1.117
Firm internal Resources	60	4.20	1.117
Social and cultural trends	60	3.13	1.096
Grand Mean		3.95	

Source: Research Data (2012)

According to information contained in Table 4.5 marketing concerns was had the highest mean ranking (4.33), followed by technological advances (4.25), firms internal resources (4.20), general economic trends, then members concerns (3.80) and lastly social and cultural trends (3.13). This means marketing concerns, technological changes and firms internal resources are the most important parameters that the respondents consider to be the most crucial in rating the significance of the stakeholders in the Tea trade supply chain.

Likewise, the results from the mean ranking of factors of relative value of stakeholders were as summarized in Table 4.6.

TABLE 4. 6 Ranking of relative value of stakeholders

Variables	N	Mean	Standard Deviation
Influence	60	3.40	1.210
Concerns	60	4.00	.974
Interest	60	4.20	.917
Power	60	3.33	1.203
Returns	60	4.40	1.092
Size	60	3.33	1.145
Priorities	60	3.67	1.203
Grand Mean		3.76	

Source: Research Data (2012)

Results of the mean ranking show that stakeholder's returns (4.40) had the highest mean ranking followed by interest (4.20), then concerns (4.00), priorities (3.67), influence (3.40) and lastly a stakeholders power and company size (3.33). This means that a stakeholder's returns and interest are the most important parameters of ranking for these set of tools.

Warehouse operators are among the key stakeholders in the tea value chain task with the responsibility of storage and handling of the tea product.

The purpose is to determine the significance of the stakeholders in the tea trade. The respondents were required to score against specific issues regarding Warehouse operators. The data collected and findings are on warehouse operators are summarized in Table 4.7.

TABLE 4. 7 Stakeholders satisfaction level with Warehouse operator’s services

Variables	N	Mean	Std. Deviation
Timely respond to queries	60	4.13	.616
Storage of tea in good condition	60	4.60	.623
Adequate space and equipment	60	4.80	.659
Charge reasonably for the services	60	3.60	.616
Meet and exceed your service expectations	60	4.47	.892
Meet Food Safety standards	60	3.73	.778
Issue of Arrival and weight notes	60	3.80	.755
Blending services	60	4.80	.659
Containerization and transportation of tea to port	60	4.07	.578
Grand Mean		4.22	

Source: Research Data (2012)

The results of the mean ranking of the services offered by warehouse operators by the respondents as is summarized in Table 4.7 show that provision of adequate space and equipments and provision of blending services by the operator were the most valued services by the stakeholders since they had the highest mean ranking (4.80). They were followed by storage of tea in good condition (4.60), meeting and exceeding other stakeholders expectation, (4.47), timely response of the operator to queries (4.13), containerization and transportation of tea to port (4.07), issue of Arrival and weight notes (3.80), meet Food Safety standards (3.73) and lastly charge reasonably for the services (3.60). The operator therefore had an overall service provision mean ranking of 4.22.

Tea buyers participate in the buying and exportation of tea in the value chain. They are guided by the quality and demand by the overseas buyers. The purpose is to determine the significance of the stakeholder in the Tea Trade. The respondents were required to score against specific issues regarding Tea buyers in order to determine the value contribution by the stakeholder in the Trade.

The results of the respondents' perception about Tea buyers are summarized in Table 4.8.

TABLE 4. 8 Stakeholders satisfaction level with Tea buyer's services

Variables	N	Mean	Std. Deviation
Offer highest Auction prices	60	4.20	1.117
Link to international Buyers	60	4.00	.974
Assist penetrate New International market	60	4.47	1.214
Act as agents to overseas buyers	60	4.07	.936
Do value addition of the tea	60	3.80	.917
Concentrate on specific world markets	60	4.27	.686
Purchase is a reflection of market demands	60	3.20	.988
There is minimal speculative buying	60	3.27	1.133
Compete with global tea players	60	4.13	.812
Grand Mean	60	3.93	

Source: Research Data (2012)

Results of the mean ranking of the importance of the services offered by buyers summarized in Table 4.8 show that the operator's provision of assistance in penetrating of new international market was its most significant service to the stakeholders since it had the highest mean ranking (4.47). It was followed by its concentrated action in specific world markets (4.27), then offer of highest auction prices (4.20) competing with global tea players (4.13), acting as stakeholders overseas agents (4.07), linking others to international buyers (4.00), doing value addition to tea (3.80), ensures there is minimal speculative buying (3.27) and lastly ensures that purchase is a reflection of market demands (3.20). The operator was therefore given a service mean rating of 3.93 in the supply chain.

