

Original Article**Effects of strategic planning on organizational efficiency of Tea factories in Kisii County-Kenya****David Maranga Areri^{*1}, Maria Anyango² and N. B. Okelo²**¹School of Business and Economics, Jaramogi Oginga Odinga University of Science and Technology, P. O. box 210-40601, Bondo-Kenya²School of Mathematics and Actuarial Science, Jaramogi Oginga Odinga University of Science and Technology, P. O. box 210-40601, Bondo-Kenya***Corresponding Author****David Maranga Areri**School of Business and Economics,
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E-mail: bnyaare@yahoo.com**Keywords:**Leadership,
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Revenues from Tea in Kenya have significantly dropped by Shs 16 Billion in the year to October 2014 as low prices hit the international market (CBK Economic review 2014) The crop fetched Shs 96 Billion (\$1.07 Million) in that year translating to 14.3% drop from Shs 113 Billion (\$ 1.256 Million) that the produce earned in a corresponding period in 2013(CBK Economic review 2014). About 95% of Kenyan tea is exported as a generic product. Currently Kenya produces Black CTC tea as the only product for which the prices have declined.

However, the extent to which strategic planning is employed to overcome this problem has not been established. Therefore, it is for this reason that this study sought to find out the effect of strategic planning on organizational efficiency with specific focus on tea factories in Kenya.

1. Introduction

This chapter contains background information of the strategic planning and how it affects organizational efficiency of Tea Factories in Kenya. Strategic planning is a systematic effort to produce fundamental decisions and actions that shape and guide what a Business organization is, what it does and why it does it, this is according to David (2003). The development and implementation of strategic planning depend on a large number of factors like the size of the organization, nature and complexity of the organizations environment and the organizations leadership and culture.[1]

Tea is a leading cash crop in Kenya's Agricultural sector. It ranks 3rd in annual Tea production after India and China and it accounts for 10% of world production and 20% of the export share According to M.O.A [2](2012). About 95% of the Kenyan tea is exported as a generic product which is used to blend the low quality from other countries. Currently Kenya produces black CTC Tea as the only product for which the prices have declined [3]. This calls for diversification, Branding and improvement of the quality of Tea products to make Kenya a leading exporter of high quality Tea. Currently, tea is the leading cash crop in Kenya and makes significant contribution to the economy. In the year 2007, the country produced 369,606tons of made tea of which 351,125 tons were exported, earning Ksh. 43.4 billion in foreign exchange. This represents about 26% of the total export earnings, and about 4% of the GDP.

Tea contributes directly to objectives of the Economic Recovery Strategy (ERS) as a rural based enterprise. Additionally, tea continues to contribute to the overall growth of agriculture in line with the Strategy for Revitalization of Agriculture (SRA)-2004-2014 as stipulated in the Medium Term Plan (MTP)-2008-2012[11]. An estimated 3 million Kenyans (about 10% of the total population) derive their livelihoods from the tea industry. The crop also contributes significantly to the development of rural infrastructure. It directly contributes to environmental conservation through enhanced water infiltration, reduced surface erosion, and mitigation of global warming through carbon sequestration.

Tea in Kenya is grown in high altitude areas between 1800 and 2700 meters above the sea level, where annual rainfall ranges from 1800 mm to 2500 mm. The tea growing areas are spread throughout the

country, but mainly west and east of the Rift valley. The industry is structured into two major sub-sectors: the large estate and small holder sub-sectors. The latter sub-sector, with average holdings ranging from less than one hectare to twenty hectares, accounts for about 66% of the total area under the crop and 60% of the total production.

Since tea was introduced in Kenya in 1903, cultivation of the crop has expanded rapidly in terms of area planted and volume of tea produced. The expansion of tea growing in different agro-ecological zones (including areas considered marginal for tea) and under different socio-economic conditions calls for concerted efforts in tea research and development, technology and information transfer.

Strategic planning in management first emerged when practitioners of corporate strategic planning realized that there was a missing link between the strength, weaknesses, opportunities and threats (SWOT). Strategic planning is a component factor in the tea growing, production and distribution. Ansoff [4] in 1980 focused on the recognition and resolution of strategic plan inside or outside the organization. The importance of strategic planning in an organization can be answered by considering the relationship between strategic planning and organizational efficiency. In Japan and Malaysia everyone is involved in the organizations strategic planning As per Hunger and Wheelmen [5].

2. Results and Discussions

This chapter reviews literature related to effects of strategic planning on organizational efficiency. According to David [1] Strategic planning may be characterized as a systematic effort to produce fundamental decisions and actions that shape and guide what a business organization is, what it does, and why it does it.[1] The objective of strategic planning is to develop a map by which to manage an organizations positioning.

