RELATIONSHIP BETWEEN STRATEGIC MANAGEMENT AND PERFORMANCE OF TEA-MANUFACTURING FIRMS IN KENYA

BY

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DECLARATION

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

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Date 26th October 2006

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

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Date 26/10/2006

DEDICATION

This research work is dedicated to my wife - Marietta, children - Lucy, Harrison and Stanley, dad and mum (who has since left for the heaven) for their support, inspiration and encouragement.

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LIST OF ABBREVIATIONS

EATTA:	East Africa Tea Trade Association
KTDA:	Kenya Tea Development Agency
KTGA:	Kenya Tea Growers Association
KTZ&CC:	Kenya Tea Zones & Conservation Corporation
TBK:	Tea Board of Kenya
TRFK:	Tea Research Foundation of Kenya

ABSTRACT

Strategic management is concerned with strategy formulation, implementation and control. This process involves specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans.

This study focuses on strategic management and its relation to performance of private sector organizations in Kenya with specific reference to the tea-manufacturing firms in the country. The main interest was to find out the relationship between the state of strategic management and performance of private sector organizations through a census survey of the tea manufacturing organizations in Kenya.

This study is presented in five chapters and sections through which the researcher has tried to discuss the above issues. Quantitative as well as qualitative data analysis has been utilized. Summary tables containing mean scores, frequencies and percentages have been used extensively in presenting the findings of the study.

The major finding of the study was that the level of practice (state) of strategic management had a direct positive contribution to the performance of the organizations studied. Those organizations that did not practice strategic management performed relatively poorly compared to those that practiced. Emerging strategic management knowledge was therefore making a major contribution to the economic development of the nation.

The findings of this study should be understood and evaluated in light of the limitations of the study. This study is especially helpful to the tea

industry and other similar organizations in Kenya. It should generally be useful to the Directors and Managers of private sector organizations, and particularly those in the tea industry, whose responsibilities include formulating and implementing strategies.

CHAPTER ONE

INTRODUCTION

1.1 Background

Organizations, whether in public or private sector, exist to make certain expected returns to those who have invested in them. The performance of an organization is measured in terms of how well it is able to meet the above objective. Organizations are part and parcel of an environment that acts as source of their inputs, medium of conversion and distribution as well as the sink for their products. In a changing environment, organizations are continually facing challenges that threaten their survival. The strategic management process has been used as a tool for aligning organizations to the environment in what Johnson & Scholes (2002) refers to as search for strategic fit.

1.1.1 Strategic Management and Performance

Strategic planning in organizations originated in the 1950s and was very popular and widespread between mid-1960s to mid-1970s, when then people believed it was the answer for all problems. The 1980s marked a decade of widespread dissatisfaction with the process. The 1990s brought the revival of strategic planning as a "process with particular benefits in particular contexts" (Mintzberg, 1994). Since then, strategic agility became more important that the strategy itself, because the organization's ability to succeed "has more to do with its ability to transform itself, continuously, than whether it has the right strategy. Being strategically agile enables organizations to transform their strategy depending on the changes in their environment" (Gouillart, 1995).

In today's highly competitive business environment, budget-oriented planning or forecast-based planning are insufficient for a large corporation to survive and prosper. The firm must engage in strategic management to remain relevant. The formal strategic management process combines strategy formulation (planning) and strategy implementation. A simplified view of this process involves statement of organization's mission and objectives, scanning the environment, strategy formulation, strategy implementation and finally strategy evaluation and control. The formal strategic management process consumes time and resources and therefore at any given time different organizations are at different stages or states of the process. A firm that has gone the full cycle in strategic management is well aligned to its environment and therefore it is expected to perform better than another one in the same industry but which has not.

Performance is measured in terms of how well an organization is able to meet its defined objectives. In manufacturing firms, objectives are normally expressed in terms of four major dimensions of performance measurement: cost, quality, delivery and flexibility (Hax Majluf; 1996). It is important to excel in all of these measures simultaneously hence trade-offs must be made. Cost objectives are usually measured using labour, inventory turnover, materials and capital productivity, and unit costs. Quality measures include percentage of defects or rejects, frequency of failure, cost of quality and mean time between failures. Delivery performance measures include percentage of on-time shipments, average delay, and expediting response time. Flexibility is measured in terms of product mix, volume, and lead-time for new products.

However, strategies do not always lead to improved performance. Camphell and Marcus (1997) stated, "... the strategic plan has become almost as common a management tool as the budget but few executives are satisfied with it. Many planning sessions result into no new actions and plans themselves often end up buried in bottom drawers. Most planning processes are met with groans rather than cheers".

1.1.2 Tea Industry in Kenya: An Overview

Tea is one of the leading foreign exchange earners for the country, contributing about 3% of Kenya's GDP and 22% of the total foreign exchange earnings in 2005 according to Tea Board of Kenya statistics. More than 3 million people derive their livelihood from tea or tea-related activities either directly or indirectly. Tea growing and manufacture are carried out in the rural areas thereby contributing significantly to development of rural infrastructure as well as enhancing the economic well being of rural communities. The sector provides substantial investment opportunities in areas of tea growing, manufacturing and trading. The industry is structured into various bodies with the Tea Board of Kenya (TBK) at the apex. Other key bodies in the industry are Tea Research Foundation of Kenya (TRFK), Kenya Tea Development Agency (KTDA), Kenya Tea Growers Association (KTGA), Kenya Tea Zones & Conservation Corporation (KTZ&CC) and East African Tea Trade Association (EATTA)

The Tea Board of Kenya was established in 1950 under the Tea Act (Cap 343) of the laws of Kenya and mandated to regulate the tea industry in all aspects of tea growing, research, manufacture, trade and promotion in both the local and the international markets. The Board also disseminates information relating to tea and advises the Government on all policy matters regarding the tea industry through the Ministry of Agriculture. The Tea Research Foundation of Kenya is the technical arm of the Tea Board of Kenya with a mandate to carry out research on tea and advise growers on general tea husbandry.

Tea growing and manufacturing activities are carried out under the KTDA, KTGA and KTZ&CC. The Kenya Tea Development Agency Limited, previously a state corporation, was incorporated as a private company in June 2000 and currently manages 54 tea factories in the smallholder sub-sector serving over 400,000 growers while the Kenya Tea Growers Association was established by large-scale tea producers to promote the common interests of the members in the cultivation and manufacture of tea and to promote good industrial relations and sound wage policies for the workers. Currently the plantation sub-sector maintains 39 tea factories. In summary, the tea-manufacturing şector, which is the subject of this study, is run by 18 private firms with the KTDA, for purpose of this study, regarded as a single firm. The Kenya Tea Zones & Conservation Corporation, which is a state corporation established to manage tea belts around forest zones in order to protect the natural forests from human encroachment, does not run any factory and therefore will be excluded from the study.

The tea industry in Kenya is fully liberalized and trade members independently carry out the marketing of tea. 85% of Kenya tea is sold through the Mombasa auction, which is the second largest tea auction center in the world. The auction is conducted under the auspices of East African Tea Trade Association - the body that brings together tea manufacturers, brokers, buyers and packers. Producers also sell some of their tea directly through private arrangements with tea importers across the world. This accounts for about 10% of the total production. The local tea market absorbs the remaining 5%.

