VALUE CHAIN ANALYSIS AND PERFORMANCE OF THE KENYAN GOOD FOOD COMPANY

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DECLARATION

Declaration by the Candidate

I declare that this thesis is my original work and has not been submitted for examination in any institutional body and has been carried out to the best of my knowledge.

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REG №: D61/70936/2014

Declaration by the supervisor

The project is submitted for examination with my approval as University supervisor

SIGNATURE: ………………………………………. DATE…………….………..

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I truly would not have done this without you.

Thank you all.

DEDICATION

I dedicate this project to all those who are working towards their dreams, academically or otherwise. Be inspired!

ABBREVIATIONS AND ACCRONYMS

TGFC **:** The Good Food Company

USDA **:** United Sates Department of Agriculture

VACSE : Value Chain for Services

VCA **:** Value Chain Analysis

SAP **:** System Applications Products software

HOD **:** Head of Department

BSC **:** Balanced Score Card

RBV **:** Resource Based View

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ABSTRACT

The purpose of this research project was to determine whether value chain analysis led to increased organizational performance in food production companies in Kenya. The study shows the importance of this sector and the number of participants who can benefit from the findings on this research project. The study was carried out on the Kenyan Good Food Company which is in the food production sector. The research project examined the food production sector globally and locally. During this examination, it was noted that global food production companies are performing better than their local counterparts. The better performance was attributed to the fact that global food companies managed their value chains better. The research question for this study was ‘Does value chain analysis lead to increased organizational performance?’ The theories examined in the literature review were the Resource Based View theory and the Organizational theory. Literature on the value chain analysis was examined. Porter’s value chain model was chosen in this study as opposed to the value chain advanced by Hines. The reasons for choosing the value chain advanced by Porter have been outlined in this project. Other studies on the value chain were examined as well. These included local and international studies. For the research design, the case study approach was chosen as it allowed for a deeper analysis of the research question. In the data collection, the study made use of both primary and secondary data. The primary data collection was done through interview guide and observation. The respondents were the HODs of various departments in the company. This method of data collection was chosen as it allowed for further probing of respondents. The response rate was 100% as all managers availed themselves for the interview. The observation phase of the data collection involved observing the operations at the organization for a period of one week. Secondary data was extracted from the company’s financial reports and customer satisfaction surveys. The data was then analyzed using content analysis. The study findings show that the company did not have a formal value chain in place however there were elements of the value chain present. Further, the study shows that there is a relationship between value chain analysis and performance of an organization. In the case of the Kenyan Good Food Company, it was discovered that the company was not performing well and this was attributed to the management of the value chain. The financial reports reveals that the company’s cost of sales increased at a high rate from January – August 2016. This indicates that the cost control aspect of the value chain is not being managed well. The customer satisfaction survey revealed that out of 112 respondents, 36.61% felt that the meals were too expensive, whereas 45.54% felt that the quality of the food was low. This additionally indicates that the cost and quality aspects of the value chain are not being managed well. The study concludes that there is a relationship between VCA and performance of an organization. The study recommends that a formal value chain should be put in place at the company so as to manage the high costs experienced by TGFC. Finally, the study recommends that further research on VCA and performance should be conducted on the food production industry as a whole.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Operating a successful business can be a challenging fete. This is because the world has become more globalized and local firms have to compete with their local counterparts as well as international ones. Businesses thus have to adopt strategies that will ensure they outperform their competition by having a strategic advantage over them. One of the ways a firm can gain strategic advantage over its competitors is through operational efficiency and effectiveness. (Dhillon & Vachhrajani, 2012) define operational efficiency as the right mix of people, processes and technology that enhances the productivity and value of a business.

The Business Dictionary defines operational effectiveness as any practice that allows business to maximize the use of its inputs by developing products at a faster rate than the competition. In order to be operationally efficient and effective, a firm has to do the right thing at the right time through the right channels and using the right materials. One of the ways to ensure operational efficiency and effectiveness is by managing the various components of a firm's value chain. A value chain consists of the activities within and organization and how these activities can be used to add value to a product while minimizing costs in order to get higher profit margins. Value chain analysis on the other hand is the analysis if the various companents of the value chain and how these components can be used to gain competitive advantage. The link between strategic advantage, value chain of a company and performance of a company can be conceptualized as follows:

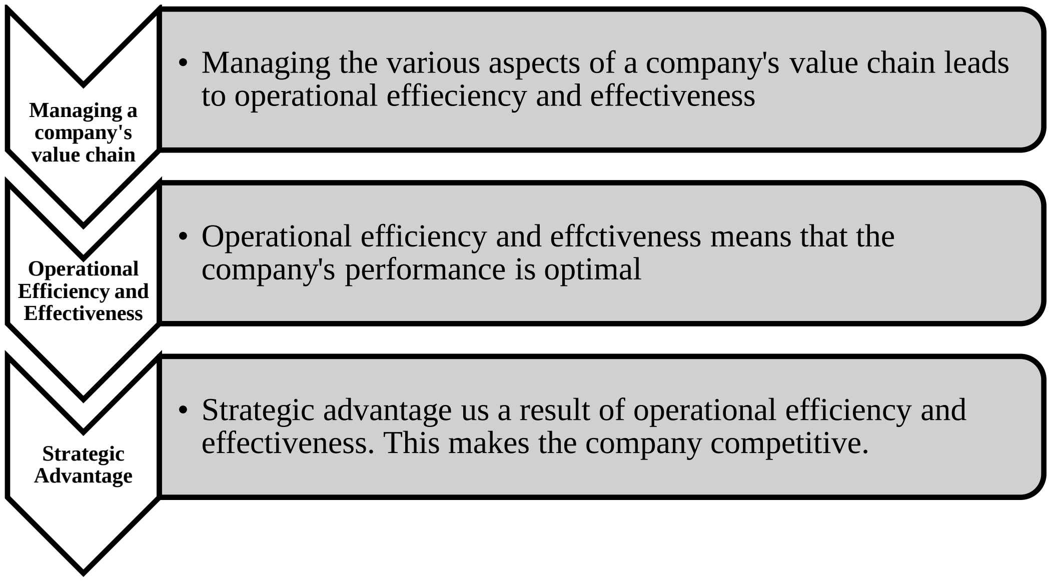


Fig 1.1 Link between managing the value chain and strategic advantage

Several theories support that managing the firms value chain will result to operational efficiency and effectiveness. These theories include the Resource Based View theory, and the Organizational theory. The Resource based view theory states that a firm can gain competitive advantage by utilizing the tangible and intangible resources that the firm has Wernerfelt, (1984). According to this theory, if a firm utilizes these resources well, it can have a competitive edge over its competitors. Competitive advantage can be defined as that position or circumstance that places an organization in a favorable nosiness position as compared to competitors (Competitive advantage, 2016). For firms to truly outperform competitors, they ought to have a sustainable competitive advantage. Some of the resources that can be used to gain a competitive advantage as outlined by Wernerfelt, (1984) include financial resource, human resource, and technological resources.

Organizational theory addresses how the organizations react to changes in the organization's environment. This theory examines organizations, patterns in the organizations and how organizations solve the various problems that they face (Casey, 2002). It is a study on the organizational functions and how these functions affect or are affected by the environment in which the firm operates. For a firm to emerge successful, it has to have a mastery of the organizational theory so as to act accordingly when the firm is affected its environment.

According to a report carried out by World Bank, the unemployment rate in Kenya stood at 17.4% between the years 2014- 2015. Experts state that the unemployment is on a rise. With this rise in unemployment in Kenya, the government is encouraging citizens to venture into entrepreneurship. Providing food and catering services is one of the more common businesses in Kenya. It is a common misconception in the food production sector that all that is needed to survive and excel is to produce good food and have a diverse menu. As such, most of these establishments and run by chefs who have the technical know-how when it comes to food production but do not necessarily have sufficient knowledge when it comes to the business aspect of the establishment. Many restaurants fail within the first year of operation. According to a study carried out by Parsa (2005), only 40% of restaurants survive the first year while only 20% of the remaining restaurants survive past the fifth year. This research project explored how restaurants, caterers and other food production institutions can use the value chain as a tool to analyze the various processes of their businesses and the performance of the businesses.

Through this research project, business owners in this sector can learn that performance should be measured by more than just turnover, or in the case of restaurants, the number of customers. Finally, research project can serve as a vital tool for those seeking to be self-employed and shall serve as a guide as to how the internal organizational processes should be managed in order to run efficient and effective businesses.

