

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

BY

GIKANG'A, SIMON GITIBA.

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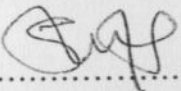
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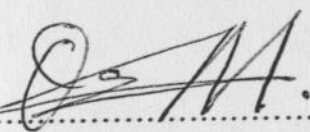
This management research project is my original work and has not been submitted for a degree course in any other University.

Signed 

Date 19/11/2008

GIKANG'A SIMON GITIBA
D61/P/7975/2004

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

Signed 

Date 19/11/2008

DR MARTIN OGUTU
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI.

DEDICATION

This project is dedicated to my family and parents who have all given me the support making my life better and more abundant today. Their integrity, humility, love and loyalty have left an indelible impression on my life.

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ABSTRACT

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

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

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

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

Kenya Government of Kenya

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

ABBREVIATIONS

1. EATTA – East African Tea Trade Association
2. GDP- Gross Domestic Product
3. GOK- Government of Kenya
4. KTDA Ltd- Kenya Tea Development Agency Ltd.
5. KUSCO- Kenya Union of Small Scale Tea Outgrowers
6. IPAR- Institute of Policy Analysis and Research
7. IPO- Initial Public Offer
8. SCDA- Special Crops Development Authority
9. TBK – Tea Board of Kenya

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Privatization Strategy

Privatization is the process of transferring ownership of business from the public sector or government to the private sector . In a broader sense, privatization refers to transfer of any government function to the private sector including core governmental functions like revenue collection and law enforcement. The term "Privatization" also has been used to describe an unrelated, nongovernmental interaction involving the buyout, by the majority owner, of all shares of a public corporation or holding company's stock, privatizing a publicly traded stock. MIGA and World Bank report (2001) asserts that the aim of the privatization program is to improve on efficiency of the wholly owned government institutions.

In essence, there are two schools of thought on the issue of privatization and the appropriate pace of its implementation. The Government or Gradual approach involves the government selecting the healthiest enterprises and then proceeding with some basic restructuring in an effort to make the enterprise more attractive to potential investors. Each step in this gradual approach to privatization is very time consuming and in some cases may not be achievable.

The Market approach to privatization aims at placing the ownership rights in the hands of the private sector as fast as possible. This approach assumes that market forces alone as opposed to government direction and intervention, will more effectively and efficiently correct declining economic conditions. The Market approach typically entails the free distribution of enterprise shares to the general public of a country and does not require the government to attempt any restructuring or valuation of the enterprise. Once the enterprise is privatized, the management is provided with strong incentives to conduct business in a more efficient and profitable manner as government subsidies will no longer be there as a fall back for any inefficiencies.

The Initial Public Offer (IPO -Plus) is a new approach concept to privatization and it combines the efficiency of case by case privatization with the equity of market privatization. The IPO- Plus

approach promotes equity through widespread participation in privatization. It promotes efficiency by making privatization transparent, fostering capital market development and creating independent financial institutions that would press companies to improve on their financial performance.

Grant (1998) avers that proponents of privatization believe that private market actors can more efficiently deliver many goods or service than government due to free market competition. In general, it is argued that over time this will lead to lower prices, improved quality, more choices, less corruption, less red tape, and quicker delivery. Many proponents do not argue that everything should be privatized since the existence of problems such as market failures and natural monopolies may limit this. However, a small minority thinks that everything can be privatized, including the state itself.

Greer et al (1999) argues that competition could force an organization to be more cost-conscious, making it easier for changes in work practices to be introduced and enforced, both at an operational level and in the management of the organization. The State-run industries tend to be bureaucratic. A political government may only be motivated to improve a function when its poor performance becomes politically sensitive and such an improvement can be reversed easily by another regime.

World Bank (2000) asserts that opponents of privatization dispute the claims concerning the alleged lack of incentive for governments to ensure that the enterprises they own are well run, on the basis of the idea that governments are proxy owners answerable to the people. It is argued that a government which runs nationalized enterprises poorly will lose public support and votes, while a government which runs those enterprises well will gain public support and votes. Thus, democratic governments do have an incentive to maximize efficiency in nationalized companies, due to the pressure of future elections.

Ikiara (1993) observe that many privatization opponents warn against the practice's inherent tendency towards corruption. As many areas which the government could provide are essentially profitless, the only way private companies could, to any degree, operate them would be through contracts or block payments. In these cases, the private firm's performance in a particular project

would be removed from their performance, and embezzlement and dangerous cost cutting measures might be taken to maximize profits.

Furthermore, according to the Kenya Government Economic Reforms for 1996-1998 contained in, The policy Frame Work Paper of 16th February 1996, the opponents of privatization argue that it is undesirable to transfer state owned assets into private hands due to reasons which include the fact that a democratically elected government is accountable to the people through a legislature, Congress or Parliament and is motivated to safeguarding the assets of the nation hence the profit motive may be subordinated to social objectives.

Nyangito (1999) notes that most Governments have chosen to keep certain companies and industries under public ownership because of their strategic importance or sensitive nature. Privatization may increase monopoly abuse, by transferring socially owned and accountable public monopolies into wealthy regulated and less accountable private monopolies. These monopolies may arise because utilities tend to be natural monopolies and there have been economic and technological arguments for keeping them as single suppliers. These monopolies may exploit consumers by charging excessively high prices and producing poor quality commodities.

1.1.2 – Establishment of the Kenya Tea Development Agency Ltd.

According to the Tea Act (1991) and the Tea Board of Kenya Report (2000) the origin of tea (*Camellia Sinensis*) is depicted from many legendary versions one being a Chinese belief that tea was accidentally discovered in 2737 B.C, when leaves from a nearby bush fell into water that a Chinese emperor, Sheng Nung, was boiling for drinking. Ever since the discovery, a tea drinking habit has spread throughout the world making tea the most popular beverage after water. The Japanese first embraced tea drinking and the Dutch traders took it to Europe facilitating the spread to colonies including Kenya.

The first tea seedlings were introduced to Kenya from India by Mr. G. W. L Caine in 1903 and planted in Limuru with some of the subject tea bushes having now grown into large trees forming a historical feature on what is now Unilevers Mabroukie Tea Estate.

Although few private farmers established small tea gardens in Limuru and Kericho, commercial cultivation of tea in Kenya began in 1924 and remained an exclusive preoccupation of the colonialists until 1956 when African growers were allowed to start planting tea. Tea was introduced in Kenya in 1903 when the white settlers planted a few tea plants at Limuru in Kiambu District for experimental purposes. Pursuant to the annexation of the land policies through the Registration of Documents Ordinance of 1901 and the Crown Lands Ordinance of 1915, the European agricultural settlement schemes in the Kenyan highlands started.

The European agricultural settlement schemes were reaffirmed when the European Agricultural Settlement Ordinance was enacted and by 1924 tea cultivation had attained commercial production level. To promote the cultivation of cash crops the Special Crops Developments Authority (SCDA) was formed under the Agriculture Act in 1960. The Kenya Tea Development Authority replaced this body in 1964 when the Kenya Tea Development Order 1964 was promulgated at the time of independence.

According to (GOK, 1992 and World Bank, 2000) the Kenya Tea Development Authority was in the program of the institutions to be privatized hence the Kenya Tea Development Agency Limited was incorporated on 15th June 2000 as a private company under (Cap 486) of Laws of Kenya becoming one of the largest private tea management Agency. KTDA Ltd currently manages 57 operational factories in small-scale tea sub-sector in Kenya.

The KTDA Ltd Operations Manual Handbook (2000) avers that the organization manages smallholder factories at an agreed agency fee. The organization undertakes the secondment of senior management staff to the factories and provides financial services for the factories including financial planning as well as annual budgets. The company also provides leaf collection logistics, manufacture, production and marketing of tea for the farmers. It keeps records including trade reports, trade returns statistics, certificated and other documents, which may be required by any authority's supreme municipal, local or otherwise as well as handles most secretarial services for the factories.