Tea packers buy tea in the Auction to pack in small sachets and packets not exceeding five kilograms. The packing of the tea is generally done for domestic market.

The respondents were required to score against specific issues regarding Tea packers in order to determine the significance of the stakeholder in the Tea Trade.

The results of the respondents' perception about Tea packers are summarized in Table 4.9.

TABLE 4. 9 Stakeholders satisfaction level with Tea packer's services

Variables	N	Mean	Std. Deviation
Do tea value addition	60	3.93	1.191
Purchase tea for local consumption	60	4.07	.861
Promote tea consumption in the domestic markets	60	4.32	1.191
Target mass market by selling the tea in small units	60	3.20	1.054
Target final consumers	60	3.73	1.006
There is great future for this line of business	60	3.93	1.311
Packing materials cost is a big component of their pricing	60	2.67	1.006
Effective distribution outlets is key in the business	60	4.42	.967
High taxes and levies affect the packing business	60	4.15	.746
Promotion of domestic consumption of tea	60	4.26	.1.034
Overcoming high competition from non-tea products and drinks	60	4.27	1.217
Grand mean		3.90	

Source: Data Research (2012)

The results of mean ranking of respondents' perception of quality of services offered by Tea packers represented in Table 4.9 shows that effective distribution outlets is key in the business was the most significant service of tea packers (4.42) followed by promote tea consumption in the domestic markets (4.32) then overcoming high competition from non-tea products and drinks (4.27), promotion of domestic consumption of tea (4.26). However most stakeholders did not agree with their explanation that packing material is a big component of their pricing (2.67). The operator was awarded an overall service rating of (3.90).

There are other tea players outside those listed but nevertheless play some role in the facilitation of the tea trade. The respondents were required to score against specific issues regarding Tea packers in order to determine the significance of the stakeholder

in the Tea Trade. The results of the respondents' perception about Tea packers are summarized in Table 4.10.

TABLE 4. 10: Stakeholders satisfaction level with TBK and EATTA services

Variables	N	Mean	Std. Deviation
Facilitate the trade effectively	60	4.07	1.300
Develop regulations that guide the trade	60	4.40	1.092
Offer general Marketing support	60	4.40	1.092
Lobby for common trade interests both locally and abroad	60	3.87	1.268
Negotiate for lower taxes and levies	60	4.13	1.157
Communicate key changes and trades in world Markets	60	3.33	1.457
Maintain trade statistics and records	60	3.53	1.033
Maintain cordial trade relations with the importing nations	60	4.27	.861
Maintain cordial trading relations with key trading partners and Nations	60	4.23	.947
Grand Mean		4.03	

Source: Research Data (2012)

According to the data obtained from the respondents based on their assessment of the value of TBK and EATTA, their role in developing regulations that guide the trade and offering general marketing support were the most significant roles of the stakeholders (4.40) followed by maintaining cordial trade relations with the importing nations (4.27), maintaining cordial trading relations with key trading partners and Nations (4.23), negotiate for lower taxes and levies (4.13) and facilitate the trade effectively (4.07). However its role in communicating key changes and trades in world Markets was found to be the least significant (3.33). The other stakeholders [TBA and EATTA] were awarded an overall mean rating of 4.03.

Tea Brokers are nominated by the producers to solicit for best prices in the auction. They offer teas in the auction where various buyers meet to bid for the tea. The respondents were required to score against specific issues regarding Tea brokers in

order to determine the significance of the stakeholder in the Tea Trade. The results of the respondents' perception about Tea brokers are summarized in Table 4.11.