Globally, successful restaurants have managed their value chains so as to minimize costs and maximize profits. Such companies include the likes of Innocent, Pret a Manger, Subway amongst. Subway has over 44,000 stores worldwide. The company offers healthy sandwiches and subs on the go. Pret, a United States based company, offers fresh organic foods and sandwiches to its clientele. The company has managed to expand and currently has over 350 shops worldwide. Such a massive expansion and success can be attributed to proper business management and the proper management of the value chain. Locally, companies that offer fresh packed food are coming up daily. Presently, all restaurants offer both sit-in and delivery options thus increasing competition in the sector. Such restaurants include Mister Wok which offers Chinese cuisine, Jiweke Tavern which offers African cuisine and Bobos Delight which offers Turkish cuisine, amongst others.

With the increased competition in this sector, Kenyan food production companies are struggling to stay afloat and manage costs. There is therefore a need to manage value chains thus leading to cost reduction. In a restaurant setting, the food cost and labor (together known as the prime cost) are the two highest costs. It is up to the restaurant owners to ensure that the prime costs are in the recommended range of 60 – 65 % with the food cost being between the range of 30 -35%.

1.1.1 Value Chain Analysis

In order to produce a product or service from raw materials, the raw materials have to undergo various processes. During each of these processes, value is added to the raw material and at the end of the processes; the final good is ready to be consumed by the intended consumer. The process of adding value to the raw materials constitutes the value chain (Johnson, Scholes & Whittington, 2008).

When various aspects of the value chain are managed efficiently and effectively, the overall cost of producing the goods is reduced. This means the producer can enjoy larger profit margins as compared to a firm that does not put the value chain into consideration. Consequently, this will give the firm a competitive advantage over other players in the industry. Other than increasing the profit margin, managing the value chain also means that the qualitative aspects that make up a firm can be managed. Qualitative aspects of a firm such as employee morale and customer experience are crucial to the performance of the firm in general.

The value chain analysis was popularized by Michael Porter (1985). Porter theorized that the analysis could be used by firms to reduce costs and increase the profit margin of organizations. The value chain model proposed by Porter consists of primary and secondary activities that add to the value of the product. The primary and secondary activities are also cost centers as there are costs associated with adding value to the product. It is therefore vital to ensure that the costs in these centers are as low as possible so as to increase the profit margin of the organization. Hines (1993) modified the value chain advanced by Porter. According to Hines, the focus of the value chain should be the customer and not the profit margin as proposed by Porter.

1.1.2 Organizational Performance

The business dictionary defines performance as the accomplishment of a given task against preset known standards of accuracy, completeness, cost and speed. Organizational performance on the other hand relates to more than just financial performance. It is how well a company achieves its intended purpose.

In order to measure organizational performance, standards have to be set and measurement of these standards has to be outlined. For instance, will the performance be measured on the basis of finances, customer satisfaction or employee satisfaction? It is a common misconception that organizational performance is measured in financial terms alone. Financial data is historic and therefore does not reflect the present position of an organization.

True performance of a company is determined by various factors as outlined in the balanced scorecard. Kaplan and Norton, 1992 defined the balanced score card as a performance measurement tool that allows managers to view the business from four major perspectives namely; financial, internal business processes, customer and innovation and learning. Ideally, an organization should be well balanced in terms of these four perspectives. The BSC considers both qualitative and quantitative aspect of an organization thus making it the ideal measurement tool to analyze the performance of the value chain.

1.1.3 Value Chain Analysis and Organizational Performance

Effective Value Chain Analysis would lead to a reduction in costs (Porter, 1985). In addition, it leads to improvement in work activities and subsequently effectiveness and efficiency in the organization.

This study explored the relationship that exists between Value Chain Analysis and organizational performance. Specifically, this research project examined the Food Production sector in Kenya.

The study in this research project was conducted by examining The Kenyan Good Food Company, how the company manages its value chain and how this affects the organizational performance. Finally, this research project examined the importance of managing the value chain and the various strategies that can be used to improve it.

1.1.4 Global perspective of healthy food chains

Successful restaurants that have a global reach have a good value chain system in place. According to a study carried out by Rayner et.al (2013) Subway, a restaurant with thousands of branches worldwide, can attribute part of its success to the effective management of its value chain. This success can attributed to the low costs of production achieved by managing the various aspects of their value chains which has allowed the restaurants to achieve high profit margins and invest the profits into business expansion.

Global restaurants like the ones mentioned above have standardized their value chain activities in all branches and franchises. As a result the restaurant can offer low food prices to its consumers. Internationally, there is a rise in the number of restaurants that serve healthy foods.

This is due to the high demand of such foods by clients who are opting for healthier lifestyles. Currently, there are more fast food restaurants as opposed to the healthy restaurants. However, this is bound to change in the coming years. The increased number of fast food restaurants is due to the fact that fast food is cheaper and most fast food restaurants have mastered their value chains.

Healthy food restaurants can compete with their fast food counterparts by reducing costs. One way to manage and cut down costs is through optimizing the value chain and consequently reducing costs and increasing the profit margin.

1.1.5 Healthy Food industry in Kenya

The food industry in Kenya is expanding at a rapid pace. In a research study conducted by USDA Foreign Agricultural Service in 2012, it was noted that the Hotel and Restaurant segment is growing more rapidly than any other economic segment in Kenya. This can be attributed to the growing number of Kenya's middle class. Such individuals have the disposable income needed to eat out restaurants.

Several campaigns have been established to encourage visiting restaurants. These include the Tembea Kenya initiative established by the Kenya Tourist Board. Tembea Kenya encourages local tourism. There's also the Yummy Card promotion run by EatOut Kenya. This program enables individuals to eat at restaurants at up to 50% discount. This has enabled Kenyans to explore the restaurant scene.

In addition, EatOut holds a 'Nairobi Restaurant Week' every year. During this week, patrons can eat at high-end participating restaurant for as low as 1,000 – 2,000 Kenya Shillings. Such initiatives have led to the increased awareness amongst middle-class Kenyans which has led to an increase in the number of individuals that visit restaurants.

In the Kenyan healthy food industry, there are other institutions that offer catering services. These institutions do not have a restaurant. They cook the food at an offsite location and deliver it to where the clients want. Such catering institutions service a different market niche from the restaurants. They service corporate clients and cater for events. The Kenyan Good Food Company found a balance between the typical restaurants and the catering institutions.

1.1.6 The Kenyan Good Food Company

The Kenyan Good Food Company was incorporated in the year 2012 under the directorship of three individuals who were already running a successful restaurant. These individuals wanted to cater to the corporate clients who did not have time to sit in a restaurant and enjoy their lunch. Such corporate clients wanted to enjoy healthy, convenience food at an affordable price in the comfort of their home or office. The directors also wanted to capitalize on the fact that Kenyans were opting for healthier foods due to various reasons. After researching on the market, the directors discovered that the needs of this niche were not being met fully thus the concept for The Kenyan Good Food Company was formed.

While other restaurants did offer convenience food, this food was rarely healthy. The food was mostly in the form of fast food. In addition, clients were required to pick up the food from the restaurant or pay a high delivery fee. The individuals who offered healthy food did so at a small scale and did not pose a threat to entry in the healthy food production market. The company partnered with another local company in the industry so as to manage the new concept for the Kenyan Good Food Company.

Normal operations at TGFC would involve clients placing their orders through calls, text or emails. The order was then received by a customer care representative who posted it in the Point of Sale system. The system would then send the order to the kitchen where it would be produced by the chefs and then sent to the packaging and dispatch department. At the packaging department, the food was packed, properly labeled to reflect the client's delivery address. Finally, the food was dispatched to the transport department. The rider would then deliver the order to the client in a motorbike at no extra cost to the client. This entire process was to be done within one and a half hours.

In the years 2012 and 2013, the company enjoyed a large market share in the healthy food production sector. TGFC managed to increase its profit share and its clientele. However, the directors of the company did not pay attention to the aspects of the company's value chain. In 2014, a lot of similar businesses sprung up and the competition increased significantly. The company also faced a change of management and it parted ways with the local partner. These two elements affected the company's effectiveness and consequently led to the decline in the company's performance. At this point, the performance of the company was only being measured in financial terms.

As competition in the food-production sector increased, businesses competed on the basis of price, thus creating price wars which in turn reduced the profit margins that firms could enjoy and subsequently creating the need to manage value chains better. In a bid to increase the profit margins of the company, the directors of the company increased the prices of the products and decreased the quantity of the servings per order. This move did not sit well with the clients and the company lost most of its clientele.

1.2 Research problem

This research project examined the relationship between managing a company's value chain and the effect this has on the company's performance. Managing a company's value chain should lead to operational efficiency and effectiveness and consequently, an increase in the performance of the company. The research question that was addressed was 'Does value chain analysis lead to increased organizational performance?'

The examined the food production sector globally and in Kenya. Global companies that specialized in healthy food were able to perform quite well and expand operations. The food production sector is diverse and has a lot of participants in the form of restaurants, catering institutions, informal shops and fast food establishments. The research project was carried out on the Kenyan Good Food Company, a company that has managed to carve its own niche that falls somewhere between restaurants, fast food establishments and catering institutions. The company offers healthy food (like restaurants), delivers it to clients (like catering institutions) in a fast and efficient way (like fast food establishments).