Tea production in Kenya has recorded steady growth reaching 328 million kilograms of made tea in 2005 (see appendix I). This is slightly over 10% of the world's tea production. Export volumes over the same period amounted to 349 million kilograms making Kenya the world's leading exporter of Black crush, tear & curl (CTC) tea. Pakistan, Egypt and the United Kingdom (UK) are the main destinations of Kenyan tea in that order (see appendix II).

Tea manufacturing firms in Kenya are faced with numerous challenges that threaten their survival. The most serious of these include declining prices as a result of global oversupply of tea, unpredictable weather conditions due to environmental degradation, escalating cost of production caused by unrelenting wage inflation which is not matched to productivity, pressure from the political setup to provide employment, inflation and poor infrastructure. Other major challenges are increasing demands for social welfare coupled with high cost of combating HIV/AIDS scourge, strengthening of local currency, unstable political climate in tea importing countries such as Afghanistan, Pakistan, Iraq, Sudan and Iran. Another major challenge is the common recurrence of trade disagreements between the Kenyan government and some of the major buyers of Kenyan tea namely Egypt and Pakistan.

1.2 Statement of the Problem

The private sector organizations in Kenya, as well as globally, operate under increasingly turbulent and complex environment. In order to survive and deliver their expected returns, they have resorted to strategic management process as a way of dealing with the seemingly unending challenges. Tea manufacturing firms in Kenya have not been left behind (Bett, 2003). The structure of the tea-manufacturing sector in Kenya represents a broad spectrum in that small indigenous firms exist alongside medium and large multinationals with substantial foreign ownership. A study in this sector can therefore be used to generalize behavior of private sector organizations in the country.

Whereas several studies have been carried out in strategic management process in organizations in Kenya (Shumbusho, 1983; Okutoyi, 1988; Aosa, 1992; Karemu, 1993; Kang'oro, 1998; Kiruthi, 2000; Kiliko, 2000; Mbayah, 2001; Sharbani, 2001; Makori, 2002; Bett, 2003; Otete, 2004 and Karanja, 2004 just to mention a few), only two focused on the linkage between strategic planning and performance. Karanja (2004) carried out a survey of strategic planning and performance of public corporations in Kenya and found that there was little linkage between planning and performance. Although no reasons were given, this could have been so because strategic management in public sector has only taken root recently and most organizations in the public sector were still in the formulation stage at the time of the study. Unlike public sector organizations, private sector firms and especially those with substantial foreign ownership have practiced strategic management for a long time and are likely to show a different behavior considering that management is sensitive to context in which it is applied.

Otete (2004) carried out a comparative study of strategic planning in the public and private sectors in Kenya and concluded that although both sectors practiced strategic planning, linkage of strategic planning to performance in the public sector was lower compared to what was seen in the private sector. She however did not investigate how performance was related to strategic planning in any of the two sectors. Bett (2003) looked at the general state of strategic planning by tea manufacturing companies and concluded that tea companies in Kenya practice strategic planning but failed to show any linkage between planning and performance in this critical industry.

A knowledge gap therefore exists regarding the relationship between the state of strategic management and performance in the tea sub-sector in particular and private sector organizations in Kenya in general. This study therefore seeks to close the gap by answering the question: does the level of strategic management practice in the tea manufacturing firms affect their performance?

1.3 Objective of the study

The objective of this study is to determine whether or not the state of strategic management in the tea industry in Kenya is related to the performance of such organizations.

1.4 Importance of the study

This study will be useful to:

(a) The private sector organizations, as it will point out whether the practice of strategic management does improve performance or not.

(b) To the teaching institutions as the findings will give vital feedback on whether organizations are benefiting from strategic management knowledge being disseminated to industry.

(c) Students and researchers who may (and are likely to) use this study as reference material.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Strategy and Strategic Management

Various strategic management textbooks have defined strategy in many different ways. For instance, Mintzberg and Quinn (1996) defined strategy as "the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole". Thompson and Strickland (1998) define strategy as "the pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue the organization's mission". D' Aveni (1994) views strategy as not only the creation of advantage but also "the creative destruction of the opponent's advantage." Brown and Eisenhardt (1998) define strategy as "the creation of a relentless flow of competitive advantages that, taken together form a semi-coherent strategic direction." According to Porter (1996), "the essence of strategy is choosing to perform activities differently than rivals do." The list can be long but the common denominator is that the art of strategy is about winning in a competitive environment.

For an organization to be able to win in a competitive environment, it must engage in strategic management. This is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. Broadly speaking, strategic management can be seen as a combination of strategy formulation and strategy implementation. Needless to say, strategy must be closely aligned with purpose i.e. what an organization exists to do.

2.2 Strategic management process

As mentioned in the introduction, the formal strategic management process involves statement of organization's mission and objectives, scanning the environment, strategy formulation, strategy implementation and finally strategy evaluation and control. Figure 1 shows a simplified view of the strategic management process.

2.2.1 Mission and Objectives

The mission statement describes the company's business vision, including the unchanging values and purpose of the firm and forward-looking visionary goals that guide the pursuit of future opportunities. Guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation (corporate image).

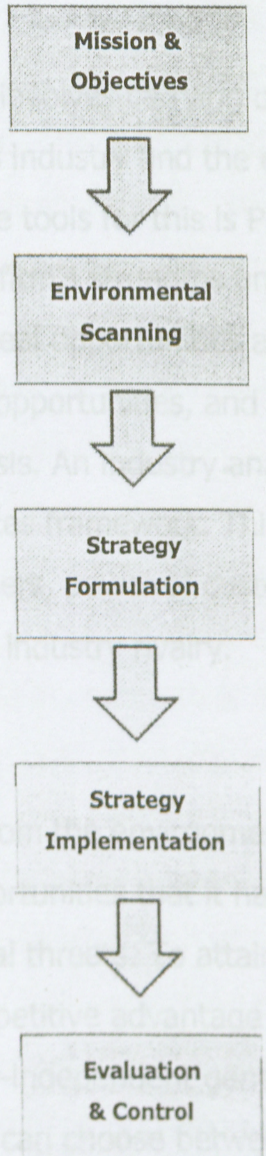

Figure 1: The Strategic Management Process

Source: http://www.quickmba.com

2.2.2 Environmental Scan

The environmental scan involves carrying out an internal analysis of the firm, analyzing the firm's industry and the external macro environment. One of the most effective tools for this is PEST analysis. The internal analysis will identify the firm's strengths and weaknesses while the external analysis will reveal opportunities and threats. A profile of the strengths, weaknesses, opportunities, and threats can be generated by means of a SWOT analysis. An industry analysis can be performed using Michael Porter's five forces framework. This framework evaluates entry barriers, power of suppliers, power of customers, threat by substitute products, and degree of industry rivalry.

