European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.5, No.18, 2013

Challenges to Implementation of Business Strategies: Implications on Business Sustainability of Transnational Tea Firms in Kenya.

Wilson Odiyo[1*] Ronald Chepkilot[2] Isaac Ochieng[3]
1.Business Administration Department, Africa Nazarene University, P.O. Box 53067-00200, Nairobi, Kenya.
2.School of Business, Kabarak University, Private Bag 20157, Nakuru, Kenya
3.Economics and Business Studies Department, Laikipia University, P.O.1100-23000, Nyahururu, Kenya.
*Email of the corresponding author: wilsonodiyo@gmail.com

Abstract
The tea industry in Kenya, as in most other growing countries, is characterized by great unpredictability in terms of markets, growing conditions and cost of inputs. Strategy formulation and implementation, in these circumstances, cannot be a simple exercise, but getting it right is more important than for organizations in more predictable environments. This study seeks to establish the challenges facing successful implementation of the formulated business strategies by multinational tea companies in Kenya, their effect on business sustainability and how the negative effects of these challenges can be mitigated. The study aims to identify the challenges to successful implementation of business strategies in the transnational tea firms; the effect of these challenges on business sustainability and finally to find out ways of mitigating the effects of these challenges on successful strategy implementation and business sustainability. The respondents were 30, comprising of Managers of the strategic Business units at these companies. Most of the data was collected by way of Questionnaires, personally administered to ensure clarification is offered where necessary. Data analysis was done using descriptive statistics (percentages, frequencies and averages) and Pearson's Product Moment Correlation Coefficient (r) followed by data presentation on tables.The study established that the main challenge to successful implementation of business strategies is currency exchange rates, followed by changes in international tea prices and weather patterns. The study further found out that in order to mitigate the effect of these challenges to successful implementation of strategies, the firms need to use flexible strategies while ensuring that where more than one strategy is used, the strategies are integrated so that they support and justify one another.
Key words*:* Business strategies, Strategy formulation, Strategy implementation, Business sustainability

1. Introduction

In an increasingly competitive business environment, companies inevitably move towards identifying their core competencies and distinctive competencies and maximize on them in order to become and remain competitive. This means they have to engage in strategic management (Thompson and Strickland, 2003). Ireland, Hoskisson and Hitt (2009) see strategic management as a process, which entails the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns. Thus a firm does not engage in strategy formulation and implementation merely to achieve average returns. The first steps in the process are to analyze its external and internal environments to determine its resources, capabilities and core competencies. With this information the firm develops its vision and mission and formulates its strategy. Strategic competitiveness is achieved when a firm successfully formulates and implements a value creating strategy.

In Kenya, the Agricultural sector contributes 24 percent of the GDP and provides 70 percent of the total employment of Kenya. Specifically, 19 percent of the formal waged workers are in agriculture (KiPPRA, 2009). As a major contributor to economic growth and a major provider of employment, the business strategies adopted by the agricultural firms and tea firms in particular (since tea is the leading foreign exchange earning crop), have important implications for poverty and equity concerns in the country. It is therefore in the interest of the tea companies as well as of the country that this business is sustained in the long term. Indeed, the industry supports directly and indirectly about three million people making it one of the leading sources of livelihood in the country. In the period 1990-2005, Kenya's average annual labour force growth was about 3 percent, which is one of the highest in the world (KiPPRA, 2009). This labour force can only find work to do if the largest employing sector, Agriculture, continues to thrive through a suitable mix of business strategies.

Kenyan firms export semi-processed, low value produce. The limited ability to add value to agricultural produce, coupled with high production costs (e.g. prices of energy, infrastructure, fertilizers and labour) makes Kenyan Agricultural exports less competitive in global markets (Kenya Vision 2030). Kenyan tea is largely exported in bulk with value added teas in packets forming less than 10 percent (Tea Industry Task Force Report, 2007). In the international markets, these firms are therefore price takers. A case in point is tea sold through the Mombasa tea auction which is dominated by foreign buyers. Mombasa tea auction caters for tea from Kenya, Uganda, Rwanda, Burundi, Zambia, Tanzania, Democratic Republic of Congo, Madagascar, Malawi and Mozambique

(Africa Tea Brokers Limited, 2010).
In addition to the tea firms being price takers, other factors such as currency exchange rates, technological changes and weather changes affect successful implementation of the formulated strategies.