Although some would suggest that strategic planning has lost some of its effectiveness, most managers continue to recognize the need for effective strategic planning tools and implementation. While strategic planning requires a significant amount of time and can be quite frustrating, if done properly, it can enable a firm to recognize its most effective position within its industry According to Kono[6].

There are a variety of perspectives, models and approaches used in strategic planning. The development and implementation of these different tools depend on a large number of factors, such as size of the organization, nature and complexity of the organization's environment, and the organization's leadership and culture As per Harry (1998). Strategic planning tools are presented in the analysis of their effectiveness in the efficiency of Tea factories: the SWOT Analysis; Porter's Generic Competitive Strategies; and Porter's Five Forces Model.

Strategy has been studied for years by business leaders and by business theorists. Yet, there is no definitive answer about what strategy really is. One reason for this is that people think about strategy in different ways. For instance, some people believe that you must analyze the present carefully, anticipate changes in your market or industry, and, from this, plan how you'll succeed in the future. According to Bradford [7] (2000) Meanwhile, others think that the future is just too difficult to predict, and they prefer to evolve their strategies organically. strategy determines the direction and scope of an organization over the long term, and that it should determine how resources should be configured to meet the needs of markets and stakeholders [20]. There is need for strategy to define and communicate an organization's unique position, and that it should determine how organizational resources, skills, and competencies should be combined to create competitive advantage [8]. While there will always be some evolved element of strategy. Organizations need to anticipate and prepare for the future at all levels. For instance, .many successful and productive Tea Factories have a corporate strategy to guide the big picture. Each department within the factory has a business unit strategy, which its leaders use to determine how they will compete in their individual markets. In turn, each team should have its own strategy to ensure that its day-to-day activities help move the factory in the right direction.

2.2 Brief history of Tea in Kenya

Tea in Kenya is grown in high altitude areas between 1800 and 2700 meters above the sea level, where annual rainfall ranges from 1800 mm to 2500 mm. The tea growing areas are spread throughout the country, but mainly west and east of the Rift valley. The industry is structured into two major sub-sectors: the large estate and small holder sub-sectors. The latter sub-sector, with average holdings ranging from less than one hectare to twenty hectares, accounts for about 66% of the total area under the crop and 60% of the total production. Ministry of Agriculture annual reports[9].

Since tea was introduced in Kenya in 1903, cultivation of the crop has expanded rapidly in terms of area planted and volume of tea produced. The expansion of tea growing including areas considered marginal for tea and under different socio-economic conditions calls for concerted efforts in tea research and development, technology and information transfer Research on tea was initiated in Kenya by Brooke Bond Limited in 1949 as department within its local company, the African Tea Holdings Limited. With the expansion of the tea industry in East Africa, the department became the Tea Research Institute of East Africa, and served Kenya, Uganda and Tanzania. With the breakup of the East African Community in 1977, the Government of Kenya (GoK), through the Tea Board of Kenya (TBK), established the Tea Research Foundation of Kenya (TRFK) in 1980 as a semi-autonomous research organization with headquarters in Timbilil Estate in Kericho, west of the Rift Valley. In 1998, the Foundation established a sub-station at Kangaita in Kirinyaga District, east of the Rift Valley. [9] The Foundation has 423 ha and 8 ha of prime land at Timbilil and Kangaita, respectively. The structural relationship of the Kenyan Tea Industry showing the relationships and linkages between the Government and regulatory board on one hand and the producers, packers and traders as major stakeholders.

2.2.1 Management of Tea in Kenya

KTDA has a long County. On June 30 2000 KTDA the authority was transformed into a private company and registered under the company's act. The year 2010 saw the restructuring of the agency leading to the establishment of KTDA .holdings Ltd and KTDA management services (MS) Limited, a subsidiary of KTDA holding Ltd. KTDA (MS) currently the 66 processing factories

KTDA holdings provides services to more than 560,000 small-scale tea farmers ranging from history dating back to 1957 when the first small holder tea factory was set up in the foothills of Mt Kenya in Ragati Nyeri supply and financing of fertilizer, information and communication technology, sales and marketing and financial services. The farmers own 66 factory companies that process their green leaf. The factories then own KTDA holdings as corporate share holders. The agency is managed by a farmer appointed to the board of 12 directors representing the 12 tea-growing zones countrywide. The tea factory boards are responsible for policy development and implementation at the factory level for smooth operations from the farms to the factories. Farmers deliver tea to designated buying centers where it is weighed. It is then transported to the factory for conversion, packaged and transported to Mombasa warehouses for onward sales and marketing

Tea is sold through the Mombasa auction directly overseas and to local packers. Mombasa is the second largest auction centre globally after Colombo (Sri Lanka).The auction is managed by the East Africa Tea association with prices determined by market forces of supply and demand.