TABLE 4. 11 Stakeholders expectations on the role of the broker

Variables	N	Mean	Std. Deviation
Distribute samples in good time	60	3.67	.917
Conduct the auction process efficiently	60	3.60	1.033
Does quality of tea testing and evaluation	60	3.20	.755
Rates and fees reasonable	60	2.60	1.028
They cannot justify their commissions	60	3.13	1.641
There will be minimal role by brokers in future	60	3.27	1.706
Without the tea brokers, there will be no tea value chain	60	3.00	1.804
With the advent of technology there will be no role of Tea Brokers	60	3.13	1.464
The Broker role can be taken up by other players in the trade	60	3.20	1.410
Tea Brokers do not contribute value along the supply chain	60	1.13	1.467
Brokers can add value but by changing their present roles and diversifying	60	2.93	1.448
Grand Mean		2.99	

Source: Research Data (2012)

From Table 4.11 which contains the respondents' expectations of the role of brokers in the Tea trade, results show their role in distributing samples in good time (3.67) and conducting the auction process efficiently (3.60) were the most significant. However, it was the contention of most of the respondents that there will be minimal role played by brokers in future. This they said was due to the advent of technology which would take most of the services offered by brokers. Alternatively, a majority of the respondents indicated that the role would be taken up by other players. The majority affirmed that even though it was that Brokers contribute value along the supply chain, they could do so by changing their present roles and diversifying. It was the

contention of the majority that the supply chain would exist with or without the Brokers. The operator had an overall mean rating of 2.99.

The mean ranking of the various stakeholders in the tea export supply chain, warehouse operators emerged as the most significant contributors (4.22) in the tea export supply chain followed by regulators (TBA and EATTA) , then buyers, packers and lastly brokers who received the lowest mean ranking of 2.99.

4.4 Factors that Influence Stakeholders Management in Tea Trade

Respondents were provided with a variety of items to enable them assist with identification of factors that affect the performance of tea trade. The identification was attempted in three subsections.

At the initial phase, respondents were first and foremost required to indicate their level of involvement in the facilitation of tea trade. In response, 52 (86.7%) indicated that they were directly involved in facilitation of tea trade while 8 (13.3%) said they were indirectly involved. This means a majority of the respondents were directly involved in facilitation of tea trade. They listed their level of involvement as blending and packing, provision of transportation, warehousing, clearing and forwarding, tea auctioning (trading), tea buying, exportation, overseas marketing, quality control and tea brokerage.

Then, the respondents were to list the factors that determine the success of tea trade business. In response, the respondents listed tea demand at the world market, tea price at the auction, tea supply reliability, exchange rate (stability of the dollar relative to the local currency), use of technology and availability of well trained personnel to handle the supply chain as the most important factor according to a majority of the

respondents. Other factors mentioned include efficient port services, political stability particularly in the Middle and Far East countries, favourable Government policies of trade and non-interference, good climate and quality of tea, fuel prices and warehouse rates.

The main role of the research however was the determination of factors that influence the performance of the tea trade sector. Respondents were therefore required to score against a set of statements with the purpose of identifying which among the statements constituted the factors that influence the tea trade. The respondents take of the factors are summarized in Table 4.12.

TABLE 4. 12 Descriptive of the factors that influence the stakeholder’s performance and Management in the tea trade

Factors	NE		LE		ME		GE		VGE		Total	
	f	%	f	%	f	%	f	%	f	%	f	%
Foreign Exchange rate	-	-	-	-	4	6.7	24	40.0	32	53.3	60	100
Auction Prices	-	-	-	-	4	6.7	12	20.0	44	73.3	60	100
World Tea Demand	-	-	-	-	8	13.3	8	13.3	44	73.3	60	100
Climatic Condition	-	-	-	-	4	6.7	20	33.3	36	60.0	60	100
Port Congestion	-	-	4	6.7	8	13.3	16	26.7	32	53.3	60	100
High Fuel Prices	4	6.7	-	-	12	20.0	28	46.7	16	26.7	60	100
High Tea Crop Production	-	-	4	6.7	4	6.7	32	53.3	20	33.3	60	100
Vessel Sailing and Availability	4	6.7	4	6.7	8	13.3	24	40.0	20	33.3	60	100
Piracy	4	6.7	4	6.7	12	20.0	16	26.7	24	40.0	60	100
Warehouse Space Availability	4	6.7	8	13.3	4	6.7	32	53.3	12	20.0	60	100
Bank Credit Availability	4	6.7	4	6.7	8	13.3	20	33.3	24	40.0	60	100
Political Instabilities in the Far East	8	13.3	4	6.7	16	26.7	8	13.3	24	40.0	60	100

Source: Research Data (2012)