Whereas there are studies that have been conducted on the value chain analysis and performance of various companies globally and locally, there is no known research of this kind that had been carried out on Kenya’s food production sector at the time of writing this research project.

Globally, some studies that have been made on the value chain analysis include: Koponen (2012) in his paper “Global Value Chain Analysis: Case of Metalli Inc. In Machinery Industry” researched on global value chains and how value was created and distributed in the machinery industry. Woldesenbet, (2013) in his paper “Value Chain Analysis of Vegetables: The Case of Habro and Kombolcha Woredas in Oromia Region, Ethiopia” studied the value chain analysis of vegetables in various regions of Ethiopia. Soosay, Fearne, & Dent (2012) researched on sustainable value chain analysis and carried out a case study on the Oxford Landing wine chain. The research paper was titled “Sustainable value chain analysis – a case study of Oxford Landing from “vine to dine” Rusinga (2010) in his paper “Value Chain Analysis along the Petroleum Supply Chain” researched on the value chain analysis along the petroleum supply chain in South Africa.

There are local studies that have examined the value chain analysis in the subsequent argument. Malesi (2014) carried out a study on the effects of “Value chain practices on cost performance in the Kenyan sugar industry”. In his paper, he recommended that for the sugar industry to enjoy profits, the stakeholders should work on managing the various aspects of the value chain. Gatonye (2015) examined “How the support activities in the value chain contribute to the longevity of small firms in Nairobi County”. His study confirmed that efficient support activities contributed significantly to the longevity of small firms in Nairobi.

Aguko (2014) examined the “Value chain analysis and organizational performance of beer manufacturing companies in Kenya”. In his research, he examined how each aspect of the value chain affected the organizational performance. Mutinda (2013) studied the “Value chain and competitive advantage in commercial banks in Kenya”. He established that banks use the value chain and he came up with a value chain that could be used in the banking sector. International studies on the value chain analysis. None of the studies mentioned above have focused on Kenya’s food production sector.

With the growth of the food production sector in the hospitality industry, it is vital for stakeholders to know how they can improve their performance and optimize their value chains so as to remain competitive. Additionally, the existing business ought to know the steps they should take in order to have successful value chains. A lot of players in this industry shall benefit from the knowledge, data and solutions that have been outlined in this research project. The Kenyan government has also been encouraging the youth to venture into entrepreneurship. The youth who venture into the food production sector shall greatly benefit from the findings of this research. This research project addresses the research gap concerning the value chain analysis and organizational performance in Kenya’s food production sector. Finally, this research project addresses the important research question: Does value chain analysis lead to increased organizational performance?

1.3 Research objective

The objective of this research project was to determine the influence of value chain analysis on the performance of healthy food companies in Kenya. The project examined The Kenyan Good Food Company.

1.4 Value of the study

This project adds to the already existing theory on value chain management and can be used for future reference by interested parties. The theories that were examined in this study include the Resource Based View theory and the Organizational theory. This research project examined the relationship between these theories and the value chain.

The findings of this project shall aid business owners in establishing the right policies in regard to the management of their value chains. The project serves as a guideline for all those intending to invest in the food production sector. The new business owners can practically incorporate the management of the value chain into their business practices thus making the businesses more efficient and effective.

Finally, this research project adds to the existing policy on managing value chains for organizational performance. It provides additional insight to the existing policies and new insight into managing the value chains in the food production sector. The stakeholders have a better understanding as to why value chain analysis is important in running a business in the food production sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter examined and reviewed the literature on the concept of the value chain and its link to the performance of a company. In this literature review, areas that have been discussed include the concept of the value chain, the value chain model, activities of the value chain and factors that influence these activities.

2.2 Theoretical foundation

In his book Competitive Advantage, Michael Porter introduced the value chain as a tool that can be used to gain a competitive edge over other players in an industry. Porter theorized that that a firm is a collection of activities that are designed to perform, produce, market, deliver and support its product (p. 36). He also observed that through managing the various activities of the value chain, a firm is able to increase its profit margin and thus outperform its competition.

The profit margin is increased by cost reduction throughout the manufacturing process. During this manufacturing process, products are also differentiated thus made more appealing. Cost leadership and product differentiation are part of Porters generic strategies to gain a competitive edge. Barney & Hesterly (2006) state that analyzing a firms value chain is one of the ways to identify the valuable resources and capabilities controlled by the firm.

Although the basic principle of the value chain is the same in all industries, is important to note that the application of the value chain differs from one industry to the next and at times from one firm to the next. A firm chooses which value chain activities to engage in and as such performance of different firms depends on how well the value chain is managed and which value chain activities the firm chooses to focus on.

2.2.1 Resource Based View Theory

The Resource Based View theory (RBV) advanced by Wernerfelt, (1984), explores the importance of examining the firm using its resources as opposed to its products. Wenerfelt further describes a resource as anything which could be thought of as a strength or weakness that is tangible or intangible assets that are tied to a firm.

The resources in a firm can be said to include: Skilled personnel, machinery, technology, efficient procedures, capital, and brand names. All these are covered in the value chain model. Proper management of the value chain model thus results to the proper management of the resources of the firm.

A mastery of the resources possessed by the firm means that resources can be used efficiently and effectively in order to produce the products of the firm. For instance, a firm that properly utilizes technology can produce products at a faster rate as compared to a firm that hasn’t mastered technology as a resource.

2.2.2 Organizational Theory

Organizational theory studies organizations, patterns in the organizations and how organizations solve the various problems that they face (Casey, 2002). Studying an organization provides insight on the areas that need to be improved on and the practices that need to be reinforced. Standard Operating Procedures (SOP's) can then be formed so as to deal with similar situations in the future.

The organizational theory is broad and has other theories in it. One such theory that is relevant to this study is the dynamic capability theory. Dynamic capability theory examines how firms react to changes in their environment. In the dynamic capability theory, a firm has to use its internal and external competencies so as to address a rapidly changing (dynamic) environment (Teece, Pisano, & Shuen, 1997).

In this study, the organization theory will point out the patterns in the Value Chain model of the Kenyan Good Food Company and solutions to the problems faced by the company. Through the organizational theories, problem areas will be uncovered and remedies sought out. Finally, recommendations on how the firm should use its competencies to address its dynamic environment will be outlined.

2.3 Value Chain Analysis of organizations

Value chain analysis (VCA) is the close examination of a firm's value chain. This analysis has several advantages. First off, VCA aids in identifying the firm's major areas of activities and which activities to focus on. A firm will be able to manage these activities and make them more efficient (Simister, 2011).

Secondly, VCA enables a firm to create a competitive edge over other industry players. This is done by capitalizing on generic strategies. It also allows stakeholders to examine how each of the firm's activities contributes to its financial, physical, individual and organizational resources (Barney & Hesterly, 2006). VCA enables key personnel to ensure efficiency of the firm's activities. Each activity can be reviewed and amended so as to ensure efficiency and effectiveness. This feedback system is vital for the growth and improvement of the firm's activities.

As outlined earlier, the value chain differs from one company to the next. The management of the company should be able to determining what activities should be included in the value chain so as so carryout a proper VCA. In order to carry out a VCA, Donelan & Kaplan (1990) propose that the management should look for discreet activities that create value in different ways. These activities will have separate costs and would require the expertise of different personnel, for instance production and marketing. Secondly, the duo proposes that structural, procedural and operational activities should be identified. Structural activities determine the financial nature of the company whereas procedural and operational activities involve the day to day activities of the firm and the processes in the firm. The third and final step to a successful VCA according to Donelan & Kaplan (1990) entails focusing on the structural and procedural activities of the firm. This is as opposed to focusing solely on the financial aspect of the firm. It is argued that financial success is a short-term measure of performance and therefore not a true measure of success.

The value chain proposed by Porter (1985) has five primary and four support activities. The primary activities are those that are directly involved in the production of products. These activities include inbound logistics, operations, outbound logistics, sales & marketing and service. Support activities in the value chain are not directly involved in the production of the products; however, they are needed for the smooth running of the organization. Support activities include; Procurement, technology development, firm infrastructure and human resource management. Hines (1993) critiqued Porter’s value chain. In this critique, Hines argues that Porter’s Value chain focuses on the profit margin as opposed to customer satisfaction. Hines also argued that the wrong functions are highlighted as primary and secondary activities. Though Hines provides a strong critique of Porter’s model, the value chain as proposed by Porter is ideal in analyzing the Kenyan Good Food Company. The value chain activities as proposed by Porter are the activities that should ideally be present in all food production companies. Secondly, Porter’s model has a ‘Service’ element and this is where the customer service comes in. Therefore, the concerns raised by Hines aren’t applicable in this case.