Major tea exports from the small holders are directed at the following regional market destinations-South Africa(41%), North Africa(17%),Middle east(17%), the Commonwealth of independent states(CIS)(12%), Europe(9%) and the rest of the world 4%.On local sales, KTDA sales packet teas to its farmers at factory level and to Kenya Tea Packers (KETEPA) Ltd for local consumption[11].

2.3 Strategic Management Models

2.3.0 SWOT Analysis

A SWOT analysis (alternatively SWOT matrix) is a structured method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture (Orica 2012). A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective. Some authors credit SWOT to Albert Humphrey, who led a convention at the Stanford Research Institute (now SRI International) in the 1960s and 1970s using data from Fortune 500 companies. However, Humphrey himself does not claim the creation of SWOT, and the origins remain obscure. The degree to which the internal environment of the firm matches with the external environment is expressed by:

- 1) Strengths: characteristics of the business or project that give it an advantage over others.
- 2) Weaknesses: characteristics that place the business or project at a disadvantage relative to others.
- 3) Opportunities: elements that the project could exploit to its advantage.
- 4) Threats: elements in the environment that could cause trouble for the business or project.

Identification of SWOTs is important because they can inform later steps in planning to achieve the objective. [12] First, the decision makers should consider whether the objective is attainable, given the SWOTs. If the objective is not attainable a different objective must be selected and the process repeated. Users of SWOT analysis need to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage.

What makes SWOT particularly powerful is that, with a little thought, it can help managers of tea factories uncover opportunities that they are well-placed to exploit. And by understanding the weaknesses of their factory, they can manage and eliminate threats that would otherwise catch them unawares. By looking at the position of the factory and their competitors using the SWOT framework, they can start to craft a strategy that helps them distinguish themselves from their competitors, so that they can compete successfully in the market Strengths and weaknesses are often internal to the organization, while opportunities and threats generally relate to external factors. For this reason, SWOT is sometimes called Internal-External Analysis and the SWOT Matrix is sometimes called an IE Matrix. [12]. If one considers the strengths from both an internal perspective, and from the point of view

of their customers and people in their market. Also, if one is having any difficulty identifying strengths, try writing down a list of your organization's characteristics. Some of these will hopefully be strengths! When looking at your strengths, think about them in relation to your competitors. Useful opportunities can come from such things as: Changes in technology and markets on both a broad and narrow scale, Changes in government policy related to the industry, Changes in social patterns, population profiles, lifestyle changes and Local events.

2.3.1 Porters Five Forces Model

Five Forces analysis assumes that there are five important forces that determine competitive power in a business situation these forces are outlined below.[8].

Supplier Power:

Here you assess how easy it is for suppliers to drive up prices. This is driven by the number of suppliers of each key input, the uniqueness of their product or service, their strength and control over you, the cost of switching from one to another, and so on. The fewer the supplier choices you have, and the more you need suppliers' help, the more powerful your suppliers. [8]. In the tea growing industry, the major supplier is the farmer who plucks the green leaves and supplies it to the factory for processing. We have large and small scale suppliers. Large scale suppliers are mainly found in Kericho Highlands and they mostly process and market their own Tea. Small scale suppliers are found in other parts of the country like those of rich cotton soils in central Kenya, Rift Valley and Kisii Highlands. These farmers mainly rely on The Kenya Tea Development Agency (KTDA) for processing and distribution of their produce. In view of supplier power in the Tea growing sector, the number is so small and cannot have control on pricing.

Buyer Power:

Here you ask yourself how easy it is for buyers to drive prices down. Again, this is driven by the number of buyers, the importance of each individual buyer to your business, the cost to them of switching from your products and services to those of someone else, and so on. If you deal with few, powerful buyers, then they are often able to dictate terms to you [8].

Competitive Rivalry:

What is important here is the number and capability of one's competitors. If one has many competitors, and they offer equally attractive products and services, then one is most likely to have little power in the situation, because suppliers and buyers will go elsewhere if they don't get a good deal. On the other hand, if no-one else can do what one does, then one can often have tremendous strength [8].

Threat of Substitution:

This is affected by the ability of one's customers to find a different way of doing what he does. For example, if you supply a unique product that automates an important process, people may substitute by doing the process manually or by outsourcing it [8]. If substitution is easy and substitution is viable, then this weakens your power. Relative to other beverages like coffee, the tea industry enjoys a larger market. This therefore means that majority of consumers prefer tea to coffee and other beverages hence no threat of substitution

Threat of New Entry:

Power is also affected by the ability of people to enter your market. If it costs little in time or money to enter your market and compete effectively [8], if there are few economies of scale in place, or if you have little protection for your key technologies, then new competitors can quickly enter your market and weaken your position. If you have strong and durable barriers to entry, then you can preserve a favorable position and take fair advantage of it. If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns [8].