Results of the respondent’s perception of factors that influence the tea sector summarized in shows that foreign exchange rate were considered to influence the performance to moderate extent by 4 (6.7%) respondents, to great extent by 24 (40.0%) and to very great extent by 32 (53.3%) meaning that all the respondents

consider foreign exchange as a determinant factor of performance of the tea sector. A similar scenario prevailed with auction prices, world tea demand and climatic conditions. A majority of the respondents indicated that port congestion (56 – 93.3%), high fuel prices (56 – 93.3%), high crop production (56 – 93.3%), vessel sailing and availability (52 – 86.7%), piracy (52 – 86.7%), warehouse space availability (48 – 80.0%), bank credit availability (52 – 86.7%) and political instability in the Far East (48 – 80.0%) were an influence either to moderate extent, great extent or very great extent. This implies that a majority of the respondents consider all the items listed as factors that influence the performance of tea trade.

Though all factors were considered to be factors that influence performance of the tea trade by a majority of the respondents, some factors were considered more influential than others, based on mean ranking as is illustrated by the Table 4.13.

TABLE 4. 13 Mean ranking of market factors

Factors	Mean	Std. Deviation
Foreign Exchange rate	4.57	.499
Auction Prices	4.79	.414
World Tea Demand	4.57	.735
Climatic Condition	4.64	.483
Port Congestion	4.43	.735
High Fuel Prices	4.07	.710
High Tea Crop Production	4.29	.594
Vessel Sailing and Availability	4.07	.892
Piracy	4.07	.970
Warehouse Space Availability	3.86	.923
Bank Credit Availability	4.14	.923
Political Instabilities in the Far East	3.79	1.275
Grand Mean	4.27	

Source: Research Data (2012)

Results of the mean ranking contained in Table 4.13 shows that auction prices (Mean=4.79) was ranked highest followed by climatic conditions (M=4.64), then foreign exchange rate and world tea demand (M=4.57) followed by port congestion, high tea crop production, bank credit availability, high fuel prices, vessel sailing and availability, piracy, ware house availability and lastly political instabilities in the Far East in a decreasing order of the mean ranking. This means that while auction prices followed by climatic conditions, foreign exchange rate and world tea demand are considered as factors that greatly influence performance of tea trade, political instability in the Far East and warehouse space availability were said to have the least effect on the performance with the remaining factors having moderate effects.

4.5 Discussions of Findings

From the results of the research presented above, a number of issues relating to the research objectives were noted. Relative to the first objective, a majority of the respondents considered warehouse operators as the most significant stakeholder within the Tea Trade supply chain. Using similar parameters, Tea brokers were considered least important, an expression of stakeholders support for the regulator's (TBK) intention of substituting the stakeholder with a more modern and efficient mode of means of provision of the same services with the e-trade in tea. This aspect of evaluation of the significance of each participant in the Tea Trade seems to support the suggestions of several researchers. For instance, Ansoff and Macdonnel, (1994) stated that the purpose of business organizations is to create and deliver value to customers and profits to the shareholders. According to Jonson and Scholes, (2003), the long term success of the business strategies adopted by the organizations are determined by the extent to which they provide best value in the eyes of the stakeholders. Wheelen and Hunger (2008) therefore view stakeholder analysis as a process that identifies and evaluates corporate stakeholders depending on their direct

or indirect connection with the organization or a system and the level of bargaining power it would have to directly influence the organizations activities. The researchers stated among others justify the value analysis of stakeholders within a system as a check of their relevance based on their quality of service. In summing up Value chain is a way of looking at a business as a chain of activities that transform inputs into outputs that have value to customers (Pearce and Robinson, 2005). It attempts to understand how a business creates value by examining the contributions of different players in terms of their activities within the business or industry.

In terms of factors that influence stakeholder's management in the Tea Trade, auction prices, climatic conditions, foreign exchange rate and world tea demand were considered as factors that greatly influence performance of tea trade with the remaining factors either having moderate or minimal effects. This finding partly concurs with that of TBK (2012) who suggests that the extreme temperatures, irregular rainfall and other climatic events such as drought, frost and hailstones tend to be bound to impact on the production levels. The report further states that price stagnation and decline in the demand for tea in most of the traditional markets is a wakeup call for the traders to consider diversifications to other markets considering the general decline of tea prices in the world market.

Every value activity embodies technology (Porter, 1985). The tea trade is in the level of adopting technology in the trading floor by adopting e-auction in the selling and buying of tea at the Mombasa Tea auction. Technological development is seen as a way of promoting transparency and smooth business transactions with minimal human interventions. E-Auction will see the replacement of the auction hammer with a

computer mouse in the business transactions in the auction thus reducing the role of some of the trade stakeholders.