According to (Johnson, Scholes & Whittington, 2008), primary activities include; Inbound logistics are those activities that involve receiving, storing and distributing the raw materials so as to make the finished products After this stage, materials move to the operations stage. This stage entails converting the raw materials into the finished product. The processes in the operations stage include machining, packaging, facility operations and assembly. The third step in the primary activities portion is outbound logistics. Once the products have been manufactured, they have to get to the end-user.

Outbound logistics involves, warehousing, storage distributing, vehicle operations, order processing and scheduling. The fourth step is marketing and sales and this is how the end users are made aware of the products and are motivated to purchase the product through promotions, advertising and pricing. The final step in the primary activities portion is service. Service involves ordering after-sales support to end-users so as to maintain the value of the product. Activities in the service section include after sales service, repair and maintenance and installation.

In the support activities, Procurement involves sourcing of items needed for production and for administrative purposes. Technology development entails using equipment and technology to improve the products and the internal business processes. Human Resource Management includes sourcing, hiring, training, developing, compensating and evaluating employees in the firm. Finally, firm infrastructure activities include general management, finance, accounting, legal, planning and quality management. It is evident from the above descriptions that each aspect of the vale chain plays a vital role in ensuring the efficient and effective running of the firm. A firm therefore has to have a mastery of each of the value chain activities, (Porter, 1985).

2.4 Performance measurement of firms

The business dictionary defines performance as the accomplishment of a given task against preset known standards of accuracy, completeness, cost and speed. For the purpose of this study, performance can therefore be defined as a measure of how well the value chain is achieving its intended purposes.

As outlined earlier, these purposes include improving the financial position of an organization by cutting down costs and improving the efficiency and effectiveness of the day to day activities of the firm. A firm therefore has to develop performance measurement tools that determine how well the firm is doing, whether the firm is meeting its goals, whether it is in control of its operations and if the customers are satisfied. Finally, a performance measurement tool has to have a feedback system that highlights areas that need to be improved on (Development Process, 2016).

True performance of a company entails more that financial performance on its own. Kaplan and Norton, 1992 came up with the balanced score card as a performance measurement tool. According to the balanced scorecard, the performance of a company should be measured and assessed using four perspectives, the financial perspective, internal business processes, customer perspective and the learning and growth perspective. This performance measurement method is all rounded and gives the true performance of an organization.

2.5 Value Chain in the Food Production Sector

Value chains changes depending on the industry. Gabriel (2006) came up with a value chain that can be used in the services sector.

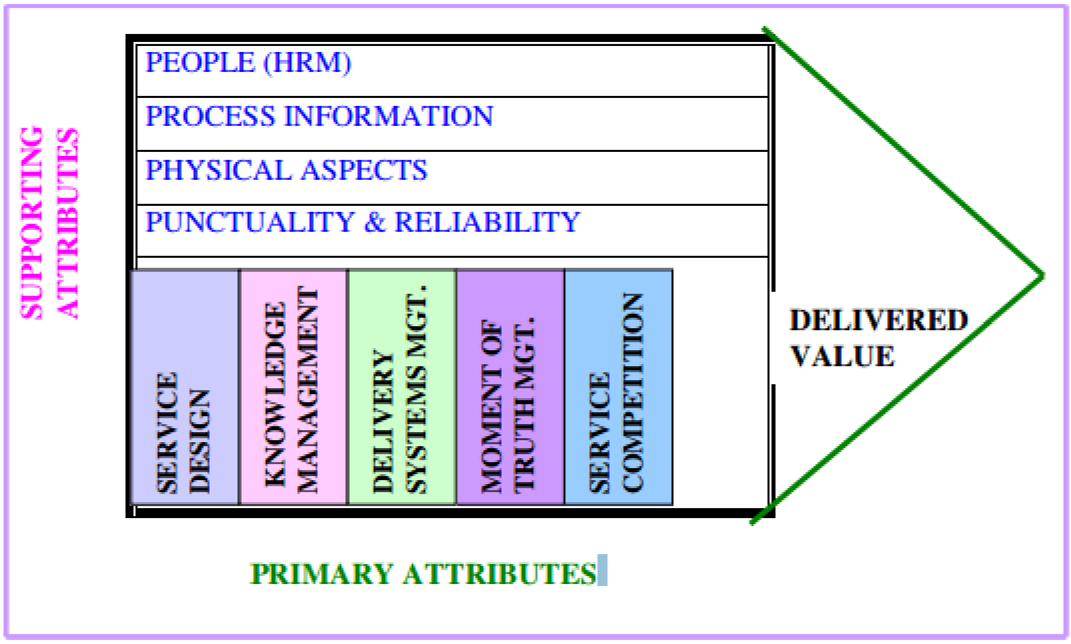


Fig 2.1: Value Chain for Services (VACSE), Gabriel (2006)

The two key value adding activities in the food production sector are food production and great service. The Kenyan Good Food Company has a service element in it however, the value chain proposed by Gabriel (2006) is not ideal as it does not capture the production element in the company.

All restaurants and food production sectors seek to increase the number of clients, while maintaining quality and reducing costs. Porter's value chain is therefore ideal in analyzing this sector. It has both the production and the services aspects in it. Gabriel's value chain for services would be ideal in a company that focuses solely on services.

2.6 Empirical studies and Research gaps

This research project examined the relationship between managing the value chain and organizational performance in a food production company. Several authors report that there is indeed a relationship between the two. According to a report published by the Institute of Management Accountants (1996), the value chain helps firms to assess competitive advantage through internal cost analysis and internal differentiation analysis. This in turn leads to additional disposable income that can be used to improve various sections in the organization. Value chain analysis helps the firm identify its competencies that is, the strengths and weaknesses possessed by the firm (Jurevicius, 2013). These studies confirm that there is a relationship between managing the value chain and performance of the company.

Research on various industries confirm that the existence of this relationship. There is no known study on the healthy food production sector in Kenya. In their study “Sustainable value chain analysis – a case study of Oxford Landing from “vine to dine”, Soosay, Fearne, & Dent (2012) concluded that management of the value chain led to a reduction in costs and consequently, sustainability of the organization. A value chain analysis carried out on Coca Cola Beverage Company by Jannoun (2011) reveals that managing the various aspects of the value chain leads to improve performance of the various aspects of the value chain.

Odhiambo (2010) researched on the Value Chain Analysis in Telkom Kenya. He concluded that firms that take the value chain activities seriously often reported improved performance in their organizations. Muhoro (2014) in his study on the Value Chain Practices and Management of the Kenya Meat Commission concluded that proper management of the value chain led to increased organizational performance.

The studies listed above show the importance of the value chain in various sectors and industries both globally and locally, however, none of them examines the relationship between value chain analysis and performance in Kenya's healthy food production sector. This research project examined the research gap mentioned. It specifically examined the food production sector. Finally, the project thoroughly analyzed VCA and its effects on organizational performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used in this project. The research methodology outlined includes the research design, data collection and data analysis in order to come up with the research findings.

3.2 Research design

The research design that was used in this project was a case study analysis. The case study approach was chosen based on the nature of the research question. Through this case study, the relationship between the value chain analysis and organizational performance was studied. The case study was carried out on the Kenyan Good Food Company.

Yin (2003) defines a case study as "an empirical inquiry that investigates a phenomenon within its real-life context". The case study approach can be both quantitative and qualitative in nature as it provides an in-depth analysis into the factors being studied, in this instance, the relationship between value chain analysis and performance of a company.

The case study approach studies real instances as they occur. It allows the researcher to study phenomena as it occurs and in its natural setting thus providing a more in-depth analysis into the research. In this project, the case study approach enabled the researcher to examine the value chain in action at the company.

3.3 Data Collection

The research project made use of both primary and secondary data. The primary data was collected by interviewing the section heads that manage each section of the value chain. The target population was therefore the mid-level managers at The Kenyan Good Food Company. These include: the Administration Manger, Head of Production, Site Manager, Head of Purchasing and the Managing Director.

Interviews were carried out through personal interviews as this allowed for further probing and explanations from the respondents. An interview guide was used during the interviewing process. The secondary data that was used included financial records as they provided insight on the financial performance of the company.

3.4 Data Analysis

Data analysis entails the method that was used to interpret and make sense of the data collected. The data was analyzed using content analysis based on the data, implications and meanings collected from the respondents. The results were then used to analyze the value chain analysis and performance of The Kenyan Good Food Company.

Content analysis allowed for an in-depth analysis of the content and data collected. The content collected was analyzed and compared to the already existing literature on value chain analysis. This method of data analysis is theory-guided and therefore allowed for the comparison of theory and existing data. The data collected on the Kenyan Good Food Company was then compared with the literature outlined in this project and a conclusion formed on the value chain analysis and the organizational performance of a food production company.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Response Rate

The target population for this study was 5 senior level managers at The Kenyan Good Food Company. The response rate success was 100% as all 5 availed themselves for the interview. Out of the 5 respondents, 3 were available for a face to face interview while the other 2 were interviewed through a phone interview. The data used was both primary and secondary data. The primary data used was collected through interviews and observation. The secondary data was collected from customer satisfaction surveys and financial reports.