KTDA Ltd provides engineering and IT services for the factories. It also avails fertilizers and tree seedling through credit schemes to the farmers. The organization processes payments to

active growers for green leaf delivery as well as providing insurance and warehousing services to the respective tea factories. The company assists the factories in obtaining project financing whenever and to the extent necessary.

According to the KTDA Ltd Five Years Business Plan (2005-2010), the challenges facing the organization include increased competition from estates and new entrants in to the tea production, processing and management. This has the potential to destabilize the small-scale tea growers in various geographical regions

The organization also experiences high costs of management systems and process. This high cost has constrained KTDA ability to compete as a management agent in a liberalized tea sub-sector both in Kenya and Africa. There is high demand for transparency and accountability in managing the small tea grower sub-sector which is brought about by the shareholder empowerment through the privatization process. Tea Board of Kenya report (2002) avers that over production of tea in the World has affected demand and supply as more supplies of tea have in return lowered market prices. Oversupply of tea in the world market is seriously hurting the local subsector, forcing players to turn to specialty products in search of better prices for their produce. The strengthening of the Kenya shilling against the US Dollar has led in massive reduction in revenue due to exchange rate losses as tea is traded in the hard currency and farmers are paid in the local currency.

1.2 Statement Of The Research Problem

According to the Tea Board of Kenya report (2000), the tea industry operated successfully until the year 2000 when it was fully liberalized to promote efficiency and competitiveness as well as to attract private sector investment and grower participation in factory ownership and management. It was also expected that programmes were to be undertaken to restructure various institutions in the industry hence the Kenya Tea Development Authority (parastatal) was transformed into Kenya Tea Development Agency Ltd (private company).

The Kenya Tea Development Authority faced serious challenges in both the internal operating environment and the external environment which required urgent attention to avoid any serious impact in the local tea industry. These were made worse by the global developments in the

industry which had resulted in low returns in the entire tea value chain and especially at the farm level. KTDA therefore needed to position itself to increase its competitiveness, global market share and eventually increase returns at all levels of the value chain.

Several studies have been conducted in privatization of various organizations such as Koech Isaiah Kiprotich (2002) on influence of job design on job satisfaction in Kenya Airways in pre and post privatization period. The study compared employee perception before and after the company was privatized. The objective was to find out the influence of job satisfaction in pre and post privatization period. The findings were that privatization of Kenya Airways generally led to an increase in job satisfaction among employees. More so the job redesign had a great influence on job satisfaction.

World Bank paper (2001) with a detailed study and cabinet report on the challenges, financial and social costs and possibilities for splitting Kenya Railways Corporation into freight and passenger services. The much of the published literature represents those specific organizations experiences which are not directly comparable to others due to varying social, cultural, institutional and economic factors hence the knowledge gap.

The study on risk management at KTDA Ltd which covered the risk management framework and the internal control framework after privatization has by the consultants M/s Deloitte & Touche (2005) has been finalized. The study categorized existing KTDA Ltd risk in areas of Governance, strategy, operations, infrastructure and external factors. The findings were that risk management does not focus on managing downside risk and it involves taking advantage of opportunities as well as protecting assets by mitigating the adverse impacts of risk. The main risks were found to be associated with KTDA Ltd inability to formulate or execute a successful business strategy largely having to do with future plans such as entering new markets, launch new products or form new alliances. The aforementioned study was not exhaustive. This knowledge gap necessitates a further study with an aim of finding out the approaches and challenges of privatization by KTDA Ltd.

1.3 Research Objectives: AFTER 3. LITERATURE REVIEW

The study will seek to establish the following: -

- I. To determine the approaches that KTDA Ltd has used in its privatization process.
- II. To establish the challenges KTDA Ltd has encountered in its privatization.

1.4 Significance Of The Study permanent minister who reports to the National Assembly. In

The findings of the study will help in the following ways: - as being more comprehensive and

- I. Other Management Agents will know what approaches are most appropriate in expedition of privatization in Kenya and how to overcome the respective challenges.
- II. It will assist the KTDA Ltd stakeholders to know if this Management Agent (KTDA Ltd) adds value in the entire supply chain. This is mainly through assessment of the various achievements attained as a result of its privatization.
- III. It will challenge more scholars to research further in establishing whether privatization is a solution for the present and the future. The scholars will explore on the cost benefit analysis of privatization of various enterprises with a view to establishing the viability of the exercise.

CHAPTER 2: LITERATURE REVIEW

2.1 Public Sector Organizations (Parastatals).

Bradley (1979) describes a parastatal organization as an enterprise where the state or any other national, regional or local authority holds at least 50 percent of the capital. The enterprise is under state control through a Government minister who reports to the National Assembly. In Kenya, Aseto and Okello (1997) describes a parastatal as being more comprehensive and includes regulatory bodies, marketing boards, holding companies and non commercial agencies such as educational and research institutions set up under several acts of parliament. Most parastatals in Kenya are established under the State Corporations Act (Cap 446 of the Laws of Kenya).

According to Grosh (1991) the parastatals are important vehicles of development of Kenya having contributed to 11.2% of Gross Domestic Product (GDP) at independence. Their main objectives were not to make profits but to provide a public service in the public interest. The parastatals privatization program was aimed at improving the overall efficiency and productivity of these organizations. The very components included staffing, service reorganization, pay and benefits, personnel management and training as well as financial and performance management. With this background, parastatals have had to develop privatization strategic plans that would ensure their continued growth and survival.

Johnson and Scholes (2002) argue that the public sector corporations are differentiated from commercial organizations due to the fact that they are owned and controlled largely by the Government. The environment within which parastatals exist is characterized by critical factors that can impact either positively or negatively on decision made. The state controlled enterprise may find its planning horizons determined more by political than by market conditions. These include Government control, donor pressure, public scrutiny and unfavorable economic environment. There are also constraints on investment capital and therefore proper strategies have to be laid in financing. It is therefore important to understand the power of different stakeholders and constraints on change as in theory, parastatals are supposed to be managed

independently. Aseto and Okello (1997) avers that in practice the government interference is pervasive and comes from different government ministries and other statutory bodies.

Kimenyi (1985) argues that since the head of state usually appoints the top management, it means they are not directly accountable to other private stakeholders meaning their behavior is certainly influenced by the existing constraints facing the head of state hence the organizations performance depends on the current political tide.

Johnson and Scholes (2002) asserts that apart from the labour market, money market suppliers and customers, a public or Government agency also has a political market that approves the budgets and provides subsidies. This implies that the decisions may change and the analysis of strategies would require the norms of political influence to be considered explicitly. The strategic decisions may take the form of striving for more efficiency so as to retain or improve service on limited budgets which call for careful deployment and appropriate development of resources.

Beyene and Otobo (1994) asserts that a major problem with the African public enterprises is that they have failed to internally generate a sufficient amount of working capital and have a limited ability to finance new or replacement investments or even maintain existing ones. This trend of poor performance led to the calls for privatization of various public enterprises for example Kenya Power and Lighting Company (KPLC) created KenGen a public power generating company which has since been privatized. The move was aimed at maintaining KPLC as a public/private concern and break it's monopoly of power generation and distribution. The split was hoped to facilitate improvement of efficiency and effectiveness in the Kenyan energy sector.

Aosa (1996) highlights that within the African context; organizing and controlling seem to be performed first, followed by planning and leading. Some factors leading to this include that firms in developing countries acquire ready technology rather than develop it, turbulence of the local environment, paucity of information and hostile government activity hence the existence of sophisticated planning systems in a company does not necessarily mean that such systems would be used effectively.

2.2 Concept Of Privatization Strategy

The strategic thinking concept can be traced back in the U.S.A when accelerating and accumulating events began to change boundaries, the structure and the dynamics of the business environment. According to Drucker (1954) this was an era of “age of discontinuity” where firms were increasingly confronted with novel and unexpected challenges which were so far reaching. He addressed the issue of strategy and strategy formulation as an approach to managing organizations. His concern was primarily with identifying the business of an organization.