The value contribution of by each stakeholder is guided by the basic principles of economic contribution, impact of differentiation and the growing proportion of cost (Porter,2005).The stakeholders get the opportunity to evaluate their contribution to the value chain and the linkages that promote their very existence. This explains the organizational linkages that exist within EATTA membership that has created value to customers and similarly profit for the individual firms (Chase et al., 2006)

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings gathered from the analysis of the data. Conclusions have been drawn from the study and recommendations put forward on value chain approach to stakeholder's analysis and management in Kenya Tea Trade.

5.2 Summary of Findings

The study attempted to analyse the value chain approach to stakeholders' analysis and management in Kenya Tea trade. The sample consisted of 60 respondents drawn from various stakeholders in the Kenya Tea Trade supply chain as per the EATTA list of 24th February 2012.

The study found out that warehousing is the main type of business for a majority of the stakeholders in the supply chain of the Tea export trade. Majority of the companies were predominantly family owned (above 51%) with most of the operators being buyers (exporters). Of those sampled, 93.3% indicated they were members of EATTA

On ranking of the stakeholders, warehouse with the highest mean score (4.60) was ranked as the most important stakeholder while Tea brokers with a mean rating of 4.09 was ranked as the least important stakeholder in the Tea trade supply chain. This ranking seems to support the attempted move by Tea Board of Kenya to phase out Brokers due to its perceived irrelevance in the light of the emerging of more relevant and cheap methods of brokerage service provision prompted by advances made in

technology which can be harnessed as is already practiced at the security exchange (the e-trade).

The rating process was achieved through evaluation of a set of parameters which included market forces and the relative value of stakeholder groups within the supply chain. Marketing concerns, technological changes and firm's internal resources were the most important parameters that the respondents considered to be the most crucial in rating the significance of the stakeholders in the Tea trade supply chain along with stakeholder's returns and interest.

Majority of the respondents were either satisfied or very satisfied with all the services offered by the Warehouse operators. The almost absolute confidence of the industry stakeholders in the operator therefore serves to confirm the relevance of Warehouse operators within the value chain of the Tea Trade. With regard to Brokers, it was the contention of most of the respondents that there will be minimal role for them in the near future. This they said this was due to the advent of technology which would more cheaply provide most of the services offered by brokers. Majority of the respondents alternatively intimated that the role would be taken up by other players. The majority affirmed that even though Brokers contribute value along the supply chain, they could do so by changing their present roles and diversifying. It was the contention of the majority that the supply chain would exist with or without the Brokers.

On the factors that determine the success of tea trade business, the respondents listed tea demand at the world market, tea price at the auction, tea supply reliability, exchange rate (stability of the dollar relative to the local currency), use of technology

and availability of well trained personnel to handle the supply chain as the most important factors. With regard to factors that affect performance of stakeholders in the supply chain of the Tea trade, foreign exchange rate and world tea demand were considered as factors that greatly contribute to the performance of stakeholders in the supply chain of Tea trade while political instability in the Far East and warehouse space availability were said to have the least effect.

5.3 Conclusions of the study

Conclusions of the study findings were made based on the relationships that were established for each of the different research questions. The conclusions were that a value chain approach to stakeholders' analysis and management in Kenyan Tea trade showed that Warehouse operators were the most important stakeholders within the supply chain with Tea Brokers being the least important. Further it was found that *foreign exchange rate and world tea demand were considered as the factors that greatly contribute to the performance of stakeholders in the supply chain of Tea trade while political instability in the Far East and warehouse space availability had the least effect.*

5.4 Recommendations of the study

From the foregoing summary, it is felt that each of the stakeholders needs to improve in its role of service provision within the supply chain. For instance, TBK should improve in its mode of communicating key changes and trades in world Markets to the stakeholders as well as its method of lobbying for common trade interests both locally and abroad. Brokers should strive to enhance their role in the tea export supply chain by diversifying into other areas other than that of brokerage thus making themselves more relevant particularly in the near future.

Packers on the other hand should adopt cheaper means of packaging to bring down the overhead cost. Warehouse operators should adopt cheaper means of storage of tea to bring down its attendant overhead cost. Buyers should strive to eradicate speculative buying.