4.2 Data Collection Results

Out of all the respondents, only 3 knew what the value chain was. However, after explaining what the value chain was to the other respondents, they all agreed that there was no formal value chain in the Kenyan Good Food Company. All respondents agreed that even though the company does not have a formal value chain in place, there are value adding activities in the firm that ultimately increase the value of the final product.

From the data collected, the company has been divided into 3 departments. These are Production, Procurement and Administration departments. All the support activities are handled in the Administration department which is headed by the Administration Manager and the Managing Director. The production department is headed by the Head of Production and the Site Manager.

The support activities identified at the company include Accounting, Human Resource, Procurement, Technology development and firm infrastructure. Accounting at the Kenyan Good Food Company entails reconciling of supplier and customer accounts. The system used for accounting is Quickbooks although some data is also put in an Excel sheet which results in a lot of duplication of data. The accounting information is then analyzed by Management Accountants who are contracted by the company. The Management Accountants provide periodic accounting reports and present them to the Directors of TGFC. A typical accounting month at the company involves invoicing clients at the end of the month, receiving statements from suppliers at the end of the month and comparing it to the records at hand.

During the observation phase, it was noted that a lot of supplier invoices got misplaced between the Procurement and the Administration departments. This led to a delay in capturing the account payables in the system. In addition, although clients were to be invoiced at the end of every month, this was not done on time thus leading to delay in receiving payments from the clients. The company also has poor cash-flow owing to the fact that clients do not pay on time. As a result, suppliers also suffer as they are not paid on time. This leads to a lot of conflict between suppliers and TGFC. The head of procurement revealed that some suppliers have stopped supply until their accounts are settled.

The Human Resource function of the company involves sourcing for potential candidates, interviewing and hiring the right candidates. It also entails employee training, employee relations and compensation. Sourcing of employees is done by various individuals from various departments. The company relies a lot on referrals. Since the budget allocated for employees' salaries is low, the employees sourced are semi-skilled. The semi-skilled employees are trained on the job. This department is not well structured. There is no HR department or a HR manager hired to handle the function. According to the Administration Manager, the lack of structure usually leads to high employee turnover and in other cases, legal cases with the Ministry of Labor.

The procurement function is run by the purchasing department. The purchasing process involves the Head of Production who prepares a weekly menu and hands it to the various departmental chefs. The departmental chefs then go through the menu to determine the items that they should requisition from the store. A requisition is then hand written and sent to the purchasing department. In the purchasing department, the requisition is compared to the items in store and the difference ordered from various suppliers. The purchasing process can be illustrated as follows:

Source: Primary data, 2016

FIG 4.1: Flow chart of the purchasing process at The Good Food Company

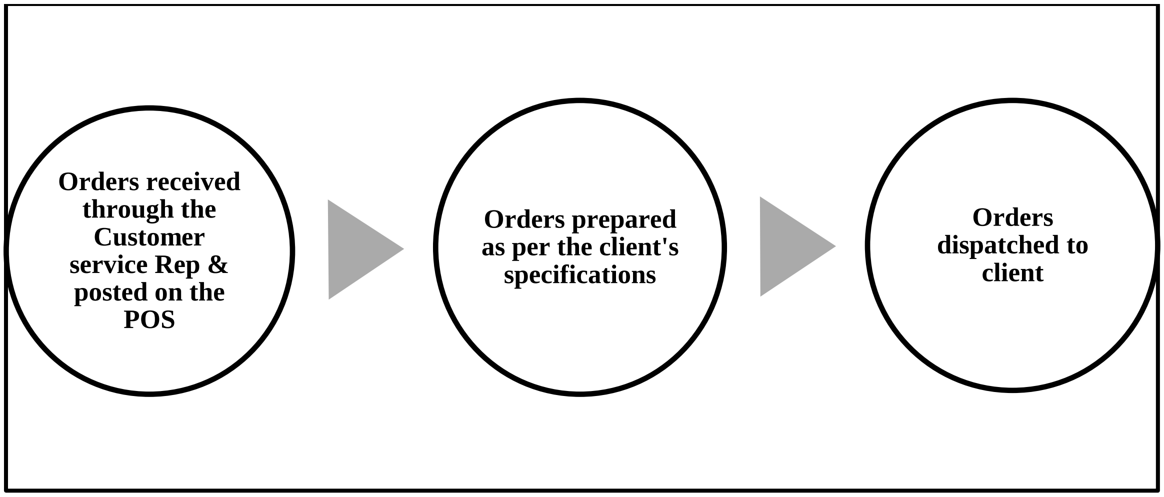
Logistics are handled by the Administration manager. The logistics function entails making sure there are contracted riders and drivers to deliver meals to clients. Additionally, the Administration Manager makes sure that all the meals are delivered on time and delays are dealt with promptly. Though logistics falls under Administration, it is also handled by the Site Manager and the Managing Director at times. This means there is a lot of overlapping of roles at the company.

Porter (1985) explains the technology development function as the use of equipment, hardware, software and technical knowledge that aid in the transformation of a firm's inputs to outputs. At TGFC, there are several equipment and hardware used in the kitchen. These are used to cook the food or process the food to an edible product. The company also makes use of a Cold Room and Blast Chiller which aid in preserving the food. In the Administration department, the hardware used is computers and printers.

The software used are; Synopa – Point of Sale software, Quickbooks – Accounting Software, Wingubox – Payroll Software. In addition, the administration department also makes use of email and Microsoft Office software. The company does not have integrated software that can handle all aspects of operations. This means that various reports have to be extracted from the different software and compiled to create management reports. This leads to duplication of duties and wastage of time. Furthermore, the company does not have software that can manage stocks so this have to be done manually.

The primary activities of the firm are handled by the Head of Production and the Site Manager. Inbound logistics which involves receiving and storing of goods is handled at the purchasing department. Once the raw materials are received, they are issued to the chefs who prepare mis en place. Mis en place is the pre-preparation of food items. It involves boiling, chopping and storing food items so as to ensure faster production of food. Food production is therefore the next process in the value chain. Food is prepared using standard recipes. Apart from the weekly menus that are provided, individual clients also order through the Customer Service Representative who posts the orders to the point of sale system and then prints the receipts. When the orders are posted in the POS system, the system transfers these orders to the kitchen for production. The representative then physically transfers the receipt to the packaging department.

Once the orders have been prepared, the production team packs the food in containers and sends them to the packaging department for final sealing and labeling. It is at this stage that the packers verify that the food is of the right quantity and is prepared as per the clients order. Once this is verified, the foods are packed into carrier bags and given to the riders to transport. This process can be summarized as follows



Source: Primary data, 2016

FIG 4.2: Flow chart of the production and dispatch process.

The company does not have a Marketing and Sales department. TGFC has contracted a company to handle its social media presence. Apart from this, most of the new business is brought in by the Managing Director and through word of mouth. The company has also contracted Yum and JumiaFood as part of their logistics providers. In addition to providing logistical solutions, the companies also market TGFC online. However, TGFC is just one of the clients served by these companies so the level of marketing done is not enough to drum up a lot of new business.

Answer Choices	Responses	
Poor	0.81%	1
Below average	6.45%	8
Average	33.06%	41
Above average	36.29%	45
Outstanding	23.39%	29
Total		124

Source: Customer Satisfaction Survey at TGFC, 2016

Figure 4.3: Client rating on Customer Service at The Good Food Company

The customer satisfaction survey carried out in October 2016 revealed that 36.29% of the respondents felt that the customer service offered by the company was above average. 33% of the respondents felt that the customer service was average thus the total percentage of clients satisfied by the customer service is 69.29%. However, the same report also revealed that only 32% of the respondents purchased meals from the company daily. This raises questions on how the other aspects of the value chain are being managed. It also implies that customer service is not what is keeping the respondents away from purchasing food from TGFC.

Answer Choices	Responses	
Too expensive	36.61%	41
Low food quality	45.54%	51
Lack of menu options	48.21%	54
Takes too much time	16.96%	19
Poor hygiene	3.57%	4
Poor customer service	6.25%	7
Total Respondents: 112		

Source: Customer Satisfaction Survey at TGFC, 2016

Figure 4.4: Client reasons for not purchasing from the company

The respondents were also questioned on the reasons they do not purchase from the company. 36.61% felt that the meals were too expensive, whereas 45.54% felt that the quality of the food was low. The respondents who sited that the meals were expensive felt that they were not getting value for money. The majority of the respondents (48.21%) felt that the company had limited menu options while 16.96% cited the entire process took too much time. A negligible 3.57% sited poor hygiene. However, in the food production industry, claims of poor hygiene cannot be taken lightly as this might result to law suits.