2.2.3 Strategy Formulation

Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. Michael Porter identified three industry-independent generic strategies from which the firm can choose. A firm can choose between becoming the low-cost provider, differentiating the product (making it unique), developing a high degree of customer loyalty or focusing on narrow market segments. Strategy formulation itself has evolved over the last 50 years. Early concepts revolved around the premise that the executive officer could design a strategy based on a careful analysis of both internal and external factors affecting the firm's competitiveness and that this strategy should then be implemented by the firm. The SWOT analysis emerged from early writings by Philip Selznick (1957) and Alfred Chandler (1962) among others. Ansoff (1965) divided the basic SWOT model into neatly delineated steps, including several checklists and techniques linking the setting of goals to the budgeting and operating plans of all levels within the organization. The belief behind this approach is that strategy should result from a controlled, conscious process of formal planning based on extensive data collection and analysis, the product of which can be implemented through detailed specification of objectives, budgets, programs and operating plans of various kinds. This highly detailed, integrated, data-intensive approach to strategy development was used extensively in the 1970s, until its usefulness came into question.

Porter's (1980) analytic five-forces approach to industry analysis made strategy more externally focused. It had a very strong influence in the 1980s and remains quite influential even today. After 1990 the emphasis has been on the need for speed and flexibility (strategic agility) in order to respond to the increased pace of change and its effects on competition. According to Gouillart (1995), the organization's ability to succeed "has more to do with its ability to transform itself continuously than whether it has the right strategy".

The field has become far more eclectic, and confidence in the ability of top management to develop an effective strategy using a purely analytical approach has been largely shattered. The concepts of grassroots strategy development, collective strategy, the learning organization, competency-based strategy, negotiation, and incorporating trial and error in strategy development all recognize that a wide range of players, including employees, customers, and even competitors, need to play a role in developing and shaping strategy.

Consequently, current approaches to strategy development draw upon a wide range of ideas and models. Mintzberg and Lampel (1999) identified nine schools of thought that fall into two fundamental types. Prescriptive approaches (Design school, Planning school and Positioning school) in which the normative assumptions derive from a view that the environment is relatively constant and the challenge for strategy development is to respond or adjust to the environment, and descriptive approaches (Entrepreneurial school, Cognitive school, Learning school, Cultural school, Political school and Environmental school) which are derived from empirical findings or disciplinary perspectives and methods.

Hamel and Prahalad (1993, 1994) complement Porter's focus on external environment and industry analysis as the key to strategy with an emphasis on a dynamic capabilities approach to strategy development, in which the roots of competitive advantage are found in the core competencies of the firm. In their view, strategy is the ability to stretch and leverage those competencies while strategic management is a collective learning process aimed at developing and exploiting distinctive competences that are difficult to imitate. Hamel and Prahalad (1989) further offer the concept of strategic intent, in which the organization envisions its desired leadership position and uses that vision to set direction, define emerging market opportunities, serve as the rallying cry for employees, and establish the criteria the organization will use to chart its progress. In his study of organizational success, Kay (1995) presents a similar framework in that "successful strategies are based on recognizing the organization's distinctive capabilities, identifying a market in which these capabilities provide a competitive advantage, and focusing its business on maximizing the value of that competitive advantage."

Combining ideas from both Porter (with the industry analysis or external focus) and Hamel and Prahalad (with the capabilities and learning focus), Collis and Montgomery (1999) developed a resource-based view of the firm, which viewed capabilities and resources as the heart of a company's competitive position subject to the interplay of three fundamental market forces namely demand, scarcity, and appropriability (who owns the profits?). This approach provides guidance on how to identify and assess the resources of the organization and their ability to enable the organization to compete successfully.

Quinn (1980) discusses logical incrementalism, which describes the phenomenon of developing a consistent pattern among decisions made in the series of "subsystems" present in an organization. The top executive or top executive team is the architect of the strategy or vision (which develops over time), and this vision is implemented politically through building credibility, broadening support, systematic waiting, and managing coalitions.

Noda and Bower (1996) explore research that investigates how strategic initiatives "emerge" from managerial activities of front-line and middle managers (or from virtually anywhere people have the capacity to learn and the resources to support that capacity). Top managers merely exercise critical influences by setting up structural context (organizational and administrative mechanisms, such as measurement systems, reward systems, organizational structure) to reflect corporate objectives, thereby manipulating the way decisions and actions of lower-level staff members are made. This is sometimes called a "grassroots model" of strategy formation and is part of the "learning school" approach to strategy.

Strategy formation can also be seen as a process of negotiation, focusing on the role of power relations in strategy development. Indeed if strategy formulation encounters any form of ambiguity – environmental uncertainty, competing goals, varied perceptions, scarcity of resources – politics arise. Along these lines, Bolman and Deal (1997) claim that:

"Goals and decisions emerge from bargaining, negotiation, and jockeying for position among different stakeholders."

Markides (2000) stresses that the process of developing superior strategies is part planning and part trial and error. He argues that a company must develop its strategy by asking "Who should we target as customers, what should we offer them, and how should we go about it?" The top management should raise these questions, identify possible answers, evaluate the answers, and make a choice. The objective should be to come up with ideas that differentiate the firm from its competitors. Therefore, the more creative the ideas, the better. He asks, "Do creative new strategies emerge from planning, or is something else involved?" He concludes, "Analysis and planning will not produce a full-fledged strategy ready for implementation, but they will help narrow the options. Experimentation should then follow on that limited set of options, out of which the final strategy will emerge".

Hamel (1996, 2000) contends that radical strategy innovation has now become paramount. He claims that the current environment is hostile to industry incumbents and hospitable to industry revolutionaries. The fortifications that protected the industrial oligarchy have crumbled under the weight of deregulation, technological upheaval, globalization, and social change. What is now required to ensure organizational success is to continually revolutionize the basic organizational strategy, which involves radically re-engineering products and services, not just developing new products and services, redefining market space and redrawing industry boundaries. To achieve this, organizations need to develop an innovation competency directed at continually rethinking and revolutionizing its strategy from top to bottom. D'Aveni (1994) proposes a framework based on what he calls the "Seven S's:" Superior stakeholder satisfaction, Strategic soothsaying, positioning for Speed, positioning for Surprise, Shifting the rules of competition, Signaling the strategic intent, and Simultaneous and sequential strategic thrusts.

2.2.4 Strategy Implementation

Strategy implementation involves: allocation of sufficient resources (financial, personnel, time, computer system support), establishing a chain of command or some alternative structure (such as cross functional teams), and assigning responsibility of specific tasks or processes to specific individuals or groups. The way in which the strategy is implemented can have a significant impact on whether it will be successful. In a large company, it is likely those who implement the strategy will be different people from those who formulated it. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the implementation might not succeed if the strategy is misunderstood or if lower-level managers resist its implementation because they do not understand why the particular strategy was selected.

2.2.5 Evaluation & Control

The implementation of the strategy must be monitored and adjustments made as needed. Evaluation and control consists of defining parameters to be measured, defining target values for those parameters, performing measurements, comparing measured results to the pre-defined standard and making necessary changes.

2.3 State of Strategic Management

Much of what is known about strategic management practices is based on studies of organizations primarily located in developed countries. Indeed the continued reliance on case studies of European and American companies in teaching MBA students at the university of Nairobi is good testimony. Therefore although our knowledge in strategic management has increased greatly over the last three decades, most of it is accumulated in the developed countries (Kiruthi, 2001).