5.5 Suggestions for further research

It is recommended that the scope of the research be broadened to include other players in the tea trade and supply chain. Further, the scope could be broadened to include operators in the industry from other countries within the region like Tanzania, Uganda, Rwanda and Burundi among others.

Further, a comparative study on methods of value addition to stakeholders in the supply chain of tea export trade.

5.6 Limitation of the study

The major limitation of the study was in respect to the sources of information to guide the research particular due to the negative attitude of some stakeholders. There was undue suspicion by a section of the respondents that the study may have been prompted by regulators with an aim of gathering information that could advocate for *their irrelevance in the Tea Trade supply chain. This could be attributed to their misconception of the aims and objectives of this study.*

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APPENDIX I: QUESTIONNAIRE GUIDE TO TEA TRADE STAKEHOLDERS

The questionnaire is meant to collect data on the stakeholder's value chain

Part A

1. Personal Details of the Respondent (Optional)

Name: -----

Designation-----

Responsibility-----

2. Company Data

a. Company Name.....

b. How many employees

i) Less than 10 ()

ii) Between 10 and 50 ()

iii) Above 50 ()

c) What type of business are you involved in (please tick appropriately)

i) Tea Warehousing ()

ii) Tea Buyer ()

iii) Tea Broker ()

iv) Tea Packer ()

v) Shipping line ()

vi) Others (please specify)-----

d) Ownership of the company

i) Predominantly family (above 51%) ()

ii) Predominantly Non –Family (above 51%) ()

iii) All Family ()

iv) Public ()

iv) Any Other.....

Part B

1. Within the tea product value chain, how would you describe your business?

a) Warehousing () b)Tea Broking () c) Tea Buyer/Exporter ()

2. Please rank the following stakeholder in order of their importance to your business:

Key 5=extremely important 4=somewhat important 3=important 2=Fairly important 1=Unimportant (tick where applicable)

Stakeholder	5	4	3	2	1
Tea Broker					
Tea warehouse					
Tea Board of Kenya					
Kenya Ports of Authority and Customs					
Shipping Lines					
EATTA					

3. Do you own a warehouse? Yes () No ()

4. Beside each of the statements presented below please indicate whether you are extremely satisfied ,satisfied ,dissatisfied or extremely dissatisfied with the services rendered by **warehouse operators** (tick where applicable)

1=extremely dissatisfied 2=Dissatisfied 3=Neutral 4=Satisfied 5=Extremely satisfied

Service Rendered	1	2	3	4	5
Timely respond to queries					
Storage of tea in good condition					
Adequate space and equipment					
Charge reasonably for the services					
Meet and exceed your service expectations					

5. Against each statement below indicate the number that best describes your expectations on the role of the **Tea Buyers** .The number represents the following responses (Tick where applicable)

Key 1=strongly Agree 2=Agree 3= Neutral 4=Disagree 5=Strongly Disagree

Service Rendered	1	2	3	4	5
Offer highest Auction prices					
Link to international Buyers					
Assist penetrate New International market					
Act as agents to overseas					
Do value addition of the tea					
Concentrate on specific world markets					
Purchase is a reflection of market demands					
There is minimal speculative buying					
Compete with global tea players					

6. Against each statement below indicate the number that best describes your expectations on the role of the **Tea Packers** .The number represents the following responses (Tick where applicable)

Key 1=strongly Agree 2=Agree 3= Neutral 4=Disagree 5=Strongly Disagree

Expectation on the role of the Packers	1	2	3	4	5
Do tea value addition					
Purchase tea for local consumption					
Promote tea consumption in the domestic markets					
Target mass market by selling the tea in small units					
Target final consumers					
There is great future for this line of business					
Packing materials cost is a big component of their pricing					
Effective distribution outlets is key in the business					
High taxes and levies affect the packing business					
Domestic consumption of tea is low					
High competition from non-tea products and drinks					

7. Indicate to what extent does the **other players**(TBK and EATTA) in the tea trade meet your expectations. The number represents the following responses (Tick where applicable)

Key 1=strongly Agree 2=Agree 3= Neutral 4=Disagree 5=Strongly Disagree

Service Rendered	1	2	3	4	5
Facilitate the trade effectively					
Develop regulations that guide the trade					
Offer general Marketing support					
Lobby for common trade interests both locally and abroad					
Negotiate for lower taxes and levies					
Communicate key changes and trades in world Markets					
Maintain trade statistics and records					
Maintain cordial trade relations with the importing nations					
Maintain cordial trading relations with key trading partners and Nations					