4.3 Comparison of the TGFC's value chain with that advanced by Porter

PORTER'S VALUE CHAIN	THE GOOD FOOD COMPANY
Inbound logistics - Receiving, Storing and Distributing raw materials	Inbound logistics – Receiving, Storing and Distributing raw materials
Operations – Machining, packaging, facility operations and assembly	Operations – Menu planning, Preparing of mis en place, cooking and packing of food
Outbound logistics - , Warehousing, Storage, Distributing, Vehicle operations, order processing and scheduling	Outbound logistics – Quality Checks, courier operations, dispatching
Marketing and Sales - Promotions, Advertising and Pricing	Marketing and Sales – Online marketing
Service - After sales service, Repair and maintenance and installation.	Service – Customer care

Source: Primary data

Table 4.1: Comparison of TGFC's value chain versus Porter's Value Chain

The primary activities of Porters value chain as compared to those of TGFC are illustrated above. The inbound logistics is the same in both value chains as they both entail receiving, storing and distributing raw materials. Other than the inbound activities, all the other activities vary between both value chains. The differences and similarities are explained in the discussion section of this research project.

4.4 Measurement of the performance of the value chain

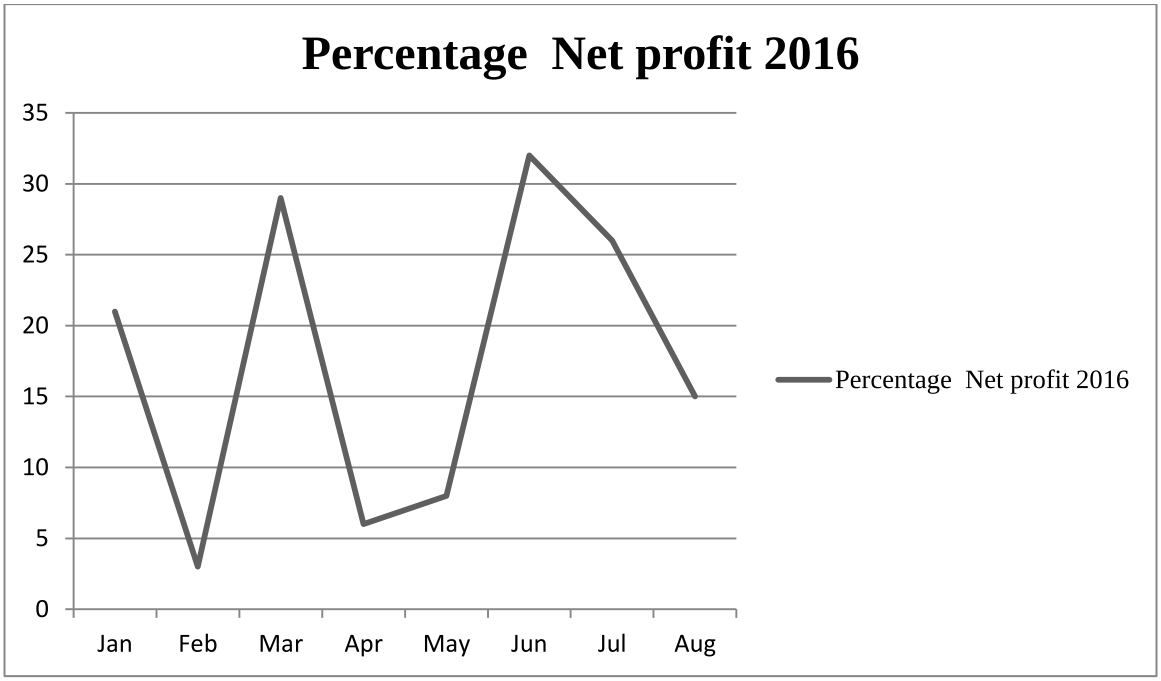
The balanced score card is a tool that can be used to measure the performance of the value chain. The balanced scorecard is an ideal measurement tool as it uses both qualitative and quantitative measurement criteria (Johnson, Scholes & Whittington, 2008). The BSC has perspectives that a firm should consider in the measurement of performance. These are the financial perspective, internal business processes, customer perspective and the learning and growth perspective. Below is a measurement of the company's performance using the perspective of the balanced score card.

Kaplan and Norton (1992), state that the financial perspective of the company is measured by profits. Financial reports are prepared every quarter by a contracted accountant. The directors of the company and the accountant go through the reports discuss the findings of the report. The most recent reports indicate that costs have increased greatly. The sales have also increased, however the costs are increasing at a higher rate than the sales therefore the company reported a loss in profits. According to the same reports, the reasons for the increase in costs were attributed to pilferage, wastage and sourcing items from expensive suppliers. In addition, it was discovered that some suppliers ceased supply due to delayed payments thus the procurement team had to source for dry materials from the supermarket at retail price instead of the wholesale prices the company enjoys from various suppliers. Below is the percentage net profit of the company for the months of January – August 2016.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
21%	3%	29%	6%	8%	32%	26%	15%

Source: Financial statements from TGFC, 2016

Table 4.2: Percentage net profit for the Kenyan Good Food Company



Source: Financial statements from TGFC, 2016

Fig 4.6: Trend of percentage net profit for TGFC in 2016

From the above graph and table, the company's net profit is unsteady. The company achieved the highest profits in June but the profits have been decreasing steadily since then. An increased in profits indicates and increases in sales and direct costs. The reverse is also correct. Therefore, it is necessary to examine the sales and costs so as to determine the cause of the fluctuating profits being experience by the company.

Description	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
Total revenue	**5,477,200**	**7,551,550**	**7,533,146**	**7,173,015**	**7,379,875**	**10,723,570**	**8,670,629**	**64,022,113**
Total cost of sales	**2,365,449**	**5,388,907**	**3,977,175**	**4,317,172**	**4,482,753**	**4,677,820**	**3,787,135**	**35,156,509**

Source: Financial statements form TGFC, 2016

Table 4.3: Revenue versus Cost of Sales

From the above tables it is clear that the cost of sales is increasing at a very high rate and this is in turn affecting the profit of the company. Therefore, in terms of the financial perspective, it can be concluded that the company is not performing well financially.

Savkin (2016) states that the measures of customer perspective are: cost, time, quality, performance and service. The informal value chain at the Kenyan Good Food company focuses on these factors but not extensively. Clients are assured that they will get their food within the stipulated time of 1.5 hours. All departments work in tandem to ensure that the food is delivered within the stipulated time. The meals are also priced at a customer friendly price for the target market. The clients who purchase the food get value for money.

According to the feedback received from clients, few clients complained on the size of the meal. Quality of the food is one of the major complaints from the clients. Some clients complain of lack of consistency, sub-standard food. The quality checks at the company are less than satisfactory as it is easy to serve sub-standard food to the clients. During the observation period of data collection, the company lost a twelve-month contract worth four million Kenya shillings per month. This was due to serving on sub-standard food. Performance and service perspective is not measured in the company therefore they do not have proper information on this.

Internal business processes as advanced by Kaplan and Norton, (1992) focusses on the day to day business activities and the competencies of the business. These are areas the company should excel in order to satisfy customers. These processes are how the company intends to achieve its mission and vision. The Kenyan Good Food Company does not have a mission or vision therefore the employees do not know what they are working towards. The values instilled in the employees are ensuring efficiency, reducing costs and increasing revenue. Without a clear goal of where the company is headed towards, the internal business processes cannot be streamlined. Measures of efficiency include ensuring the food cost is below a certain target.

Learning and growth perspective include ways on how employees improve their skills. Since most of the employees are semi-skilled, there is a need to train them so that they can achieve a certain level of performance. Employees have on the job training and period 'toolbox' trainings taught by the head of production. During these 'toolbox' trainings, a certain aspect of kitchen operations is taught to the employees as a refresher course.

In addition, employees also have the opportunity to attend tanning at Utalii College where they are also refreshed on various aspects of kitchen operations. The company does not have a tutorship program. New employees and trainees are taught how but not why they do certain things in the kitchen. However, according to Figure 4:5 in this project, the customers raised the issue of lack of menu options as one of the main reasons they do not purchase from the company. This implies that there is minimal menu research in place to increase the menu options available to clients.

4.5 Discussion

The primary and secondary data revealed that there is a link between the value chain analysis and the performance of TGFC. From the financial statements that were observed, it was noted that the financial performance of the company is unstable with the costs increasing at a very high rate. There is minimal cost control along the various stages of the value chain. According to Solara Restaurant Ventures (2016), High cost of goods sold can be attributed to poor menu forecasting, poor purchasing and receiving practices and wastages in food production.