A firm positions itself by leveraging its strengths. Michael Porter has argued that a firm's strengths ultimately fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies

result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent.

2.3 Porters Generic Forces

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2.3.1 Cost leadership strategy

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share.

2.3.2 Differentiation Strategy

A Differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competitor.

2.3.3 Focus strategy

Focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The promise is that the needs of the group can be better serviced by focusing entirely on it. A firm that uses a focus strategy often enjoys a higher degree of customer loyalty, this entrenches loyalty discourages other firms from competing directly this is as per Michael Porter[8].

2.4 Product diversification

In an effort to grow market share and revenue, KTDA is undertaking market and product diversification mainly through production and processing of specialty teas. One such product is orthodox teas, which is being processed at Kangatia tea factory and new plants being set up in Itumbe Tea factory and Michimikuru Tea Factory. Plans are also underway to set up one factory in each of the 12 Zones put up an orthodox processing unit other product diversification initiatives by KTDA are in production and processing of high-end specialty tea lines, especially purple and white teas.

2.5 Size and complexity of the organization

The size of a firm is considered as a contingency factor of high importance concerning the relationship between strategic planning and efficiency [13]. Strategic planning is often considered as a significantly useful management tool for large companies. Accordingly the size of the firm is considered a determining factor in the adoption of an effective system (Falshaw Et Al 2006)

There are several criteria in literature to measure the firm size: Sales volume, number of fulltime employees and net Assets (Kukalis 1991) the number of employees seem to be the single most popular measure of firm size (Smith Et Al 2006)

2.6 Culture of the organization

Culture encompasses an omnipresent set of assumptions which directs the activities of the organization. Culture is defined as the beliefs and shared values by peoples in an organization, it is like the way we do things around, according to Hewlett Packard(2007). Shared values and beliefs forms a foundation of a particular culture that influences the activities of that organization. It is entirely for two organizations in the same industry to feature divergent cultures. Organization culture controls the way employees interact with each other and the stakeholders outside the organization. It determines the values, beliefs and ideas about what kind of standards of behavior organizations members should use to achieve the overall goals of the organization

From organizational values, norms, guidelines or expectations culture prescribe appropriate behavior which all employees adopt in any given situation. Culture also affects not only how managers and employees behave within the organization but also the decisions they make about the organization's relationship with the environment and its strategy development. Fisher (1992) maintains that an understanding of the culture is important to entire organization success in a rapidly changing environment

The tea growing industry in Kenya is also affected by divergent cultures. This is because Kenya being a country where there are several communities who cultivate tea, cultural factors will tend to influence the production and distribution of the product.

2.7 Leadership and strategic planning

Even the best strategy can fail if a corporation doesn't have a cadre of leaders with the right capabilities at the right levels of the organization. [22]

When it comes time to implement a strategy, many companies find themselves stymied at the point of execution. Having identified the opportunities within their reach, they watch as the results fall short of their aspirations. Too few companies recognize the reason.

Mismatched capabilities, poor asset configurations, and inadequate execution can all play their part in undermining a company's strategic objectives [14]. Although well-regarded corporations tend to keep these pitfalls squarely in their sights, in our experience far fewer companies recognize the leadership capacity that new strategies will require, let alone treat leadership as the starting point of strategy. This oversight condemns many such endeavors to disappointment.

Whereas good managers deliver predictable results as promised, as well as occasional incremental improvements, leaders generate breakthroughs in performance. They create something that wasn't there before by launching a new product, by entering a new market, or by more quickly attaining better operational performance at lower cost, for example. A company's leadership reaches well beyond a few good men and women at the top. It typically includes the 3 to 5 percent of employees throughout the organization who can deliver breakthroughs in performance. [15].

Since bold strategies often require breakthroughs along a number of fronts, a company needs stronger and more dominant leadership at all levels if these strategies are to succeed. A defining M&A transaction, for example, requires leadership throughout an organization's business units and functions in order to piece together best practices and wring out synergies while striving to carry on business as usual. In addition, leaders throughout both companies must transcend the technical tasks of the merger to rally the spirits of employees and to communicate a higher purpose [15].

As the number of strategic dimensions and corresponding initiatives increases, so does the pressure on leadership. Not surprisingly, our work in many industries with companies of all sizes has shown that high-performers, especially those with lofty aspirations, have the most difficulty meeting their leadership needs [16]. Of course, companies that perform poorly are also lacking in leadership capacity.

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