8. Against each statement below indicate the number that best describes your expectations on the role of the **tea Brokers** .The number represents the following responses (tick where applicable)

1=strongly Agree 2=Agree 3= Neutral 4=Disagree 5=strongly Disagree

Expectation on the role of the broker	1	2	3	4	5
Distribute samples in good time					
Conduct the auction process efficiently					
Does quality of tea testing and evaluation					
Rates and fees reasonable					
They cannot justify their commissions					
There will be no place for brokers in future					
Without the tea brokers, there will be no tea value chain					
With the advent of technology there will be no role of Tea Brokers					
It is a sunset business –has no future					
Tea Brokers do not contribute value along the supply chain					
Brokers can add value but must change concert of the role.played					

**APPENDIX II: STAKEHOLDER ANALYSIS AND MANAGEMENT
QUESTIONNAIRE GUIDE**

Please tick the appropriate answer

1. Does your company have strategic plans? Yes/No
2. If yes are they in written form? Yes /No
3. Do your current strategies mention or involve stakeholders groups?
4. Who participates in the development of the firm strategy?

(Please tick appropriate choice)

- a) Chairman ()
 - b) Board Members ()
 - c) Specific employees ()
 - d) Employees in General ()
 - e) Community Members ()
 - f) Others (specify)-----
5. Does your company subscribe to the following associations?
- a) Eatta ()
 - b) Chamber of Commerce ()
 - c) KFWA ()
 - d) DATA ()
 - e) Others (specify).....
6. Do your employees subscribe to the following trade unions?
- a) Plantations and Agriculture union yes/No
 - b) Kenya Warehouse and Freight union yes/no
 - c) Others (specify).....

7. How do you rate the following factors in your stakeholder management process?

Key 5=extremely important 4=somewhat important 3=important 2=Fairly important
1=Unimportant

Factors	1	2	3	4	5
Members concerns					
Marketing concerns					
General Economic trends					
Technological Changes					
Firm internal Resources					
Social and cultural trends					

8. How important are the following factors in determining the relative value of stakeholder groups (Tick where appropriate)

Key 5=extremely important 4=somewhat important 3=important 2=Fairly important
1=Unimportant

Factors	1	2	3	4	5
Influence					
Concerns					
Interest					
Power					
Returns					
Size					
Priorities					

APPENDIX III: MANAGEMENT FACTORS QUESTIONNAIRE GUIDE

The questions are meant to collect information on the management Factors in the Tea industry.

1. Are you involved directly or indirectly in the facilitation of the Tea trade ?
 - a. Yes
 - b. No

2. In what ways is your institution involved in enhancing the tea export business in general? _____

3. What are the factors that determine the success of the tea business trade in your agency perspective? _____

4. To the extent of your knowledge, how to the following factors influence the performance of the Tea sector? 1=No extent, 2= To a less extent, 3= To a moderate extent, 4= To a great extent, 5= To a very great extent

Factors	1	2	3	4	5
Foreign Exchange					
Auction Prices					
World Tea Demand					
Climatic Condition					
Port Congestion					
High Fuel Prices					
High Production					
Vessel Sailing and Availability					
Piracy					
Warehouse Space Availability					
Bank Credit Availability					
Political Instabilities in the Far East					