In relation to the production department, the chefs did not use standard recipes in food preparation. They claimed that they have the recipes memorized hence there is no need to follow the standard recipes given. This affected the quality of the food. Wilson (2015), states that consistency is the gold stamp of food production. However, there is no consistency in food production at the company. This leads to customer dissatisfaction. There is also a lot of wastage in the company due to negligence and poor equipment. During the observation period, it was noted that the chefs could throw out up to 40kgs of rice because they let it overcook.

The chefs do not have a sense of responsibility and view their jobs as a means to an end. As such they do not care whether they are wasting resources as long as they get a salary at the end of the month. Bryant (2014), states that lack of a sense of responsibility leads to unproductivity in the workplace. The cold-room at the company is faulty which leads high spoilage. The meats are quite expensive therefore the company loses a lot of stock. This can explain why the cost of sales was so high in August, (See Table 4.3). Instead of replacing the cold-room, the company results to quick fixes that only last a month. According to the cashier at the company, the cold-room is fixed every month.

Another problem area in the production department is the lack of quality control. Heapy (1996) argues that successful business place great emphasis on managing quality of products. The quality control systems in place are not sufficient. For the instance mentioned above in the loss of the contract, the team served food that was off. This food was served by a team of eight and none of them checked to see if the meals were fit for service. The quality control measures depend on those that are cooking and packing the food. These individuals usually work in a high pressured environment that they do not have time to check on the quality of the product. Further, the quality control should be done by an individual who is not part of the production process so as to ensure an honest evaluation. In addition, quality control measures can be implemented by empowering the chefs and giving them the authority to check on quality of the food served. The head of production should therefore insist on using standard recipes in the kitchen. There should be checks to ensure that the chefs produced standardized products. According to the International Organization for Standardization (Quality Management Principles, 2016), quality control departments should be established so as to ensure high quality products.

TGFC uses manual methods to order stock from the stores. There are ERP systems available that can create these order requisitions based on the menus that have been input in the system. Relying on manual methods of ordering and requesting stocks from the stores leaves room for pilferage and wastage. Such systems like SAP have a high initial cost however, they save a lot in wastage of food in the long-run. The system can integrate the ordering, receiving and issuing of stock and generate periodic reports for management. Since there is to stock management system in place, it is difficult to gauge whether the right quantity of goods are being purchased. Wonglikphai (2016) explains the importance of an ERP system. The author states that such a system eliminates costs and efficiencies while enhancing productivity.

The purchasing department is run manually. The purchasing team orders items based on the requisition from the production departments and the minimum stock levels set by the managing directors. Stock control is done manually. There is therefore a lot of room for manipulation of stocks. In addition, there is a lot of room for error as manually managing stocks is tiresome and cumbersome. Dunway & Bistrow (2016) state that a company that does not have an ERP system in place will not run at full capacity and this will expose the company to risks inform of manipulation of data. The Company used a lot of raw material from different suppliers. The high cost of sales reported in August as indicated in Table 4.3 were attributed to wastage and pilferage.

With an automated ordering and receiving system as suggested by Dunway & Bistrow (2016), there would be a better control of the cost of sales reported. In addition, the purchasing team should be given the author to source for suppliers. At the moment, this function is done by the managing director. Suppliers should be reviewed periodically so as to ensure that the company receives items at the lowest price possible.

The Good Food Company does not have a sales and marketing department. The marketing done is through social media and it is not consistent. The company has relied on referrals to date. There is a need to form this department so as to increase the sales realized by the company. Lorette (2016) argues that marketing has many benefits including getting the word out on the products, generating higher sales and building the company's reputation.

The company hires semi-skilled employees and this shows in the quality of work that is being produced. These employees cannot take initiative and come up with solutions for various problems being faced by the company. The company should invest in the learning of its employees. Though there are programs in place to train the low level employees, top line managers need to attend management courses in order to empower themselves. Managers that are learned can be able to make informed decisions with more authority. Goldsmith (2010) states that managers who are empowered can make better decisions with more authority. In the Good Food Company, the managing director needs to delegate more strategic duties to the top line managers. This in turn means that the Managing Director needs to delegate more duties to his managers and trust them with more responsibility. Some managers stated that they felt their potential is not being fully utilized as there is a lot of micromanagement in the organization.

There is also a need to create a formal value chain in the organization employees and departmental heads need to know the role they play in achieving strategic goals. Since the company does not have a mission or vision, the first step would be to create this mission and vision. Kokemuller (2016) emphasizes the need to create a mission and vision statement as this guides the organization in making strategies that will achieve the mission and vision. The company performance data can then be shared with other topline managers. At the moment, only the MD and Administration Manager are privy to this information. Other managers are only informed whether the company made a profit or loss but the exact details are not divulged.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusion and limitations of the study. The chapter further suggests areas for further research. Conclusion and recommendations are also discussed with reference to the research question and research objective.

5.2 Summary

The study found that there was an informal value chain present at the Kenyan Good Food Company. It also found out that 40% of the respondents were not familiar with the term value chain and that the value chain that was present was not well managed. All departments viewed their duties as separate entities. There was no one responsible for ensuring that the entire value chain did what it is supposed to do, that is reducing costs and increasing the margin of the company. The Managing Director focused solely on the financial performance of the company while other perspectives of the Balanced Score Card were ignored. As such, the company performed poorly. In fact, though the revenue increased greatly in the month of August as per Table 4.3, the expenses also increased drastically as a result of high costs. The high costs were incurred because the value chain was not managed.

The study uncovered that there was lack of structure in the operations of the company. This lack of structure had a negative effect on the performance of the company's value chain. This ultimately led to the poor performance of the company in general. Issues that resulted from lack of managing the value chain included; Lack of clear roles in the company which lead to unaccountability amongst employees. Some roles like Human Resource were performed by more than one individual across various departments of the organization. The procurement function was also handled by a number of individuals therefore the high cost of goods sold (see Table 2) could not be explained.

Lack of motivation amongst the employees of the company also led to the poor performance of the company. Unmotivated employees have an 'employee mindset'. Bryant (2014) describes the employee mindset as one whereby employees always feel victimized and passed up for promotions, whereby employees works just enough not to get fired and does not go out of the way to do more for the company. The mindset at the Kenyan Good Food Company therefore means that employees are not keen on using the company's resources well. Provided there is a paycheck at the end of the month, the employees will do the bare minimum. The company incurs a lot of costs through wastage as a result of employees who feel like managing costs is not part of their job.

Absence of clear goals in the company was another factor uncovered during the data collection period. The company does not have a mission or vision for the employees and the management to work towards. At the moment, the Directors of the company are focused on increasing sales and ultimately profits but there is no clear plan on how these will be achieved.

In addition, the focus on the financial aspect means that the company cannot truly tell how it is performing. Financial data is historical and they do not reveal the current performance of a company. Other qualitative aspects of the company are not being measured or monitored. Even though the company manages to reduce the cost of sales, this will only serve as a short term solution. A visionary focuses on the long-term performance of the company and the qualitative aspects of the BSC outlines these perspectives.

Poor information sharing was another factor that caused poor performance of the value chain in the company. Employee input is not sought in decision making. All decisions are made by the directors and communicated to the employees. The Directors are not involved in the day to day running of the business meaning that they do not have sufficient information on what is going on at the ground level. The employees are also afraid of airing their views to the top management and as there is insufficient information sharing in the company. In addition, financial statements are not shared with other employees. Employees are only told that costs are high but they do not know by how much. Without proper information sharing, the problems being faced by the company cannot be solved.

5.3 Conclusion

The objective of this research paper was to determine the influence of value chain analysis on the performance of healthy food companies in Kenya and in particular, The Kenyan Good Food Company. The data collected revealed that there is a relationship between value chain analysis and performance of TGFC.

Since the company in question did not carry out Value Chain Analysis, the performance of the company has been declining over the past few months. This suggests that the inverse is also correct, that is a company that carries out VCA will experience a positive increase in the performance of the company.

The findings of this research further suggest that companies in the food production sector out to have a value chain in place to guide the operations of the company. Dividing the company in the sections outlined by the value chain allows for easier analysis of performance. However, it is important to note that the value chain for one food production company might differ from the next therefore it is important to identify the value adding activities in a particular organization. In the case of the Kenyan Good Food Company, the value adding activities included the inbound logistics, meal preparations, customer service and acceptable delivery times. The company failed to properly manage these activities and the other activities outlined by Porter (1985).

Many scholars have critiqued Porters value chain as they claim it is appropriate for the manufacturing industry only. Hines (1993), states that the focus of the value chain should be the customer. Merchant (2012) suggests that the value chain is outdated and does not focus on the technological aspect of operating businesses in this era. These include online sales and marketing, the reduced interaction between customers and service provider and the influence of social media on sales. She also states that the value chain is focused more on profitability.

However, as evidenced from this research project, the managers focus on the profitability of the firm and not so much on other aspects of the firm. There is therefore a need to educate SME business owners as to the importance of building other aspects of the firm. There is also a need to conduct a research as to how SME business owners measure the performance of their firms.