Aosa (1992) found that the majority of the large private manufacturing firms in Kenya had no explicit mission statements then and if they had, the statements were in the minds of the top managers. Kang'oro (1998) looked at strategic management practices in public sector organizations in Kenya and found that these organizations developed missions, objectives, strategies and plans. In addition they continually scanned the environment. However, there was a general lack of commitment by the top management and other employees and therefore the benefits derived from use of strategy such as improved performance were never realized.

Drawing from these studies and for purpose of this study, private sector organizations in Kenya will be categorized into four different states of strategic management. In the first state we have organizations that have no written strategic plans at all. These are organizations that operate purely on short-term budget-oriented or forecast-based planning. In the second state, we have organizations that have written elaborate strategic plans but have done nothing more. Such organizations are either suffering from paralysis of analysis or simply lack the will, capacity or resources to implement the plans. In the third state we have organizations that have written strategic plans and only implemented partially. Such organizations have the desire to implement the plans but have failed in the implementation due to one reason or another as explained elsewhere in this report. These organizations are said to experience a strategy gap. In the fourth state we have organizations that have gone the whole hog of strategy formulation and full implementation, evaluation and control. Usually these are organizations that have left no strategy gap in terms of structure, internal capability and resources. This study will be looking at how Kenyan private sector organizations in different states differ in terms of performance.

2.4 Organizational Performance

Every industry defines key performance indicators that tend to be similar for firms in that industry. Organizational performance in the tea industry is often measured in terms of productivity, profit before tax, return on investment, product quality, outgrowers' payment, customer satisfaction, compliance with statutory and legal requirements, business net worth, corporate image, environmental friendliness and employee motivation (Fairburn, 2005). Productivity is expressed in terms of yield per hectare and/or factory output. Profitability is determined by exchange rate, price and cost of production. Quality is measured in terms of auction prices, which are driven mainly by demand. Outgrowwers' payments are broken into initial (monthly) payment and final (annual) payment commonly known as bonus. Employee motivation is gauged in terms of personnel turnover, loyalty to the organization and productivity (kilos of green leaf per person per day).

2.5 State of Strategic Management and Organizational Performance

Matching performance measures to corporate and business objectives can be difficult because changes in short-term operating policies often have uncertain long-term effects. However, since management is a pragmatic results-oriented activity, the question one needs to ask is whether an abstract concept such as strategy can usefully contribute to the firm's performance. A study of American mergers and acquisitions found that deliberate and systematic preplanning of acquisition strategy produces significantly better financial performance than an unplanned, opportunistic, adaptive approach (Ansoff, Avner, Brandenburg *et al.*, 1970-B).

The state of strategic management in an organization is expected to have a major impact on the organization's performance. Organizations in the first state are likely to exhibit poor performance relative to those in second, third and fourth states. Similarly organizations in the second and third states are likely to perform poorer than those in the fourth state. This is what this study seeks to confirm.

However, strategies do not always lead to improved performance. Camphell and Marcus (1997) stated, "... the strategic plan has become almost as common a management tool as the budget but few executives are satisfied with it. Many planning sessions result into no new actions and plans themselves often end up buried in bottom drawers. Most planning processes are met with groans rather than cheers". There are many reasons why strategic plans fail. The main ones include failure to understand the customer in terms of why they buy and whether there is a real need for the product. More often this scenario occurs as a result of inadequate or incorrect marketing research.

Inability to predict environmental reaction and over-estimation of resource competence are other reasons why strategic plans fail. Strategic plans must address questions such as what will competitors do? Will government intervene? In addition staff, equipment and processes must be developed to handle the new strategy. New employees with new management skills may be necessary to avoid creating a strategy gap.

Failure to coordinate due to inadequate reporting and control relationships or inflexible organizational, failure to obtain senior management commitment probably because they were not involved right from the start or failure to obtain sufficient company resources to accomplish required tasks will also cause strategic plans to fail however good they may be.

Failure to obtain employee commitment simply because the new strategy was not well explained to employees or no incentives were given to workers to embrace the new strategy, under-estimation of time requirements, failure to follow the plan, failure to manage change and poor communication among stakeholders will lead to failure of the strategic plans.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 The research design

This study will be a census survey of all the tea manufacturing companies operating in Kenya as of December 2005. This is appropriate because of the small number of the study units involved.

3.2 The population

The target population for the study is all tea manufacturing firms in Kenya. According to the Tea Board of Kenya statistics released in 2006, the total number of tea-manufacturing firms in Kenya is currently 18 (see appendix I) but the study will be limited to only 17 firms that were active by December 2005.

3.3 Data collection

Both primary and secondary data will be used. Primary quantitative data from the units of study will be collected using a structured questionnaire (see appendix III). The target respondent will be the Chief Executive Officer in each unit and in his/her absence a senior member of

Secondary data on production volumes, auction prices, wage rates, turnover, and export quantities for the tea sub-sector will be sought from the Tea Board of Kenya and the Central Bureau of Statistics. A combination of "drop and pick later", postal and email communication methods will be used to distribute and collect the questionnaires. Phone calls will also be used to collect, clarify and confirm information. Due to work commitment, a research assistant will be recruited to assist in data collection.

3.4 Data analysis

From the responses, each firm will be placed in one state of strategic management. Trends in key performance indicators will be determined for each state and then data analyzed using descriptive statistics, mainly frequency distribution and percentages, to establish the relationship between the two variables. The Statistical Package for Social Scientists (SPSS) will be the main tool of analysis.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the research. The first part shows the profiles of the respondents. The second part sought to establish the profile of the companies from which the respondents were drawn. The third part was to determine the state of strategic management in the various companies while the fourth part was about the organizational performance measurement. Responses were received from all the 17 firms.

4.2 Profile of the respondents

Table 1: Position held in the company

Position of the respondent	Frequency	Percent
CEO	4	23.5
Senior Manager	11	64.7
Other	2	11.8
Total	17	100.0

Source: Research data

Majority of the respondents (88%) held senior positions either as Senior Managers or CEOs. Only 2 of the respondents, representing 12%, held other lower positions within the organizations interviewed. Information was therefore given by people conversant with strategic issues within the industry.

Table 2: Years respondent had worked in the company

Experience in the company	Frequency	Percent
Below 12 months	1	5.9
Between 1-5 Yrs.	2	11.8
Between 5-10Yrs	4	23.5
Over 10 Years	10	58.8
Total	17	100.0

Source: Research data

Majority of the respondents (82%) were people with long experience having worked with their current employers for more than 5 years. The rest of the respondents had worked with their current employers for less than 5 years but this did not affect the reliability of the data since most of the respondents (77%) had held senior positions in their organizations for more than 12 months.

4.3 Profile of the company.

Information was sought to establish the level of foreign interest in the tea-manufacturing sector. This was important because foreign interest in any tea firm was expected to introduce a vital linkage with the global community and therefore have a bearing on the performance of the organization considering that the tea manufacturers depend mainly on foreign markets.

According to the findings of the research, majority of the firms (59%) were owned by local investors while only 41% had substantial foreign interest. This means only few firms, although incidentally very large, were vertically integrated with leading tea buyers in the world.

Table 3: Company Ownership

Company ownership	Frequency	Percent
Wholly foreign	3	17.6
Wholly local	10	58.8
Jointly, over 50% foreign	4	23.5
Jointly, over 50% local	0	0
Total	17	100.0

Source: Research data

The study found that 88% of the companies were involved in tea growing and manufacturing as their core business while 12% of the companies were involved in tea manufacturing only as their core business. The study also found that 65% of the companies were involved in other non-tea businesses while 35% were not involved in other non-tea business. This is an indication that majority of the firms had diversified their operations as a way of responding to the challenges facing the tea industry.