Andrew (1971) and Ansoff (1965) further expounded Drucker’s approach. They outline the process by which strategy could be formulated and achieved and also observes that organizational structure follow strategy. His definition of strategy stresses the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out the intended goals. Boyd and Elliot (1998) identify the seven items that are key indicators that determine the existence of privatization strategy as part of strategic planning exists in an organization. The items include the mission statement, trend analysis, competitor analysis, long term goals, annual goals, short term action plans and ongoing evaluation. These items address the strategic privatization management process from the formulation, through to the implementation and evaluation stages.

Johnson and Scholes (1999) points out that this process includes strategic analysis, strategic choice and strategy implementation. Strategic analysis involves an examination of the organizations strategic position in relation to its external and internal conditions. Strategic choice is concerned with the understanding of the bases determining the strategies to be adopted, while the strategy implementation eventually involves the conversion strategy into action with the goal of achieving the desired results.

Aosa (1999) avers that strategic planning which also encompasses the privatization strategy has adopted some features which include increased emphasis on implementation, flexibility and adaptability of strategic planning, more focused planning with a bias towards key actions and issues, a consideration of competitive activity, enhancement of strategic thinking and a consideration for both analytical and behavioral factors.

While privatization issues frequently evoke more passion than substance, the phenomenon is an important aspect into the foreseeable future. There are a variety of strategic and other non quantifiable aspects that are considered while effecting the privatization of an organization as they go beyond the financial analysis and may create highly complex situations hence an adequate differential analysis must incorporate all these factors.

Organizations vary in the processes they use to formulate their privatization strategy. Some sophisticated planners have developed more detailed privatization processes than less formal planners of similar size. However despite the differences in detail and degree of formalization, the basic components of the models used to analyze the privatization strategic management operations are very similar. A good privatization strategy involves the contrasting of the organizations past successes and traditional concerns with the organizations current capabilities in an attempt to identify the company's future capabilities.

2.3 Privatization Strategy Approaches.

The approaches to privatization include the share issue, asset sale and voucher privatization. The share issue privatization strategy involves the selling of shares on the stock market which in most cases broadens and deepens the domestic capital markets, boosting liquidity and potentially economic growth. If the capital markets are insufficiently developed it may be difficult to find enough buyers and transaction cost may be higher thus many Governments elect for listings in the more developed and liquid markets. The asset sale privatization involves the selling of the entire firms or part of it to a strategic investor usually by auction or using the Truahand model. As a result of higher political and currency risk deterring foreign investors, asset sales are more common in developing countries. The voucher privatization involves the distribution of the shares of ownership to all citizens usually for free or at a very low price. This is a genuine return of assets into the hands of the general population and creating a real sense of participation and inclusion.

Ansoff (1965) and porter (1980) regards the privatization as part of strategy which is a deliberate effort which is formalized with the objective of defining the long-term direction of the organization. According to Mintzberg and waters (1985) this is known as strategic learning as

strategy is adjusted with time as it emerges from the environmental conditions and circumstances. Champoux (2001) avers that the privatization challenges for the future will press many changes in an organization and their management as the hallmark of the new strategies for future success will be a long-term view. He further advises that successful strategies for the global environment of the 21st century requires a tailoring the organization to match the global market requirements.

In 1996, the government adopted a strategy and policy framework, which outlines a clearly defined

There is a need for organizational design change which implies some changes in management behavior that are needed to compete effectively in future. The diversity of worldwide market requirements will not let most privatized organizations be competitive with centralized decision making. Organization wide self managing teams are an important management change in privatization. The cross-functional teams conceive, design and build all aspects of the business process affecting the organization. Motivation and reward systems of the future are designed to focus people on performing the part of the process for which the people are responsible. The result is a flexible workforce where people can easily move from job to job.

This may be carried out for individual personnel or for groups in a

The manager's role in privatized organizations will differ from the predecessors as they should perceive themselves as controllers of processes and people, leaders, facilitators, coaches, resources and helpers. The privatization direction will be ingrained into the organizations culture and come from those in management's roles. The successful organizations in privatization will be transnational with the managers behaving as if no natural boundaries exist as their scope of decisions for location of operations and capital investment will be global. Managers will need to build new strategies based on long-term views, flexibility, customer needs and business alliances.

Mudida (2003) refers to privatization (de-naturalization) as the deliberate attempt by the government to reduce the size and importance of the public sector and increase the private sector size and importance. Privatization may take the following forms of

denationalizing major public sector concerns by transferring the public ownership of assets from the state to the private sector, disposing of public sector shareholdings in companies, contracting out work, for example, refuse collection to private sector firms and financing it

with rates and taxes, deregulation of industries and markets to allow private firms to compete against state-owned businesses.

2.4 Process of Privatization

According to the Kenya Government Economic Reforms for 1996-1998 Policy Framework Paper of 16th February 1996 and the Interim Poverty Poverty Reduction Strategy Paper (2000-2003), the government adopted a strategy and policy framework, which outlines a clearly defined and time bound program of privatization focused on the country's largest and most significant enterprises.

The process for implementing the Government's strategy for Parastatal reform will vary depending on whether implementation is through the privatization process or through the reform and restructuring process. The privatization process can be considered in three stages namely feasibility, preparation and implementation of divestiture. The initial stage is to assess the feasibility of privatization of each Parastatal scheduled for divestiture and to determine the most appropriate method. This may be carried out for individual parastatals or for groups in a particular sub-sector. The choice of method is driven by the objectives to be achieved from privatization both at national and specific objectives levels for individual enterprises.

The privatization process usually involves preparing the enterprise for privatization by carrying out financial, commercial, technical and organizational appraisals, assessments of its products, markets and competition, future prospects, as well as resource requirements. It calls for the reviewing of the appropriateness of the corporate structure to determine what changes may be needed to facilitate divestiture. Appropriate changes may include dividing the Parastatal into component businesses which can be more easily privatized, and spinning off non-core parts of its business;

A legal review both of the enterprise and the regulatory environment in which it operates to identify possible impediments to privatization is also important as well as preparing an initial valuation of the enterprise. These are the building blocks for planning the final stage of the process and for determining the government's negotiating position.

The final stage is the implementation of the divestiture. The process will depend on the divestiture method selected but will generally include the preparation of sales memoranda, prospectuses or other suitable documents for the targeted investors. This involves marketing the offer, including targeted advertising as well as industry and trade searches to identify buyers. This stage involves pre-qualifying the buyers, inviting bids, assessing bids or proposals against pre-determined selection criteria, negotiations and obtaining final Government approval for the sale. Finally there is the preparation of appropriate contractual documents and completion of the sale.

2.5 Challenges of Privatization

Hamed (1997) avers that privatization is extremely challenging as same will not successfully take place unless the organization is properly restructured and its commercial as well as its financial track records are established. The public interests have to be safeguarded by means of law, contracts and concessions. There is a belief that certain parts of the social terrain should remain closed to market forces in order to protect them from the unpredictability and ruthlessness of the market. Another view is that some of the utilities which government provides benefit society at large and are indirect and difficult to measure or unable to produce a profit, such as defense. The natural monopolies are also by definition not subject to competition and are better administrated by the state.

The World Bank report (2000) states that controlling ethical issues in the anti-privatization perspective is the need for responsible stewardship of social support missions. Market interactions are all guided by self-interest, and successful actors in a healthy market must be committed to charging the maximum price that the market will bear. Privatization opponents believe that this model is not compatible with government missions for social support, whose primary aim is delivering affordability and quality of service to society. Many privatization opponents also warn against the practice's inherent tendency toward corruption. As many areas which the government could provide are essentially profitless, the only way private companies could, to any degree, operate them would be through contracts or block payments. In these cases, the private firm's performance in a particular project would be removed from their performance, and embezzlement and dangerous cost cutting measures might be taken to maximize profits.

Gulsan (1997) argues that it is also important to point out that privatizing certain functions of government might hamper coordination, and charge firms with specialized and limited capabilities to perform functions which they are not suited for. In rebuilding a war torn nation's infrastructure, for example, a private firm would, in order to provide security, either have to hire security, which would be both necessarily limited and complicate their functions, or coordinate with government, which, due to a lack of command structure shared between firm and government, might be difficult. A government agency on the other hand, would have the entire military of a nation to draw upon for security, whose chain of command is clearly defined.