The RBV theory as advanced by Wenerfelt (1984) suggests that a firm should use the tangible and intangible resource in its disposal to gain competitive advantage. The Good Food Company did not fully utilize the resources it had. Case in point the managers who felt that their skills were being underutilized. Proper utilization of resources can make the company gain competitive advantage over other players in the industry. These resources at the firm's disposal include financial resources, human resources and technological resources. The company should make use of technological resources especially in the procurement department. Technological resources ease the workload on employees and ensure productivity amongst the same employees. Financial resources are well utilized by the firm although better management of the financial resources should be practiced.

Organizational theory addresses how the organizations react to changes in the organization's environment. This theory studies organizations, patterns in the organizations and how organizations solve the various problems that they face (Casey, 2002). The Good Food Company should use this theory in its operations to gauge whether the organizational structure in place is an efficient one. At the moment, there are core areas that have been neglected, for instance, the sales and marketing function. A proper organizational structure needs to be put in place and it should clearly outlines how each function is handled.

Through this theory, TGFC can analyze the environment in which it operates so as to respond accordingly to changes in the environment. This entails conducting market surveys on potential clients. It also entails carrying out research on the prices of products so as to determine the best suppliers. Identifying suppliers is of major concern at the company. It also entails finding out what the competition is doing and how the actions will affect the performance of TGFC.

5.4 Recommendations

Since there is a relationship between VCA and performance of a company, The Good Food Company should formalize its value chain. The formalized value chain should then be shared with the employees. In addition to formalizing the value chain, the Directors of the company ought to set clear and achievable goals and objectives with the help of the employees on the ground. The company is an SME and should therefore not have unnecessary bureaucracy on information sharing. Other SMEs in the food production sector should also follow suit and formalize their value chains, if they have not already.

With the formalization of the value chain, the various departments should be led by skilled personnel who can give periodic status reports on the performance of their departments. Hiring semi-skilled employees is a short-term solution that will cost the company funds in the long-run. A Human Resource Manager should be hired or contracted to deal with the HR function. Investing in employees is important as employees make an organization.

Employees are the individuals that deal with the clients and make the products consumed by the clients. Dessler (2000) explains that the talent management process is important and it is multi-faceted. He explains it as the process of planning, recruiting, compensating, managing and developing employees with the goals of achieving the goals of the organization.

Structure needs to be put in place. There is a need to clarify roles within the company. All employees should know how their particular role affects the performance of the company. Job descriptions should be adhered to so as to foster accountability amongst the employees. This way, if a particular department is underperforming, the departmental head will be held liable. The management of the company should also find ways to motivate the employees of the company. This will help curb the ‘employee mentality’. There is also a need to ensure all components of the value chain are present in the company. Functions like Sales and Marketing are not fully represented and the company is losing on a lot of potential revenue. The customer service aspect should also be modified to ensure that constant feedback from the clients is available at all times.

Management should also insist on following of recipes and standard procedures in production. This will lead to consistency of the products being produced and the complaints on food quality will reduce drastically. In addition, following standard recipes will curb the issue of wastage which will in turn save the company a lot of money. There is also a need to identify a performance measurement tool. Focusing solely on financial data is not ideal. The measurement tool identified in this project is the balanced score card as it focuses on both qualitative and quantitative data. Measurement of the performance of the value chain should be carried out on a regular basis.

With the above mentioned recommendations, the performance of the value chain and the company in general is set to increase. In the past, the management of the company reduced the portion sizes of the meals being served and increased the prices of meals per serving. This led to a loss in the number of clients purchasing from the firm. Instead of making this move and the same mistake, the management should seek cost effective ways to manage production. This can be done by managing the various aspects of the value chain.

5.5 Limitations of the study

Data collection proved to be challenging as employees thought the data collected would get them in trouble with the management of the company. This meant that probing methods had to be used to get data out of the employees. In addition, observing the operations of the company was not easy as the employees on site did not have time to give explanations as to why they were following certain procedures. This meant that the data collection method took a longer time than what was initially anticipated. In addition, the respondents were not all available at the time, meaning that other interviews had to be conducted on phone. The phone interviews were not as informative as the face to face interviews.

The findings of this study cannot be generalized for other food production companies in Kenya. Company specific factors have to be considered in order to conclusively determine that there is a relationship between value chain analysis and performance of company in the food production industry.

Internal and external factors affecting the company have to be considered in order to draw an all-encompassing conclusion for all the food production companies. Internal factors such as processes and procedures vary from one company to the next.

The study used data collected from various departmental heads and these individuals might have wanted to depict their departments in the best light. This in turn implies that the departmental heads might have censored information that would have given better insight on the performance of the various departments.

5.6 Suggestions for Further Research

In light if the limitations mentioned in this research project, further research should be carried out on the food production industry. Data from various companies in the industry will conclusively determine whether there is a relationship between VCA and performance of a company. The data collected from the Kenyan Good Food Company reflects the performance of the company alone. The same cannot be assumed to be the same for all other food production companies.

A major problem area uncovered in this paper was the lack of structure and defined goals. In most SME's there is a lot of overlapping of roles. A study should be carried out on how these overlapping roles affect the performance of the company. In addition, information sharing in organizations should also be examined and the implications this has on the performance of the company. Information sharing at the Good Food Company was minimal and this had a negative effect on the performance of the company.

Finally, a VCA should be carried out in the service industry. The VCA advanced by Porter (1985) was focused in the production industry. Gabriel (2005) suggested that a new Value Chain model should be adopted in the service industry. There is therefore need to research more on the Value Chain as advanced by Gabriel and how various service companies adopt this value chain.

5.7 Implications on Policy Theory and Practice

The research project found that there was a relationship between VCA and performance of a firm. This suggests that policy makers in the industry should consider the value chain while making policies affecting food production companies. Policies that promote use of the value chain should be implemented in food production companies in Kenya. In a business setting, policies should be put in place to ensure that all value chain activities are well represented in a firm. The policies should additionally outline the roles played by employees in the organization. Measurement criteria should also be included in the policies. As discussed in this research project, financial measurement criteria are not enough to determine the performance of an organization.

This research project also adds to the existing theory on VCA and performance. Some of the studies mentioned in this project discussed the value chain in different industries but not in the Kenyan food production companies. The information in this project can be used to get more information on this industry.

The findings of this study should be used by other researchers while conducting studies on VCA. The study further suggests areas of further research that would add great insight on the Value Chain Analysis and performance of food production companies in Kenya. In addition, this project used the RBV theory and the organizational theory. The study further examined the importance of these theories in the management of the value chain of a food production company.

Finally, the research project gives a guideline on day to day practices that should be implemented in Kenya's food production industry. These include best practices that should ideally lead to a positive increase in the performance of companies. The study can also be used to avoid some problem areas as stated in this paper. The research project further explains the link between strategic advantage and value chain analysis of a food production company.

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APPENDIX: Interview guide

Head of Production

1. Are you aware of the presence of the value chain in an organization? In the Kenyan Good Food Company
2. What are the value adding activities in your department?
3. How do you manage the value chain analysis in your site?
4. Do you determine cost at every stage of the value chain?
5. Do you have deliberate measurement criteria at each cost center of the value chain?
6. How do the individual activities of the value chain contribute to the performance of your department?
7. What steps do you take to reduce costs and ultimately improve the profit margin in your department?

Site Manager

1. Are you aware of the presence of the value chain in an organization? In the Kenyan Good Food Company
2. What are the value adding activities in your department?
3. How do you manage the value chain analysis in your site?
4. Do you determine cost at every stage of the value chain?
5. Do you have deliberate measurement criteria at each cost center of the value chain?
6. How do the individual activities of the value chain contribute to the performance of your department?
7. What steps do you take to reduce costs and ultimately improve the profit margin in your department?

Head of Administration

1. Are you aware of the presence of the value chain in an organization? In the Kenyan Good Food Company?
2. What role does your department play in ensuring low costs, high quality and higher margins?
3. How do you manage the secondary activities of the value chain? Human Resource, Procurement, firm infrastructure and technology? How do these activities affect the performance of the company?
4. What feedback mechanisms do you have to ensure clients are happy with the products?
5. What challenges do you face in managing the value chain in your department?
6. What can be changed to ensure the smooth running of your department?

Head of procurement

1. Are you aware of the presence of the value chain in an organization? In the Kenyan Good Food Company
2. What are the value adding activities in your department?
3. How do you manage the value chain analysis in your department?
4. Do you determine cost at every stage of the value chain?
5. What steps do you take to reduce costs and ultimately improve the profit margin in your department?

Managing Director

1. Do you analyze the value chain and link it to the profitability of The Kenyan Good Food Company?
2. Does your current organizational structure lead to the profitability of the organization?
3. How do you ensure the value chain of the company is managed? What systems have been put in place?