The study further found that only 2 firms (representing 12% of the companies) were listed in the Nairobi stock exchange while 88% of the companies were not listed in the stock exchange. Thus most of the tea firms were not bound by the regulations that require listed companies to publish their financial results. Indeed most of the respondents could not disclose their financial results, as they were confidential.

Majority of the tea-manufacturing firms in Kenya have been in existence for a long period of time. Only 2 firms representing 12% of the companies had been involved in tea business for a period of less than 10 years while the majority (88%) had been involved in the tea business for over 20 years. It is therefore expected that most of the companies had undergone several business cycles.

4.4 State of strategic management.

Since the objective of the research was to determine whether or not the state of strategic management in the tea industry in Kenya is related to the performance of such organizations, information was sought to establish the level of practice of strategic management in each company. The presence of a vision and mission statement in an organization is the first indication that the firm was practicing strategic management but it does not in itself indicate how effective its strategies were in dealing with the challenges facing the firm.

For purpose of this research, respondents were asked questions that would provide information about strategic management practice in their organizations. This information was used to categorize the firms into four states as follows: -

State 1: Firms that had no vision, mission statements or defined strategic objectives and if they had, these statements and objectives had not been communicated to the employees in a manner that would enable effective implementation of strategies.

State 2: Firms that had vision and mission statements as well as well defined strategic objectives but communication of these statements and objectives to the employees had not been quite effective. Strategy implementation success in these firms was less than 50%.

State 3: Firms that had vision and mission statements as well as well defined strategic objectives that had been communicated to the employees fairly effectively leading to partial implementation of strategies exceeding 50% but less than 75%.

State 4: Firms that had vision and mission statements as well as well defined strategic objectives that had been communicated to the employees quite effectively leading to a perceived success in implementation of strategies exceeding 75%.

The results were as shown in the table below.

Table 4: State Of Strategic Management

Company code	Presence of Vision Statement	Presence of Mission statement	Presence of Strategic objectives	Supervisors' level of awareness	Level of implementation of strategy	State of strategic management
3	no	no	no	very low	N/A	1
4	no	no	yes	very low	<25%	1
17	yes	yes	yes	very low	<25%	1
2	yes	yes	yes	low	<25%	2
6	yes	yes	yes	low	<25%	2
8	yes	yes	yes	low	<25%	2
10	yes	yes	yes	very low	25-50%	2
12	yes	yes	yes	very low	25-50%	2
13	yes	yes	yes	very low	25-50%	2
1	yes	yes	yes	moderate	50-75%	3
7	yes	yes	yes	moderate	50-75%	3
9	yes	yes	yes	low	50-75%	3
11	yes	yes	yes	low	50-75%	3
15	yes	yes	yes	low	50-75%	3
16	yes	yes	yes	moderate	25-50%	3
5	yes	yes	yes	high	75-99%	4
14	yes	yes	yes	high	75-99%	4

Source: Research data

The study found that majority of the firms (88%) had a vision and mission statements. Only 2 firms, representing 12%, operated without written vision and mission statements. These firms had only been in existence for less than 10 years. This finding is consistent with the empirical findings by previous studies in strategic management practice in Kenya such as Kang'oro (1998) and Bett (2003) among others, which found that most private firms in Kenya practiced strategic management to align themselves to the changing environment.

Unfortunately, very few firms (24%) could confidently say that their vision and mission statements had been communicated to all the employees although there was a high degree of awareness amongst the top management. Again this behaviour is consistent with past studies such as those done by Aosa (1992) and Kang'oro (1998) among others.

Asked whether they had well defined strategic objectives in place, 77% of the companies said "Yes" while 23% said "No". Although majority of the companies had set clear objectives, only 35% had communicated these objectives to all the employees. This scenario created a fertile ground for strategy implementation to fail.

The respondents were asked to give their opinion on the level of awareness amongst top management, 41% of the respondents said that top management had a moderate level of awareness of their company's strategic objectives. 53% said that top management had a high to very high level of awareness while only one respondent (6%) said that top management had a very low level of awareness of their company's strategic objectives. Therefore top management was conversant with the companies' objectives because they were involved in strategy formulation. Similarly the respondents were asked to give their opinion on the level of awareness of their companies' objectives amongst middle level management. 41% of them said that middle management had a low to very low level of awareness while only 35% of the respondents said that middle management had a high to very high level of awareness. 24% said that middle level management had a moderate level of awareness.

The respondents were again asked to give their opinion on the level of awareness amongst supervisory level management. 18% of the respondents said that supervisors had a moderate level of awareness of their company's strategic objectives while 70%% said that supervisors had a low to very low level of awareness. Only 12% of the respondents said that supervisors had a high level of awareness of their company's strategic objectives. Majority of the companies (77%) said their employees had low to very low level of awareness with only 23% saying their employees had a moderate level of awareness of their companies' strategic objectives.

The respondents were asked to give their opinion on the level of implementation of strategies in their companies. 59% of the respondents felt that the level of implementation of the current strategic plans was below 50% while 29% of the respondents felt it was above 50% but below 75%. Only 12% felt that their companies had implemented over 75% of their strategies.

4.5 Organizational performance measurement.

Respondents were asked to indicate the level of importance tea companies attached to various performance indicators in the industry. This was meant to establish which of these measures was accorded more importance. A scale of 1 - 5 where 1 represented very low importance, 2 represented low importance, 3 represented moderate importance, 4 represented high importance and 5 represented very high importance was used to compute the mean score and standard deviation of each key performance indicator.

Table 5: Ranking of key performance indicators

Key performance indicator	Importance					Mean score	Standard deviation
	1	2	3	4	5		
Product quality	0	0	0	0	17	5.00	0.00
Profit before tax	0	0	0	2	15	4.88	0.33
Customer satisfaction	0	0	0	4	13	4.76	0.44
Yield, Kg mt per ha.	0	0	2	5	10	4.47	0.72
Return on investment	0	0	3	4	10	4.41	0.80
Corporate image	0	1	5	3	8	4.06	1.03
Outgrowers payment	0	0	2	13	2	4.00	0.50
Production, Kg mt	0	0	9	2	6	3.82	0.95
Employee motivation	0	0	8	7	2	3.65	0.70
Environmental friendliness	0	4	7	2	4	3.35	1.15

Source: Research data

Product quality was ranked highest with a mean score of 5.00 and standard deviation of 0. This was followed by profit before tax with a mean score of 4.88 and s standard deviation of 0.33. Customer satisfaction was ranked third with a mean score of 4.76 and s standard deviation of 0.44. Yield was ranked fourth with a mean score of 4.47 and a standard deviation of 0.72 while return on investment came fifth with a mean score of 4.41 and a standard deviation of 0.80. This was followed by corporate image, out grower payment, production, employee motivation and environmental friendliness in that order.