According to Kerf and Smith (1996), opponents of privatization argue that it is undesirable to transfer state owned assets into private hands due to reasons which include the fact that a democratically elected government is accountable to the people through a legislature, Congress or Parliament and is motivated to safeguarding the assets of the nation hence the profit motive may be subordinated to social objectives. The Government ministers and civil servants are bound to uphold the highest ethical standards, and standards of probity are guaranteed through codes of conduct and declarations of interest. However, the selling process could lack transparency, allowing the purchaser and civil servants controlling the sale to gain personally. In the absence of a market for the shares of nationalized industry, it may be difficult to determine the appropriate issue price for shares. This may lead to oversubscription or under subscription. It has been argued that the state owned assets have often been sold off too cheaply. Donaldson and Wagle (1995) states that the government may seek to use state companies as instruments to further social goals for the benefit of the nation as a whole. Increased privatization of public sector enterprises can lead to greater difficulty in planning the whole economy because unanticipated actions by the private sector can undermine the targets of development plan such as delocalization of industries. The private sector may lack entrepreneurship skills and capital to develop certain establishments which require heavy capital investments like airways, railways, ports and harbours.

The role of the provision of essential services is critical. If a government-owned company providing an essential service such as the water supply to all citizens is privatized, its new owners could lead to the abandoning of the social obligation to those who are less able to pay, or

to regions where this service is unprofitable. Privatization of certain sectors like health and education may lead to these very goods being provided in inadequate quantities and at prices that are too high for lower income consumers.

Methods Collection Methods

The study involved collection of both primary and secondary data. In order to ensure a holistic approach, the study aimed to utilize the secondary information as well as primary data. The study focused on carrying out intensive study on the experiences and challenges of the KICA in order to achieve a better understanding of the current situation and the management was interviewed. These included the top management officials and various functional heads.

The data was collected through face to face interviews and questionnaires which were self-administered. There were also some telephone calls follow up that followed the responses. The study involved interviewing a total of ten people and that included the Director of the KICA and the various functional heads. The questionnaires were designed primarily to the respondents discussing the purpose of the questionnaire and giving them a copy of the questionnaire. The questionnaire attached in appendix 2 had been developed using as a guide of design models advanced by Kanter (1984), Korten (1980) and Pridel (1988). The data was gathered from various sources including documents, reports, newspapers and the KICA website.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research design

This was a case study which covered the Kenya Tea Development Agency Ltd. The case study design was the most appropriate as the detailed analysis for a single unit of the study provided a very focused and valuable insight to phenomena that would otherwise be vaguely known or understood. The study covered the KTDA Ltd operations in Head Office and a cross-section of KTDA Ltd regional offices.

3.2 Data Collection Methods

The study involved collection of both primary and secondary data. It was necessary to gather primary data so as to validate the secondary information as well as generate upto date data. The case study focused on carrying out intensive study on the approaches and challenges of privatization in KTDA Ltd hence a cross section of employees from the top management and middle management was interviewed. These included the top executive officers and the various departmental heads.

Primary data was collected through face to face interviews and questionnaires which were self administering. There were also some telephone calls follow up that enhanced the response. Cooper and Emory (1995) argues that this approach is a way of improving on the response rate. The case study involved interviewing a total of ten people and that sample was thought to be sufficient to authenticate the views that were presented and enabled the use of intensity systems in the content analysis and factor analysis. The questionnaires were dropped personally to the target respondents discussing the purpose of the questionnaire and going through it with the interviewee briefly. The questionnaire attached in appendix 2 had been developed using an integration of change models advanced by Kanter (1984), Kotter (1996) and Prasad (1989). Secondary data was gathered from various sources including documents, reports, newspapers articles and the KTDA Ltd website.

3.3 Data Analysis. TEXT FOUR: DATA ANALYSIS AND FINDINGS

The primary and secondary data was qualitative hence content and factor analysis were the best suited methods of analysis. Nachmias and Nachmias (1996) describes content analysis as a technique for making inferences by systematically and objectively identifying characteristics of messages and using same to relate trends. Strauss and Corbin (1990) avers the use of the qualitative data content analysis technique as the method is scientific as the collected data can be developed and be verified through systematic analysis.

The qualitative method is used to uncover what lies behind a phenomena under study and the construction of scales is undertaken as a way of facilitating quantification using intensity systems. The method is able to stand a reliability test as the aim is to treat evidence fairly by relating causal relationships to produce compelling analytical conclusions that rule out alternative interpretations. The analyzed data was used to establish the approaches and challenges of privatization by Kenya Tea Development Limited

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains the data analysis and findings as captured using the questionnaire attached in appendix II. A total of 10 questionnaires were administered. All the interviewees responded by completing and returning the questionnaires representing 100% of the response rate. The main areas that are discussed are the approaches and challenges of privatization by the Kenya Tea Development Agency (KTDA) Ltd. All the respondents were members of the senior at KTDA Ltd based at the Headquarters which is the hub of the organizations operations. The analyzed data is based on these statistics.

General information on the approaches and challenges of privatization by KTDA Ltd was analyzed using frequency distribution, percentages, mean scores and standard deviation.

The respondents were asked to indicate for how long they have been with the organization and what approach was used by KTDA Ltd in its privatization process. They were also asked to indicate to what extent various factors were affecting their operations after the privatization.

The importance of the activities was scored on a likert of scale 1-5 where 1- Very important, 2- Important , 3- Significant, 4- Moderate, 5- Insignificant. To determine the extent of the privatization, the scores of each method used to operationalize each factor was analysed to get the frequency, percentage, mean and standard deviation. The mean scores were rated in the following manner: 0-1.5= No extent, 1.5-2.5= Small extent, 2.5-3.5= Moderate extent, 3.5-4.5= Large extent and 4.5= Very large extent. The standard deviation was used to measure the degree

of the spread in the scores among the respondents.

The scores of the various activities that are used for each method described above were analyzed to obtain the frequency, percentages, mean score and standard deviation. This was to determine the degree to which each factor was considered important with a rating in the following manner: 0-1.5=Insignificant, 1.5-2.5= Moderate, 2.5-3.5=Significant, 3.5-4.5= Important, 4.5= Very important.

4.2 General Profile

The general information in the study is the profiles of the respondents which included the number of years worked with the organization as well their experiences on the challenges of privatization. The findings are depicted by the following tables 4.2

Table 1: Respondents duration with KTDA Ltd

Years	Frequency	Percentage
1-5 years	0	0%
6-10 years	3	30%
11-15 years	1	10%
16-20 years	2	20%
Above 20 years	4	40%
Total	10	100%

Out of the respondents that were interviewed, majority, (40%) had been with KTDA for more than 20 years. 30% had served with KTDA for between six to ten years, while only 20% of the respondents had served under KTDA for between sixteen to twenty years. 10 % of the respondents had served within KTDA for eleven to fifteen years.

Table 2: Respondents Department

Department	Frequency	Percentage
HR & Admin	1	10%
ICT	1	10%
Finance	3	30%
Operations	2	20%
Sales & Marketing	1	10%
Technical Services	2	20%
Total	10	100%

Majority of interviewees (30%) were from the Finance Department. 20% of respondents came from Operations and another 20% from the Technical Services Department. The minority were from ICT, Sales & Marketing and Human Resources Departments each of which had a 10% representation.

4.2.1 Respondents’ Awareness, Necessity and Approach of the privatization

100% of the respondents were aware of the privatization that occurred in KTDA in the year 2000, while 100% of respondents viewed the privatization as necessary.