Thank you for finding time to fill the Questionnaire

APPENDIX IV: EATTA MEMBERSHIP LIST

BUYER MEMBERS

- 1 Abbas Traders Ltd
- 2 Ace Commodities
- 3 Afribridge Trade Exporters Ltd
- 4 Africa Tea and Coffee Company Ltd
- 5 Afro Teas Ltd
- 6 Aimco Enterprises
- 7 Akaba Investments Ltd
- 8 Alanwood Ltd
- 9 Al-Emir Ltd
- 10 Alibhai Ramji (Msa) Ltd
- 11 Al-Itihad (1998) Ltd
- 12 Almasi Chai Kenya Limited
- 13 Apt Commodities Ltd
- 14 Black Dew Ltd
- 15 Cargill Kenya Ltd
- 16 Chai Trading Company Limited
- 17 Chamu Supplies
- 18 Cofftea Agencies Ltd
- 19 Cropwell Commodities Ltd
- 20 Devchand Keshavji (Kenya) Ltd
- 21 Diamond Tea Exporters (K) Ltd
- 22 Gacal Merchants Ltd
- 23 Global Tea & Commodities
- 24 Gokal Beverages (EPZ) Ltd
- 25 Gokal Trading (Kenya) Ltd
- 26 Green Leaf Trading Co. Ltd
- 27 Highland Taste Ltd
- 28 Hydery (P) Ltd
- 29 Indo-African Tea Company (Kenya) Ltd
- 30 Imperial Teas (EPZ) Ltd
- 31 Impulse General Supply Ltd.
- 32 James Finlay Mombasa Ltd
- 33 Janish Tea Ltd
- 34 Jawai Tea Ltd
- 35 Juja Coffee Exporters Ltd
- 36 Kentea Grinline Ltd
- 37 Kirindo Traders Ltd
- 38 L.A.B. International (K) Ltd
- 39 Lindop & Company (Kenya) Ltd
- 40 Lula Trading Co.
- 41 Lutex Limited
- 42 M.J. Clarke Ltd
- 43 Maymun Enterprises
- 44 Mombasa Advance Logistics Limited
- 45 Mombasa Coffee Ltd

- 46 Mombasa Packers Ltd
- 47 Mombasa Tea Traders Ltd
- 48 Oriental Tea Expo Ltd
- 49 Pangea Trading Company limited
- 50 Peace Business Limited
- 51 Pwani Hauliers
- 52 Ranfer Teas (Kenya) Ltd
- 53 Rauf Coffee & Tea Exporters Ltd
- 54 Riotana Trading Limited
- 55 Sardia International Co. Ltd
- 56 Sasini Limited
- 57 Shakab Imports Exports Co. Ltd
- 58 Sondhi Trading Ltd
- 59 Stansand (Africa) Ltd
- 60 Summer Liners Company Ltd
- 61 Suwad Enterprise Limited
- 62 Tanjal Tea Company Ltd
- 63 Tea Rose Ltd
- 64 Tropical Crops & Commodities
- 65 Trust Tea Traders Ltd
- 66 United (E.A) Warehouses Ltd
- 67 Van Rees

BROKER MEMBERS

- 1 Africa Tea Brokers Ltd
- 2 Anjeli Ltd
- 3 Bicorn Exim Ltd
- 4 Centreline Tea Brokers Ltd
- 5 Choice Tea Brokers Ltd
- 6 Combok Ltd
- 7 Prudential Tea Brokers (E.A.) Ltd
- 8 Savings Tea Brokers Ltd
- 9 Tea Brokers East Africa Ltd
- 10 Union Tea Brokers Ltd
- 11 Venus Tea Brokers Ltd

WAREHOUSE MEMBERS

- 1 Bahari (T) Company Ltd
- 2 Bryson Express Ltd
- 3 Cargill Kenya Ltd
- 4 Chai Trading Company Ltd
- 5 James Finlay Mombasa Ltd
- 6 Mbaraki Port Warehouses (K) Ltd
- 7 Mitchell Cotts Freight Kenya Ltd
- 8 Peerless Tea Services Ltd
- 9 Risala Limited
- 10 SDV Transami (K) Ltd
- 11 SGS Kenya Ltd
- 12 Siginon Freight Ltd
- 13 Tea Warehouses Ltd

APPENDIX V: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI

MOMBASA CAMPUS

Telephone: 020-2059161
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P O Box 99560,80107
Mombasa, Kenya

DATE: 24th August, 2012

To

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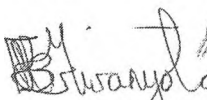
Dear Sir,

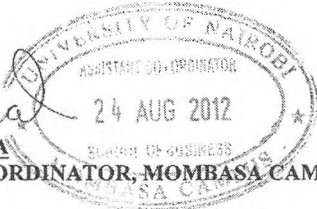
The bearer of this letter, **Changwony Amos Kemboi** of Registration number **D61/70236/2008** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on "**Value Chain Approach to Stakeholders Analysis and Management of Tea Trade in Kenya**". We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.


JOB MWANYOTA
ASSISTANT CO-ORDINATOR, MOMBASA CAMPUS


UNIVERSITY OF NAIROBI
ASSISTANT CO-ORDINATOR
24 AUG 2012
SCHOOL OF BUSINESS
MOMBASA CAMPUS