In order to determine the impact of strategic management on performance, the respondents were asked to indicate the rate of growth in the key performance indicators since the start of strategy implementation in their companies. Using a scale of 1 to 3 with 1 representing negative growth, 2 representing a positive growth of less than 20% and 3 representing a growth of above 20%, a weighted performance score for each company was computed. 20% growth was considered excellent performance by industry standards.

Table 6: Performance of each company

Company code	Product quality		Profit		Customer satisfaction		Yield		ROI		Corporate image		Out-growers pay		Production		Employee motivation		Env. Freindliness		PERFORMANCE SCORE
	weight = 5.00		weight = 4.88		weight = 4.76		weight = 4.47		weight = 4.41		weight = 4.06		weight = 4.00		weight = 3.82		weight = 3.65		weight = 3.35		
	ranking	score	ranking	score	ranking	score	ranking	score	ranking	score	ranking	score	ranking	score	ranking	score	ranking	score	ranking	score	
6	3	15	2	9.76	1	4.76	3	13.41	1	4.41	1	4.06	1	4	1	3.82	1	3.65	1	3.35	66.22
17	3	15	2	9.76	1	4.76	1	4.47	1	4.41	1	4.06	2	8	1	3.82	3	10.95	1	3.35	68.58
3	1	5	2	9.76	1	4.76	2	8.94	2	8.82	2	8.12	2	8	2	7.64	3	10.95	2	6.7	78.69
4	3	15	3	14.64	2	9.52	3	13.41	1	4.41	2	8.12	1	4	1	3.82	1	3.65	1	3.35	79.92
8	3	15	2	9.76	2	9.52	1	4.47	1	4.41	3	12.18	1	4	2	7.64	1	3.65	3	10.05	80.68
13	2	10	2	9.76	1	4.76	3	13.41	2	8.82	1	4.06	3	12	1	3.82	3	10.95	1	3.35	80.93
12	3	15	2	9.76	3	14.28	1	4.47	2	8.82	1	4.06	1	4	1	3.82	3	10.95	2	6.7	81.86
2	2	10	1	4.88	3	14.28	3	13.41	2	8.82	2	8.12	2	8	2	7.64	1	3.65	1	3.35	82.15
9	2	10	3	14.64	3	14.28	1	4.47	2	8.82	2	8.12	3	12	1	3.82	1	3.65	1	3.35	83.15
7	1	5	3	14.64	2	9.52	1	4.47	3	13.23	2	8.12	2	8	2	7.64	3	10.95	2	6.7	88.27
10	3	15	2	9.76	3	14.28	3	13.41	2	8.82	1	4.06	1	4	1	3.82	3	10.95	2	6.7	90.80
15	3	15	2	9.76	2	9.52	1	4.47	2	8.82	3	12.18	2	8	3	11.46	3	10.95	1	3.35	93.51
16	3	15	2	9.76	3	14.28	2	8.94	2	8.82	2	8.12	3	12	2	7.64	2	7.3	1	3.35	95.21
11	2	10	3	14.64	1	4.76	2	8.94	2	8.82	3	12.18	2	8	3	11.46	2	7.3	3	10.05	96.15
14	3	15	3	14.64	3	14.28	2	8.94	3	13.23	1	4.06	2	8	2	7.64	2	7.3	2	6.7	99.79
1	3	15	2	9.76	3	14.28	2	8.94	1	4.41	3	12.18	1	4	3	11.46	3	10.95	3	10.05	101.03
5	2	10	3	14.64	3	14.28	1	4.47	2	8.82	3	12.18	3	12	1	3.82	3	10.95	3	10.05	101.21
Max. score	3	15	3	14.64	3	14.28	3	13.41	3	13.23	3	12.18	3	12	3	11.46	3	10.95	3	10.05	127.20

The weighted performance score for each company was normalized by dividing with the maximum possible score of 127.20 and compared with the company's state of strategic management and the results were as tabulated below: -

Table 7: Relationship between state of strategic management and performance

Company code	State of strategic management	Normalized Performance score
6	2	0.521
17	1	0.539
3	1	0.619
4	1	0.628
8	2	0.634
13	2	0.636
12	2	0.644
2	2	0.646
9	3	0.654
7	3	0.694
10	2	0.714
15	3	0.735
16	3	0.749
11	3	0.756
14	4	0.785
1	3	0.794
5	4	0.796

Source: Research data

The study shows that the level of strategic management practice was related to the overall performance of the company. Those companies in lower levels performed generally poorer than those in the higher levels. This finding was supported by the responses received when the respondents were asked to state their opinion on whether the level of strategic management practice had any positive impact on the performance of their companies. Majority (82%) of the respondents believed that the company's level of strategic management practice has positive impact on overall company performance while only 3 respondents representing 18% did not believe so.

However the relationship between level of strategic management practice and performance was not a direct one as there were other factors that affected performance. Indeed when the respondents were asked to compare the impact of various environmental factors on the overall performance of the company vis-à-vis management practice, all the respondents believed that weather conditions affected the company's overall performance more than management practice. 88% believed that the company's overall performance was affected more by Exchange rate than by management practice while 12% did not believe so. 82% of the respondents believed that the company's overall performance depended more on auction price than on management practice, 12% believed management practice was more important while 6% believed the two had the same impact on performance.

On the other hand, 35% of the respondents believed that government regulation affected the company's overall performance more than management practice, 53% thought government regulation had a lower impact while 12% believed the two affected performance equally.

CHAPTER FIVE

CONCLUSION

This chapter summarizes the research findings, discusses the findings and gives conclusions in relation to the objective of the study. It also highlights the limitations of the study as well as recommendations for further research. Finally recommendations for policy and practice are made.

5.1 Summary, discussions and conclusion

This study sought to establish the relationship between the state of strategic management and performance of tea manufacturing companies in Kenya. Data was collected from all the 17 tea-manufacturing firms that were in existence as at 31st December 2005. The data was then checked for accuracy and analyzed using the Statistical Package for Social Scientists (SPSS) software. The response rate was 100% meaning that responses were received from all the elements of the target population.

The variables of interest were state of strategic management and organizational performance of tea manufacturing firms in Kenya. The study found that majority of the firms had a vision and mission statements. This finding is consistent with the empirical findings by previous studies in strategic management practice in Kenya such as Kang'oro (1998) and Bett (2003) among others, which found that most private firms in Kenya practiced strategic management to align themselves to the changing environment. However, very few firms could confidently say that their vision and mission statements had been communicated to all the employees although there was a high degree of awareness amongst the top management. This finding agrees with past studies such as the study done by Aosa (1992), which concluded that the majority of Kenyan private companies had mission statements that remained in the minds of the top managers.

Majority of the companies had set clear objectives which were reviewed after every 5 years but only few had communicated these objectives to all the employees. This scenario created a fertile ground for strategy implementation to fail and indeed majority of the companies had only achieved less than 50% success in implementation of their strategies.

The key performance indicators in the tea manufacturing sector in Kenya listed in order of importance are product quality, profit, customer satisfaction, yield, return on investment, corporate image, outgrower payment, production, environmental friendliness and employee motivation.

Most companies believed that strategic management practice has a positive impact on overall company performance but there were other environmental factors that affected performance more than management practice such as weather conditions, exchange rate and tea auction prices.