Table 3: Respondents privatization awareness

	Yes	%	No	%
Aware of privatization	10	100%	0	0%
Was it necessary	10	100%	0	0%

Respondents were further asked to explain from their point of view, what approach was used in the privatization of KTDA. Responses included:

1. Revocation of the agriculture act (Legislation)
2. Consultations with stakeholders
3. Factory companies owned by farmers became the shareholders of the agency
4. Factories acquiring shares in KTDA
5. Shares issued to KTDA ltd factory companies
6. External consultants in liaison with KTDA Board and Top management
7. Use of a consultant. Shares issued to KTDA factories
8. Controlled ownership of factories/KTDA by farmers
9. A consultative approach between stakeholders in the small scale tea sub-sector
10. Through a gazette notice by the ministry of agriculture in 2000 after approval by parliament – Shares issued to factories country wide

4.3 Approaches and Challenges of Privatization

Table 4: Factors that necessitated the privatization

Factors necessitating privatization	Mean	Standard Deviation
Need to plan ahead and remain competitive	1.71	0.94
Threat from competition	2.92	1.28
Pressure from stakeholders	2.00	0.94
To respond to customer needs	2.00	1.05
It was a government directive	3.80	0.78
The magnitude of loss making at KTDA Ltd	4.11	1.05

Respondents were asked to rate in terms of importance, the possible factors that necessitated the privatization of KTDA Ltd. The need to plan ahead, pressure from stakeholders and response to customer needs were viewed as the important possible factors that necessitated the privatization of KTDA (1.71, 2.00 and 2.00 respectively). Though responses were varied (1.05) as to the moderate importance of the magnitude of loss making at KTDA (4.11), there appeared to be a general understanding (0.78) that the privatization, being a government directive (3.80) was of moderate importance in necessitating the privatization. Threat from competition also viewed as being of significant importance (2.92) in necessitating the privatization, however, there was no general agreement towards the response (1.28).

Table 5: Objectives of the privatization

Objective	Mean	Standard Deviation
Turn Around KTDA Ltd into profitability	2.22	1.20
Give independence to KTDA Ltd	2.00	1.05
End government subsidies	4.44	0.73
Reduce Staff	3.70	1.49
Increase competitiveness of KTDA Ltd	1.80	1.23
Reduce costs	1.90	1.10
Assist other players into the tea industry	4.44	0.73
Comply with donor conditions	3.33	1.50

With respect to the objectives of the privatization program, turning round KTDA Ltd into profitability (2.22), giving independence to KTDA Ltd (2.00), increasing competitiveness of KTDA Ltd (1.80) and reducing costs (1.90) were viewed as important, however, responses were varied amongst respondents (1.20, 1.05, 1.23 and 1.10 respectively). Ending government subsidies (4.44), reducing Staff (3.70), and assisting other players into the tea industry (4.44) were viewed as being of moderate importance. Other objectives of the privatization program, according to the respondents included; establishing the ownership of KTDA, reducing government involvement and give owners a feeling of ownership and finally, to develop suitable financing packages.

Table 6: Reasons for privatization

Culture Aspect	Mean	Standard Deviation
Re-orienting the entire perception on business	3.67	1.80
Adopting private sector like approach	3.56	1.74
Making prompt decisions and taking responsibility for the decision	3.70	1.34
Basing reward on performance/productivity	3.67	1.12
Managing and keeping time	3.89	1.05
Availing information freely (Reducing on secrecy)	3.10	1.29
Reducing managerial approval layers	3.78	1.20
Scrapping the bureaucratic structures	3.60	1.51
Devolution/empowering lower layer staff	3.50	1.18
Making the customer focal point	3.70	1.49

Respondents were further asked to rank, in strength of importance, aspects of culture change that were targeted for change through the privatization. Analyses revealed that all mentioned culture aspects were rated as average, though there were variations in responses to all aspects. Reducing managerial approval layers was however rated as important.

Other aspects of business and organization culture that respondents felt had been targeted for change through privatization of KTDA Ltd include the creation of subsidiaries from large departments that had become huge and expensive to manage. The devolution through empowering factory boards as well as accountability by individual officers and increase in pay to the farmers through their elected boards is also important.

Table 7: The Privatization awareness creation

Culture Aspect	Mean	Standard Deviation
Official Circulars	2.90	0.99
Meetings	3.10	0.88
Company newsletters	2.10	0.74
Mass Media	2.44	1.13
Grapevine (rumors)	2.90	1.20

In terms of creating awareness of the privatization, analysis shows that official circulars (2.90), meetings (3.10), and grapevine rumors (2.90) were the frequently used forms of communication, while company newsletters (2.10) and mass media (2.10) were the rarely used forms of communication.

4.3.1 Articulation of the Privatization Vision

Respondents were of the same opinion (0.83) that the privatization vision was clearly articulated and understood by all staff moderately (3. of the 22).

4.3.2 Initiation Privatization Change at the Top Level Management

Respondents further strongly agreed (0.57) that in most cases, (3.10) the privatization changes were largely initiated at the top management level.

4.3.3 Extent of consultation of all stakeholders in the Privatization Process.

There was general agreement amongst respondents (0.84) that the concerns of key stakeholders were taken into account and they were extensively consulted in initiating the privatization process occasionally (3.40).

4.3.4 Level of Communication in the Privatization Process.

Analysis revealed that to some degree, (2.80) the level of communication throughout the change

process was effective, open and honest. However, the responses were varied (1.03).

4.3.5 Level of Top Management Support in the Privatization Process

Most of the respondents felt that (0.92) top management appeared to support the privatization process on most occasions (3.80).

4.3.6 Level of the other Staff support in the Privatization Process.

They however felt that the rest of the staff only supported the privatization changes on some instances aspects.

4.3.7 Effects of Privatization Change to Staff

Respondents strongly felt (0.44) that there was no effect (1.22) on the staff, as a result of the privatization change.

Table 8: Reasons for resistance to privatization change

Factor	Mean	Standard Deviation
Misunderstanding and lack of trust	4.00	1.41
Fear of inability to development of relevant skills	3.67	0.87
Fear of demotion or retrenchment	3.40	0.97
Fear of the unknown	4.50	0.53
Fear of social displacement	4.70	0.48
Parochial self interest	3.70	0.95
Satisfaction with existing state	3.67	0.87

Interviewees were asked to further rank the above pre-determined factors based on their strength/contribution to individual resistance to privatization change in KTDA ltd. Satisfaction with existing state (3.67), parochial self interest (3.70), fear of the unknown (4.50), fear of

inability to develop relevant skills (3.67) were generally agreed (0.87, 0.95, 0.53, and 0.87 respectively) upon as the strong factors contributing to the resistance. All respondents agreed (0.48) that fear of social displacement was viewed as a very strong factor (4.70) contributing to resistance, while fear of demotion or retrenchment was a moderate concern (3.40). Respondents were however split (1.41) as to misunderstanding and lack of trust being a strong concern (4.00). One other factor that interviewees viewed as contributing to individual resistance to privatization change in KTDA Ltd was that the privatization process was fought with suspicion and despondency after the government takeover in 1999

Table 9: Overcoming resistance to the privatization change

Factor	Mean	Standard Deviation
Training and education	3.30	1.34
Communication	3.60	1.17
Use of local change leaders	2.78	0.83
Promise of reward	2.67	1.22
Use of reward	2.30	0.95
Ignoring (wait for natural death to occur)	1.67	1.32
Manipulation	2.33	1.41
Coercion and authority	2.67	1.66

Respondents were asked to rank a list of factors in terms of their importance and use in overcoming resistance to privatization at KTDA. Training and education, use of local change leaders, promise of reward and coercion and authority were generally agreed upon as being moderately important as well as used. Responses were however varied (1.17) that communication was frequently (3.60) used. Manipulation and ignorance were viewed as

negligent in terms of importance and use in overcoming resistance.

Further inquiry revealed that other methods that respondents viewed as useable in overcoming the resistance to change were;

- Agitation by pressure groups – politicians and KUSSTO
- Total authority from the government – the privatization process had started early 1996 but the government take over in 1999 hastened the process but with different results.

4.3.8 Role of Culture Change in Ktda Ltd Privatization Process

The issue of culture change was generally viewed (0.84) to a large extent (2.60) as playing a central and prominent role in the privatization process at KTDA Ltd.

Table 10: Cultural factors affecting the privatization

	Frequency	Percentage
Yes	6	60%
No	2	20%
Not Aware	1	10%
No Response	1	10%
Total	10	100%

60% of the respondents thought that the government had been supportive in the implementation of privatization in KTDA Ltd, while 20% of respondents felt differently to the claim. 10% were not aware.

Table 11: Medium used in the privatization change

	Frequency	Percentage
Name change	8	80%
Logo change	6	60%
Change in vehicle registration plates	3	30%
Office remodeling	2	20%
Organization restructuring	2	20%

Respondents were asked to list what was visible outwards in terms of physical attributes accompanying the change. 80% of the respondents listed Name change, 60% of all the respondents listed down the change in the logo, change in vehicle registration number plates was listed by 30% of the respondents. Office remodeling as well as organization restructuring was noted by 20% and 20%, respectively, of the entire population.

Others observations were staff retrenchment, including voluntary retirement and competitive hiring of new staff

Table 12: Achievements of the privatization

Objective	Yes	%	No	%
Enhancing the efficiency of KTDA Ltd	9	90%	1	10%
Enabling KTDA Ltd to operate on autonomous basis	10	100%	0	0%
Enhancing good corporate governance and accountability	4	40%	6	60%

A list of objectives expected to be addressed by the privatization was also given to the interviewees. 90% felt that enhancing the efficiency of KTDA Ltd had been achieved, 100% felt that the privatization helped enable KTDA Ltd to operate on autonomous basis, while 60% felt

that the privatization had not helped KTDA in enhancing good corporate governance and accountability.

Table 13: The privatization success factors

Success Factor	Rank
A well performing Board of Directors	1
Trained personnel to drive the business	4
Conducive working environment	2
Properly trained staff to manage the privatized institution	3

Respondents were further asked to rank a list of success factors they felt had been present according to their importance. A well performing Board of Directors was ranked first, followed by conducive working environment. Coming in the third position was properly trained staff to manage the privatized institution, with the least important being trained personnel to drive the business

Table 14: Factors hindering the privatization

Factor hindering privatization	Mean	Standard Deviation
Political interference	2.30	0.82
High cost of implementing privatization	1.44	0.73
Interference by factories	2.20	0.92
Interference by the board	1.50	0.85
Resistance to change	1.33	0.58

In terms of hindering the privatization process, respondents were of the same view that political interference (2.30), interference by factories (2.20) as well as interference by the board (1.50) were critical. High cost of implementing privatization and resistance to change, were on the other

hand considered to be less critical. their opinions were supported by their observations that

Upon further inquiry, other factors that were perceived by respondents as hindering privatization included lack of support from the government as well as the Ministry of Agriculture and also, high staff turnover at middle and top level management.

Table 15: Rate of the privatization at KTDA Ltd

	Frequency	Percentage
Slow	1	10%
Average	7	70%
Fast	2	20%
Total	10	100%

Respondents were also asked rate the progress of privatization in KTDA Ltd, whether it was slow, average or fast.

Of the 10% of the respondents who said it was slow, they attributed it to:

- Public culture/ interest in organization
- Best interests of key stakeholders that were in conflict with privatization objectives

Of the majority (70%) who claimed it was average, they attributed the speed to resistance to change, understanding of processes, size of KTDA, governance issue (conflict of interest), changed competitive environment, lack of proper mission & vision, culture, complexities involved, lack of support from the government, many stakeholders with different interests, lack of training staff, political nature by virtue of size and geographical spread, undefined ownership, costs of operation, stakeholders influence and competitive staff.

The respondents who said it was fast, their opinions were supported by their observations that there was;

- Top management ownership
- Real and perceived benefits to individual staff

4.3.9 Impact of the Privatization Change

Respondents were asked to explain how they felt the impact of the privatization change, whether positive or negative.

Responses supporting the impact as positive included

- The decision making process is less bureaucratic
- Move towards parastatal entity is changing culture and attitudes
- Privatization has given KTDA a competitive advantage
- Lack of influence by politicians
- There is visible measure of efficiency and effectiveness
- Improvement in staff quality and accelerated company growth rate.
- Well received by stakeholders
- Increased autonomy, efficiency and business culture approach

While those of the view that it had negative impact, further supported their view by adding that:

- Governance challenges from conflicts of interest
- There is a potential possibility for a roll back to KTDA (Parastatal status) or worse
- Perception still remains the same (because privatization was not communicated to all stakeholders).

4.4 Envisaged improvement on the Privatization Process

Interviewees were requested to suggest what needed to be done for the privatization program of KTDA Ltd to be improved. Respondents suggested the following ought to be done.

- Restore the governance structure of KTDA Ltd board.
- Enhanced management through the board in executive affairs
- Security of tenure for senior management staff.
- Appoint members of board based on professional expertise.
- Trim the size of the board to between 5-7 directors.
- Veto by government, never to interfere with KTDA.
- Deal with the conflict of interest between KTDA board and factories.
- Re-engineer organization structure towards achieving commercial objectives of the agency.
- Introduce good corporate governance and Recruitment of professional staff.
- Educate stakeholders and shareholders/farmers
- Introduce KTDA Ltd to the stock market and freely trade shares.

4.4.1 Outcome of the Privatization Change

Respondents were asked to evaluate the outcome of the entire privatization change program as well as its success or otherwise communicated to all stakeholders. As much as the responses were varied (1.05) it came out clear that the respondents did not know (2.11).

Table 16: Privatization success level at KTDA Ltd

Milestone/Success	Frequency	Percentage
Adopted nature of private companies	10	100%
Improved internal processes	8	80%
Improved workforce quality	5	50%
Positive review of compensation	4	40%
Positive HR reviews	3	30%
Accountability	3	30%
Capacity increase	7	70%

Respondents were finally required to list down the milestones/successes of the privatization change in KTDA Ltd.

Of the respondents who claimed that KTDA Ltd had adopted nature of private companies some individual responses included improved services due to competition, improved profitability because of private company motive (profit), improved corporate image & identity, Change of organization structure, ISO 9001:2000 certification, Ability to adapt to the changing environment, Introduction of business oriented culture, Maximizing on core business, Culture change to that of private companies and Decentralization

Individual responses for improved internal processes included business approach to management, increased customer focus, Improved marketing of tea, outsourcing of non-core activities, effective flow of information, improved decision making especially on investments, elimination of bureaucracy and improved decision making process 50% of respondents listed improved workforce quality as one of the successes. Respondents had attributed this to high quality workforce through recruitment, professional staff, attraction and retention of qualified

staff, training of skilled staff and improved skill to match sensitive (senior) positions.

Some interviewees also cited positive review of compensation as one of the successes of the privatization change. This, they saw through increase in remuneration schemes, salary reviews have attracted high quality staff, improvement of employment/salaries and increased access to financial packages

In terms of positive Human Resources reviews, downsizing of internal staff was cited as the major milestone/success of the privatization change. Accountability, also said to be a success of the change, was seen through transparency in transactions, improved financial reporting and increase in shareholders returns.

Capacity increase, indicated by 70% as one of the milestones, was seen through the increase in number of factories (45 to 57), computerization of operations, formation of subsidiary companies, business expansion through subsidiaries, increase of capacity in terms of factories, decentralization of services to factories through the creation of regional offices.

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings as well as the conclusions gathered from the analysis of data. This chapter incorporates the various suggestions and comments given by the respondents in the questionnaires. Findings have been summarized, conclusions drawn from the study and the recommendations given.

5.2 Discussion

This study was aimed at establishing the approaches that KTDA Ltd has used in its privatization process and to establish the challenges the organization encountered in its privatization. KTDA Ltd had implemented various approaches towards achieving its privatization, of which most were not well defined by the involved parties/respondents. It was evident that the need to plan ahead, pressure from stakeholders and response to customer needs were viewed as the important factors that necessitated the privatization of KTDA (1.71, 2.00 and 2.00 respectively). The objectives of the privatization according to the respondents were mainly to increase competitiveness of KTDA Ltd (1.80) and reducing costs (1.90). One short coming of the privatization was the mode of communication used. Grapevine communication (rumor) appeared to be a frequently used form of communication, besides mass media and official circulars.