In conclusion, the study clearly established that the level (state) of strategic management affected performance of tea manufacturing companies in Kenya. Those firms that did not practice strategic management performed poorly than the ones that did and the performance improved as the degree of success in strategy implementation increased. The relationship was however not a direct one as there were other environmental factors such as weather conditions, auction prices and exchange rate which affected performance more. Strategic management is therefore a tool that tea companies can use to overcome the numerous challenges facing the industry.

5.2 Limitations of the study

The findings of this study and the recommendations made based on these findings should be understood and evaluated in the light of the following limitations: -

Due to the fact that this was an academic research, the exercise was carried out within a short period of time and therefore it was not possible to carry out in depth discussions with the respondents, who incidentally had very busy schedules owing to their work.

The study is also limited in that only firms in the tea-manufacturing sector were involved. Whereas generalization was possible to a certain extent, results of a similar study may not be the same for other organizations. Further limitation arises due to the fact that although all the questionnaires were answered, most respondents declined to give financial data as such information was regarded confidential. Since most of the companies were private enterprises, they were not bound by law to publish their results and therefore it was not possible to obtain such information.

The study was confined more to strategic planning and performance and only touched lightly on implementation. Its utility is therefore confined to those aspects of strategic management only.

5.3 Suggestions for further research

From the findings of the study it is recommended that further research be carried out to establish why most companies in the tea industry failed in their strategy implementation. Such study can be extended to cover other players in the tea industry such as the Kenya Tea Development Agency and the Tea Board of Kenya.

It is also recommended that a similar study be carried out on other private sector organizations to establish whether the growing knowledge on strategic management in Kenya was helping organizations to tackle the numerous challenges facing them.

It is further recommended that a replication of this study be carried out after some time to test the effect of passage of time.

5.4 Recommendations for policy and practice

From the findings of the study, it is evident that tea-manufacturing firms suffer from the common problem facing many organizations where organizations go through lengthy process of strategy formulation but fail to communicate their strategies to their employees in an effective manner. It is therefore recommended that companies put in place mechanisms to ensure all employees are involved in strategy development. That way implementation becomes easy, as everyone is made aware from the beginning.

Again from the findings of the study, it is evident that the available knowledge in strategic management is helping tea firms to improve their performance. It is therefore recommended that those firms that are not well informed on strategic management issues should seek knowledge that is widely available and start benefiting from it before they become incapable of meeting their obligations.

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APPENDIX I: KENYA TEA PRODUCTION BY COMPANY/MANAGING AGENTS - KGS

COMPANY	Factories	2005	2004	2003	2002	2001
Unilever Tea Kenya Ltd.	11	36,556,281	37,133,283	32,729,415	32,370,211	32,199,121
James Finlay (Kenya) Ltd.	5	24,207,348	23,158,513	20,390,244	23,617,706	21,806,868
Eastern Produce Kenya Ltd.	7	19,887,063	21,009,792	17,998,748	16,636,427	17,004,314
Williamson Tea Kenya Ltd.	3	12,946,067	11,883,403	9,369,882	9,159,006	10,074,383
Sotik Tea Co.	1	7,079,865	7,200,031	5,103,831	4,617,996	5,218,097
Kipkebe Ltd.	1	4,092,636	5,640,082	4,321,095	4,370,102	4,432,687
Sotik Highlands	1	3,756,546	3,739,678	2,847,486	2,935,254	3,262,492
Karirana Estates Ltd.	1	3,963,819	3,718,250	3,122,582	2,406,404	2,658,941
Keritor Ltd.	1	2,593,788	3,359,551	2,634,731	2,505,845	2,897,734
Nandi Tea Estates	1	3,482,994	2,889,532	2,810,971	2,823,055	2,785,518
Kiptagich Tea Factory	1	2,229,770	2,562,779	2,026,454	1,811,625	1,195,539
Kaisugu Ltd.	1	2,404,424	2,278,454	2,230,265	1,951,557	2,452,595
Maramba Factory	1	2,025,558	2,175,746	2,141,292	1,024,825	-
Ngorongo Tea Factory Ltd.	1	2,481,800	2,142,863	2,104,082	2,111,580	2,206,737
Tinderet Tea Estates	1	2,222,501	1,975,829	1,718,886	1,606,161	2,345,917
Koisagat Tea Factory	1	865,735	1,188,676	1,331,564	1,249,047	2,195,141
Ceres Estates	1	-	-	-	-	169,439
Sub-Total - Estates	**39**	**130,796,195**	**132,056,462**	**112,881,528**	**111,196,801**	**112,905,523**
Small-holder	54	197,721,429	192,552,108	180,788,713	175,905,432	181,725,815
TOTAL	**93**	**328,517,624**	**324,608,570**	**293,670,241**	**287,102,233**	**294,631,338**

Source: Tea Board of Kenya, Nairobi.

Appendix II: Kenya Tea Export Registration

THE TEA BOARD OF KENYA
KENYA TEA EXPORT REGISTRATION
INSTANT TEA INCLUDED

JANUARY - DECEMBER 2005

DESTINATION	QUANTITY KGS	VALUE KSHS	UNIT VALUE
PAKISTAN	98,300,591	12,473,351,546.86	126.89
EGYPT	77,930,660	8,637,120,399.45	110.83
UK	53,485,818	6,198,982,088.96	115.90
AFGHANISTAN	21,336,242	2,845,527,619.73	133.37
SUDAN	21,196,948	2,180,901,482.13	102.89
RUSSIA	10,908,289	1,374,388,743.56	125.99
U.A.E	10,645,559	1,408,511,421.95	132.31
YEMEN	9,111,908	1,130,650,697.51	124.08
IRELAND	6,685,281	854,748,153.98	127.86
KAZAKHSTAN	6,335,191	1,089,480,770.33	171.97
POLAND	5,495,100	689,483,754.23	125.47
U.S.A.	3,755,544	642,936,965.37	171.20
INDIA	3,683,307	458,834,192.49	124.57
NIGERIA	3,493,904	530,433,206.74	151.82
SRI LANKA	1,792,500	209,643,958.63	116.96
SOMALIA	1,775,956	133,271,123.56	75.04
INDONESIA	1,683,242	220,804,967.12	131.18
NETHERLANDS	1,613,701	185,824,195.70	115.15
IRAN	1,611,377	227,001,876.24	140.87
CANADA	1,407,238	166,216,217.59	118.12
JAPAN	1,376,259	352,555,924.62	256.17
SAUDI ARABIA	859,569	130,914,608.97	152.30
EPZ (MOMBASA)	746,377	75,602,861.35	101.29
GERMANY	733,742	99,184,616.11	135.18
CHILE	538,689	69,613,765.36	129.23
TURKEY	525,577	75,362,325.73	143.39
SOUTH AFRICA	511,623	66,638,545.66	130.25
MALAYSIA	454,339	97,419,539.96	214.42
CHINA	390,633	51,765,593.41	132.52
OMAN	309,024	41,654,851.88	134.79
UKRAINE	301,334	37,903,301.78	125.79
ISRAEL	141,440	14,093,614.99	99.64
ERITREA	97,628	13,943,427.88	142.82
SEYCHELLES	82,030	6,921,468.70	84.38
DJIBOUTI	69,754	8,293,331.16	118.89
ITALY	53,500	18,337,147.50	342.75
AUSTRALIA	45,633	7,819,660.57	171.36
SINGAPORE	42,896	5,861,023.28	136.63
GREECE	35,140	3,706,764.01	105.49
TANZANIA	31,595	5,637,650.50	178.43
ETHIOPIA	30,630	6,417,193.59	209.51
FINLAND	25,750	3,328,375.73	129.26
MAURITIUS	23,000	2,763,013.00	120.13
BELGIUM	22,600	2,332,678.67	103.22
NEW ZEALAND	12,240	1,587,650.40	129.71
TUNISIA	10,415	1,406,344.94	135.03
BANGLADESH	6,720	873,730.37	130.02
PUERTO RICO	5,323	1,841,377.94	345.93
PORTUGAL	3,720	584,337.60	157.08
SYRIA	1,200	113,157.00	94.30
ZAMBIA	1,000	84,414.00	84.41
UGANDA	626	241,321.25	385.50
GRAND TOTAL	**349,738,362**	**42,862,917,000**	**122.56**

Source: Tea Board of Kenya, Nbi.