It was evident that the privatization changes were largely initiated at the top management level and the privatization vision was clearly articulated, nor understood by all staff. However, in positive light, the level of communication throughout the change process was effective, open and honest, though responses were varied.

The privatization process was in fact not smooth because of resistance from some stakeholders. Satisfaction with existing state (3.67), parochial self interest (3.70), fear of the unknown (4.50), fear of inability to develop relevant skills (3.67) were generally agreed upon as the strong factors contributing to the resistance. In an attempt to react to these factors, training and education, communication, use of local change leaders, promise of reward, coercion and authority, manipulation and use of reward were the commonly used mechanisms. Other factors that had hindered the privatization process were interference by factories and political interference.

Out of the set out objectives, 100% of the respondents agreed that the privatization had enabled KTDA Ltd to operate on autonomous basis, while 90% agreed that it had enhanced efficiency of KTDA Ltd, while the main key successes factors present, as a result of the privatization were a properly trained staff to manage the privatized institution and trained personnel to drive the business. Kazmi (2002) avers that strategic management is about knowing the external environment and establishing linkages to it. From the research data and reports, it is clear that the need for privatization in KTDA existed and had actually delayed. The slow privatization takeoff was due to overwhelming environmental forces and the capacity to privatize the institution had not been adequately developed. The slow privatization process at KTDA Ltd prevailed in what Beam (1990) refers to as strategic discontinuities which can be traumatic for organizations which have been monopolies all along.

The research findings reveal that the privatization process at KTDA Ltd was meant to be structural combining the structure and personnel issues. The personnel factor on the privatization seem not to have been fully addressed as there were no deliberate enquiry into the concerns of

staff on how the subject privatization would affect them. Some obvious gaps that were left out during the privatization process included the fact that there was no assessment on the capacity of the existing management fitness in the general management of the new outfit. There was no adequate exploration on carrying out a privatization change resistance diagnosis and putting in place counter resistance measures. There was no building of capacity for evaluating the strategies, institutionalizing the privatization and appropriate strategic responses. The result of these gaps at KTDA Ltd led to a situation of increasing under performance hence the need for a new strategic plan.

Asnoff (1990) avers that experience has shown that when planning calls for a change in general management capability, implementation of the privatization plan encounters strong organizational resistance during implementation process. Privatization change is hard to evaluate and measure especially intangible elements like the organizational culture. According to Kotter (1996), victory should not be declared too soon in any change process.

5.3 Conclusion

The study concluded that effective privatization requires traits which include the official power and fervent believers of the required change. The individuals who are usually deep within the organization should have a burning desire to improve things and should not have frustrations within the organizational inertia on their way so as to overcome the challenges. As the organization moves towards effective privatization, other forms of online social net working will increasingly give all the stakeholders and employees at every level a critical mass in effective calling for the privatization change. The privatization change is calling for employee engagement

as the change today is still mainly made by people in an organization with some sort of authority, be it running the whole business, a group or just a project team. The privatization is driven by managers who have a platform of their official positions to advocate for a new direction as well as the ability to hire, promote and financially reward others for embracing it.

All the stakeholders in the privatization process must have an extreme proclivity for action as the privatization happens faster and deeper in organizations when people are authentically persuaded by its meaning and feel passionate about its success. In today's turbulent business world, all the privatization variables seem to be shifting. As such it is often hard for a business to place only one course of action hence the importance to consider a portfolio of strategies taking a spread-the-bets approach.

The research study shows that effective privatization bureaucratic policy makers focus on a few actions that they are able to take rather than a wealth of options possibly before them but a simple approach allows the policy makers to choose from various available options and make decisions that suit the privatization requirements. The study clearly shows that one can make elaborate statements and set out blue sky visions but that forms part of the problem which decreases logarithmically as everything depends on execution as having a vision only is no solution.

5.4 Recommendations

To facilitate effective privatization of the organization, the shareholding structure of KTDA Ltd and the Factory companies should change so that the growers directly own shares in KTDA Ltd and KTDA Ltd to own the factory companies. This can be done through a share swap involving

growers surrendering the current shares at the factory in exchange of equivalent value of KTDA Ltd shares. A financially stronger and efficient KTDA Ltd will also be able to develop external markets, enhance quality tea control, planting, tea plucking, leaf collection, and transportation, manufacturing and value addition.

It is clear from the study that the dual roles of KTDA Ltd as managing agents and a tea growers investment seem to cause confusion. To avoid this, KTDA Ltd should form a subsidiary company to manage the factory companies. Education of the growers and all those directly connected with KTDA needs to be undertaken to enlighten all the parties on the KTDA Ltd privatization strategy. KTDA Ltd should facilitate further decentralization on the management of the tea factories through the Regional Business Offices to manage a group of factories so as to improve efficiency of operations, create advantages and improve efficiency in the management of the factories.

On human capital management, the organization should reflect a national outlook in employment through expedition of a good recruitment policy that will also not compromise skills, knowledge, experience and integrity of the staff. On corporate governance, the KTDA Ltd directors should develop, sign and adhere to code of best practices. Where as good corporate governance might not guarantee success of privatization of KTDA Ltd, bad corporate governance will often destroy or severely limit the company. The good corporate governance is known to create public confidence as the management devotes itself as best as it can to the best interest of the organization and its stake holders. The directors and the organization should always inform the shareholders about the trading activities, profits and dividends of KTDA Ltd and its Subsidiaries.

5.5 Limitations of the study

There were some difficulties experienced in the process of the study. In some instances it took a long time to receive the responses to the questionnaires due to the unavailability of the respondents who could provide the required information. Some respondents were initially uncooperative as they were viewing the subject being rather sensitive owing to the current trend in the tea industry.

There was also a time constraint in conducting a face to face interview owing to the tight office work schedule of most respondents. This constraint limits the clarifications on some issues hence narrowing down the scope on some areas of the study.

5.6 Suggestions for Further Research

This was a general survey of approaches and challenges of privatization. The emerging issues with respect to the challenges cannot go un-researched hence the need for a further study. Since political interference was the top most emerging issue in the study due to the initial ownership of KTDA Ltd, it is recommended that further research be carried out in the area of the challenges posed by the political environment in the privatization of KTDA Ltd and its impact. In view of the complexity of the existing KTDA Ltd structure, it is recommended that a detailed study be done to come up with the challenges faced in developing a suitable structure that will fast track the privatization process and enhance achievement of the projected deliverables.

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REQUEST FOR USE OF KTDA LTD AS A CASE STUDY

I am carrying out a Management Research Project as a requirement in partial fulfillment of the Degree of Masters in Business Administration at the University of Nairobi.

In undertaking a study on the challenges faced by KTDA Ltd in its privatization process and for the success of my research, I request you to authorize my use of your organization's information through interviews and completion of the attached questionnaire. Appended is a list of your members of staff who I intend to interview.

I assure that the information will be highly confidential and same will be used for academic purposes only.

I will send a copy of the completed research project paper to you which I hope will be of use to your organization as well.

Your assistance will be highly appreciated.

Sincerely,

Gilbert A. Simon G.

APPENDIX I

Gikang'a Simon G.
School of Business
University of Nairobi
P.O. Box 30197 - 00100
NAIROBI

2nd May, 2008

The Managing Director
Kenya Tea Development Agency Ltd
P.O. Box 30213 - 00100
NAIROBI

Dear Sir,

RE: REQUEST FOR USE OF KTDA LTD AS A CASE STUDY

I am carrying out a Management Research Project as a requirement in partial fulfilment of the Degree of Masters in Business Administration at the University of Nairobi.

I am undertaking a study on the challenges faced by KTDA Ltd in its privatization process and for the success of my research, I request you to authorize my use of your company's information through interviews and completion of the attached questionnaire. Appended is a list of your members of staff who I intend to interview.

I confirm that the information will be highly confidential and same will be used for academic purposes only.

I will avail a copy of the completed research project paper to you which I hope will be of use to your organization as well.

Your every assistance will be highly appreciated.

Yours faithfully

Gikang'a Simon G.

Encls

APPENDIX II

QUESTIONNAIRE

PART I

The aim of this questionnaire is to assist in establishing the approaches and challenges of privatisation by the Kenya Tea Development Agency Ltd. To facilitate the success of my study, I request you to assist by completing this questionnaire and I confirm that your response will be treated with confidentiality.

1. Name of Respondent

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2. For how long have you worked with KTDA Ltd?

1 – 5 yrs []

6 – 10 yrs []

11 – 15 yrs []

16 – 20 yrs []

Above 20 yrs []

3. Which is your department?

HR & Admin []

ICT []

Finance []

Operations []

Sales & Marketing []

Technical Services []

4. Are you aware of the privatization that occurred in KTDA Ltd in the year 2000?

Yes [] No []

5. In your view was the privatisation necessary?

Yes [] No []

6. What approach was used in privatisation of KTDA Ltd?

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PART II

1. The following were the possible forces factors that necessitated privatization of KTDA Ltd. Rank their importance on the scale (1) Very important (2) Important (3) Significant (4) Moderate (5) Insignificant. (Enter your rating; the same level of rating may apply to more than one factor).

i. Need to plan ahead and remain competitive	1	2	3	4	5
ii. Threat from competition	1	2	3	4	5
iii. Pressure from stakeholders	1	2	3	4	5
iv. To respond to customer needs	1	2	3	4	5
v. It was a Government directive	1	2	3	4	5
vi. The magnitude of loss making at KTDA Ltd	1	2	3	4	5

2. Rate the following objectives of the privatization programme? i.e. what was the privatization change meant to achieve? Use the scale (1) Very important (2) Important (3) Significant (4) Moderate (5) Insignificant.

i. Turnaround KTDA Ltd into profitability	1	2	3	4	5
ii. Give independence to KTDA Ltd	1	2	3	4	5
iii. End Government subsidies	1	2	3	4	5
iv. Reduce staff	1	2	3	4	5
v. Increase competitiveness of KTDA Ltd	1	2	3	4	5
vi. Reduce costs	1	2	3	4	5
vii. Assist other players into the Tea industry	1	2	3	4	5
viii. Comply with donor conditions	1	2	3	4	5
ix. Others – list					

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3. Below are some aspects of culture that may have been targeted for change through privatization of KTDA Ltd, rank them on the strength of their importance using the scale (1) Not important (2) Slightly important (3) Average (4) Important (5) Very Important

i. Re-orienting the entire perception on business	1	2	3	4	5
ii. Adopting private sector like approach	1	2	3	4	5
iii. Making prompt decisions and taking responsibility for the decision	1	2	3	4	5
iv. Basing reward on performance /productivity	1	2	3	4	5
v. Managing and keeping time	1	2	3	4	5
vi. Availing information freely (reducing on secrecy)	1	2	3	4	5
vii. Reducing managerial approval layers	1	2	3	4	5
viii. Scrapping the bureaucratic structures	1	2	3	4	5
ix. Devolution/empowering lower layer staff	1	2	3	4	5
x. Making the customer the focal point	1	2	3	4	5

Other aspects of business and organization culture that were addressed include:-

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4. How was awareness of privatization communicated? Rate using the scale (1) Not used (2) Rarely (3) Frequently (4) Predominantly used

i. Official circulars	1	2	3	4
ii. Meetings	1	2	3	4
iii. Company newsletters	1	2	3	4
iv. Mass media	1	2	3	4
v. Grapevine (rumours)	1	2	3	4

5. Was the new privatization vision clearly articulated and understood by all staff? (Tick one). (1) Very clearly (2) Clear (3) Moderately (4) Vaguely (5) Not at all

6. To what extent were the privatization changes initiated at the top management level? (Tick one) (1) Not at all (2) Rarely (3) in most cases (4) in all cases

7. Were the concerns of key stakeholders taken into account and were they extensively consulted in initiating the privatization process? (Tick one) (1) Not at all (2) Rarely (3) Occasionally (4) Frequently (5) Always
8. Was the level of communication throughout the privatization change process effective, open and honest? (1) Not at all (2) Somehow (3) To some degree (4) To a large degree (5) Satisfactory.
9. Did top management appear to support the privatisation process? (Tick one)
(1) Not at all (2) A bit (3) To some extent (4) On most occasions (5) Enthusiastically
10. Did the rest of the staff support the privatisation changes? (Tick one) (1) Not at all (2) A bit (3) On some instances aspects (4) On most cases (5) Enthusiastically.
11. How did the privatization change affect the staff? (Tick one) (1) Positively (2) No effect (3) Negatively
12. Rank the following factors on their strength/contribution to individual resistance to privatization change in KTDA Ltd. Use the scale (1) Non existence (2) Weak (3) Moderate (4) Strong (5) Very Strong

i. Misunderstanding and lack of trust	1	2	3	4	5
ii. Fear of inability to development relevant skills	1	2	3	4	5
iii. Ignorance	1	2	3	4	5
iv. Fear of demotion or retrenchment	1	2	3	4	5
v. Fear of the unknown	1	2	3	4	5
vi. Fear of social displacement	1	2	3	4	5
vii. Parochial self interest	1	2	3	4	5
viii. Satisfaction with existing state	1	2	3	4	5
ix. Other factors – list					
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13. Rank the following factors on their importance and use in overcoming resistance to privatization at KTDA Ltd. Use the scale (1) Not used at all (2) Negligible (3) Moderate (4) Frequently used (5) Used very much

i. Training and education	1	2	3	4	5
ii. Communication	1	2	3	4	5
iii. Use of local change leaders	1	2	3	4	5
iv. Promise of reward	1	2	3	4	5
v. Use of reward	1	2	3	4	5
vi. Ignoring (wait for natural death to occur)	1	2	3	4	5
vii. Manipulation	1	2	3	4	5
viii. Coercion and authority	1	2	3	4	5
ix. List other methods used to overcome the resistance to change					

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14. Did the issue of culture change play a central and prominent role in the privatization process at KTDA Ltd (Tick one) (1) Not at all (2) To some extent (3) To a large extent (4) Very prominently

15. Do you think the Government has been supportive in implementation of privatization in KTDA Ltd?

Yes

No

Not Aware

16. What visible outward or physical attributes accompanied the privatization change e.g. Name, Logo etc?

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17. Do you think the privatization program in KTDA Ltd has achieved the following objectives?

Enhancing the efficiency of KTDA Ltd	Yes	[]	No	[]
Enabling KTDA Ltd operate on autonomous basis	Yes	[]	No	[]
Enhancing good corporate governance and Accountability	Yes	[]	No	[]

18. Do you think the following success factors have been present? Please rank them according to their level of importance to KTDA Ltd privatization programme i.e. using scale 1-4 starting with the most important.

i. A well performing Board of Directors	[]
ii. Trained personnel to drive the business	[]
iii. Conducive working environment	[]
iv. Properly trained staff to manage the privatised institution	[]

19. To what extent do you think the following factors have hindered privatization in KTDA Ltd?

	Less critical	Critical	Most critical
i. Political interference			
ii. High cost of implementing privatization			
iii. Interference by factories			
iv. Interference by the Board			
v. Resistance to Change			
vi. Others specify			

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20. How do you rate the progress of privatization in KTDA Ltd?

Slow [] Average [] Fast []

What factors do you think have attributed to this?

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21. Did the privatization impact positively or negatively on KTDA Ltd? Explain.

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22. In your opinion, what do you think needs to be done for the privatization program of KTDA Ltd to be improved?

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23. Was the outcome of the entire privatization change programme evaluated and its success or otherwise communicated to all stakeholders? (Tick one)

(1) Not done at all (2) Do not know (3) Done in bits (4) Well done (5) Very well done

24. What are the major milestones/successes of the privatization change in KTDA Ltd?

- List -

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- END -