APPENDIX III: QUESTIONNAIRE

DECLARATION this is an academic research project aimed at understanding whether the state of strategic management of an organization has any impact on the performance of that organization. There are no right or wrong answers and any information given will be held in confidence for academic use only. Thank you in advance for taking your valuable time to participate.

Part 1: Profile of the respondent

1. What position do you hold in your company?
   - CEO [ ]
   - Senior Manager [ ]
   - Other (specify) ....
2. How many years have you been with the present company?
   - Below 12 months [ ]
   - Between 1 - 5 years [ ]
   - Between 5 – 10 years [ ]
   - Over 10 years [ ]
3. How many years have you been in the present position?
   - Below 12 months [ ]
   - Between 1 - 5 years [ ]
   - Between 5 – 10 years [ ]
   - Over 10 years [ ]

Part 2: Profile of the company

1. What is the name of your company? ....
2. How is the ownership of the company like?
   - Wholly foreign owned [ ]
   - Wholly locally owned [ ]

- Jointly with over 50% foreign ownership [ ]
- Jointly with over 50% local ownership [ ]

3. What is the company's core business? ....

4. Is the company involved in any other non-tea business?
   Yes [ ] No [ ]

   If yes, please specify ....

5. Is the company or parent company listed in the Nairobi stock exchange?
   Yes [ ] No [ ]

6. For how long has the company been involved in the tea business?
   - Less than 5 years [ ]
   - Between 5 – 10 years [ ]
   - Between 10 – 20 years [ ]
   - Over 20 years [ ]

Part 3: State of strategic management

1. Does your company have a vision statement?
   Yes [ ] No [ ]

   If yes, has it been written and communicated to ALL the employees?
   Yes [ ] No [ ]

2. Does your company have a mission statement?
   Yes [ ] No [ ]

   If yes, has it been written and communicated to ALL the employees?
   Yes [ ] No [ ]

3. Does the company have well defined strategic objectives or business plans?
   Yes [ ]   No [ ]

   If yes, have these objectives or plans been written and communicated to ALL the employees?
   Yes [ ]   No [ ]

4. What in your opinion is the level of awareness on these objectives or plans among the following categories of employees?

	Very high	High	Moderate	Low	Very low
Top management	[ ]	[ ]	[ ]	[ ]	[ ]
Middle management	[ ]	[ ]	[ ]	[ ]	[ ]
Supervisory staff	[ ]	[ ]	[ ]	[ ]	[ ]
Other employees	[ ]	[ ]	[ ]	[ ]	[ ]

5. How often are the company's strategic or business plans reviewed?
   - ❑ Every month [ ]
   - ❑ Every quarter [ ]
   - ❑ Half yearly [ ]
   - ❑ Yearly [ ]
   - ❑ Every 5 years [ ]
   - ❑ Every 10 years [ ]
   - ❑ Other (please specify) ....

6. How long ago were the current strategic or business plans defined?
   - ❑ Not applicable [ ]
   - ❑ Under 1 year [ ]
   - ❑ Between 1 - 3 years [ ]
   - ❑ Between 3 - 5 years [ ]
   - ❑ Over 5 years [ ]

7. How long ago did implementation of the current set of strategic or business plans start?
   - Not applicable [ ]
   - Under 1 year [ ]
   - Between 1 - 3 years [ ]
   - Between 3 - 5 years [ ]
   - Over 5 years [ ]

8. What in your opinion is the level of implementation of the current set of strategic or business plans?
   - Not applicable [ ]
   - Below 25% [ ]
   - Between 25 - 50% [ ]
   - Between 50 - 75% [ ]
   - Between 75 - 99% [ ]
   - 100% [ ]

9. What in your opinion is the level of achievement of the company's defined strategic objectives if any?
   - Not applicable [ ]
   - Below 25% [ ]
   - Between 25 - 50% [ ]
   - Between 50 - 75% [ ]
   - Between 75 - 99% [ ]
   - 100% [ ]

Part 4: Organizational performance measurement

1. What level of importance does your company attach to the following key performance indicators?

	Very high	High	Moderate	Low	Very low
Yield (Kg.mt/ha)	[ ]	[ ]	[ ]	[ ]	[ ]
Factory output (Kg.mt)	[ ]	[ ]	[ ]	[ ]	[ ]
Profit before tax	[ ]	[ ]	[ ]	[ ]	[ ]
Product quality	[ ]	[ ]	[ ]	[ ]	[ ]

❑ Outgrowers' payment	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Customer satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Employee motivation	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Corporate image	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Environmental friendliness	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Return on investment	[ ]	[ ]	[ ]	[ ]	[ ]

2. How would you rate your company's growth in the following aspects since the time the current set of strategic or business plans were laid down?

	< 0%	0 – 20%	20 - 50%	> 50%
❑ Yield	[ ]	[ ]	[ ]	[ ]
❑ Production	[ ]	[ ]	[ ]	[ ]
❑ Profit before tax	[ ]	[ ]	[ ]	[ ]
❑ Average price	[ ]	[ ]	[ ]	[ ]
❑ Outgrowers' payment	[ ]	[ ]	[ ]	[ ]
❑ Return on investment	[ ]	[ ]	[ ]	[ ]

3. How would you rate your company's growth in the following aspects since the time the current set of strategic or business plans were laid down?

	Very high	High	Moderate	Low	Very low
❑ Customer satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Employee motivation	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Corporate image	[ ]	[ ]	[ ]	[ ]	[ ]
❑ Environmental friendliness	[ ]	[ ]	[ ]	[ ]	[ ]

4. In your opinion, does the level of practice of strategic management have any positive impact on the overall performance of your company?

Yes [ ]   No [ ]

If yes, how would you rate the impact?

Very high	High	Moderate	Low	Very low
[ ]	[ ]	[ ]	[ ]	[ ]

5. How would you rate the impact of the following on the overall performance of your company in relation to management practice?

	Higher	Same	Lower
▫ Weather conditions	[ ]	[ ]	[ ]
▫ Exchange rate	[ ]	[ ]	[ ]
▫ Auction price	[ ]	[ ]	[ ]
▫ Government regulation	[ ]	[ ]	[ ]

THANK YOU FOR YOUR TIME AND CONTRIBUTION