2. Necessity for Business strategy

Strategic decision makers articulate direction and save the organization from change by drift-they see a vision of the future that allows them to see more clearly what steps to take, building on present capabilities and strengths. According to Bennett (1999) strategies do not result from conscious once-and-for-all decisions and/or a grand master plan, but rather are formulated step-by-step via interactive process of experimentation, probing the future, learning from experience and then "adding-on" to the existing policies. Due to uncertainty in the economic, political and social environment, the planning horizon for most organizations has been shifting from five years down to three or even two years. However, Capital-intensive businesses will typically plan over a longer period than labour intensive businesses (Tyson, 2006).
The main aim of any strategy is to promote the continued viability of the enterprise (White, 2007). It requires an accurate reading of what the business landscape looks like today and will look like in the future so as to continuously revise the strategic position because any change will throw up new opportunities and threats. Therefore strategic position cannot be static.
The basic dispute though is whether the best strategies emerge from a systematic and detailed process or from a vision, opportunism and the ability to respond to events. Emergent strategies develop naturally and hopefully should be totally relevant to the current events and operations. The people who determine such strategies "learn by doing" and tailor their decisions to the needs of the present situation (Bennett, 1999). This debate is particularly relevant to the tea industry in Kenya, which is subject to various rapidly changing factors such as currency exchange rate fluctuations, wage levels, weather patterns and international prices.
Mintzberg (1994), however, contended that all business strategies have a mixture of systematically arrived at plans and some elements that emerge slowly over time. He argued that executives seek to manage stability i.e. they formulate coherent plans and implement them vigorously while at the same time identifying patterns and breaks in trends.
Mirvis and Marks (1992) had earlier provided insights into the subject of corporate strategy. According to these researchers, there has emerged since the late nineteen eighties, a trend of corporate MADness (Mergers, Acquisitions and Downsizing) especially among multinationals. Several factors account for this corporate MADness. Among them, is increased global competition. For many firms, the market place has grown from a regional or national scope to a global scope. As trade barriers tumble, only a handful of large competitors in industries have survived. The consolidation of companies into multinational mega corporations has resulted in a few Asian, European and North American competitors fighting for worldwide market share.

3. Dynamic nature of business strategy

Radical strategic changes seldom occur without a bit of chaos. Indeed a few organizations seem to thrive on chaos (Jackson and Schuler, 2001). According to Bennett (1999), disorder and confusion are endemic to business situations; so that management should focus on the best means for responding to uncertainty and change. He sees management as unable to control long-term future activities because of the unpredictability of future environments. In the tea industry, examples of dynamic forces, which are constantly pulling business in different directions, include international tea price changes, foreign exchange fluctuations, weather patterns and unionisable worker wages.
Since the environmental changes often are unpredictable, Managers often use scenario planning whereby several alternative business scenarios are developed and strategic issues that would be associated with each scenario are identified. Strategy formulation for the different scenarios still involves numbers, but it often also involves crafting and communicating mission and value statements, ensuring that managers as well as all other employees understand and buy into the process of continuous change and adaptability, crafting human resource strategies to help ensure that the company has the competencies and behaviours needed, systematically designing and aligning Human Resource (HR) activities to address the concerns of multiple stakeholders, developing methods to monitor the effects of change, being alert to signals indicating that plans should be considered or modified and integrating all of these activities with other change efforts in areas such as Finance, Marketing and Operations (Jackson and Schuler, 2001).
In times and in industries with greater stability, forecasting future organizational needs and planning the steps to meet those needs is largely a numbers game. The quality of forecast depends on the accuracy of information used and the predictability of events (Jackson and Schuler, 2001). The shorter the time horizon, the more predictable the event and more accurate the information. Furthermore, as stated by Armstrong (2009), it would seem organizations, quite simply, prefer to wait until their view of the future environment clears sufficiently for them

to see the whole picture before committing resources in preparation for its arrival. The perception is that the more complex and turbulent the environment the more important it is to wait and see before acting.

4. Strategic concerns of the tea industry

According to Porter (1998), the structure of the industry is determined by the five forces: Threat of new entrants, threat of substitute, buyer power, supplier power and competition rivalry. Haag et al (2002) state that the model developed by Michael Porter can be used by business managers when they are deciding to enter a particular industry or expand their existing operations. Porter further provides that "the collective strength of these forces determines the ultimate profit potential in the industry, where profit potential is measured in terms of long run return on invested capital" (p.3).

The situation as depicted by Porter and Haag et al is applicable to typical competitive industry. The tea prices and sales are however largely determined by large multinational corporations who have a considerable influence on supply and demand and thus on price –fixing process. Market concentration is extremely high: 90 percent of the trade is in the hands of 7 transnational companies and 85 percent of world production is sold by multinationals. Their market power is a main determinant at all tea auctions. With their buying policy, these corporations strongly influence both price move and the demand for certain qualities of tea. They have horizontal integration by virtue of their ownership of both plantations and processing factories, but there is vertical integration as well (in that they also control transport companies, shipping agencies etc.) (Unctad,1994). The forgoing, among other factors, affects business sustainability in a manner that is unique to the tea industry

The tea industry in Kenya is characterized by great uncertainty. There is unpredictability in terms of weather patterns, world tea prices, currency exchange rates and wage levels. Strategy formulation and implementation, in these circumstances, cannot be a simple exercise, but getting it right is more important than for organizations in more predictable environments. The firms must, for instance, observe a delicate balancing act between permanent labour force and what Ivancevich (2004) refers to as Contingent Workers, that is, temporaries, part timers, contract or leased workers and other individuals hired to handle extra job tasks or workloads, between management and other cadre of workers, between skilled and semi-skilled workforce, between young and aged employees, among other delicate staff balances.

5. Conceptual Framework

The study was based on the conceptual Framework depicted in Figure 1 below. The conceptual framework shows the relationship between the challenges and successful strategy implementation. The extent to which the challenges affect successful implementation of the formulated strategies, is however dependent on whether the planning horizon, flexibility of strategies, integration of the various strategies, awareness of emergent strategies and whether the organization uses a multiplicity of strategies at the same time.

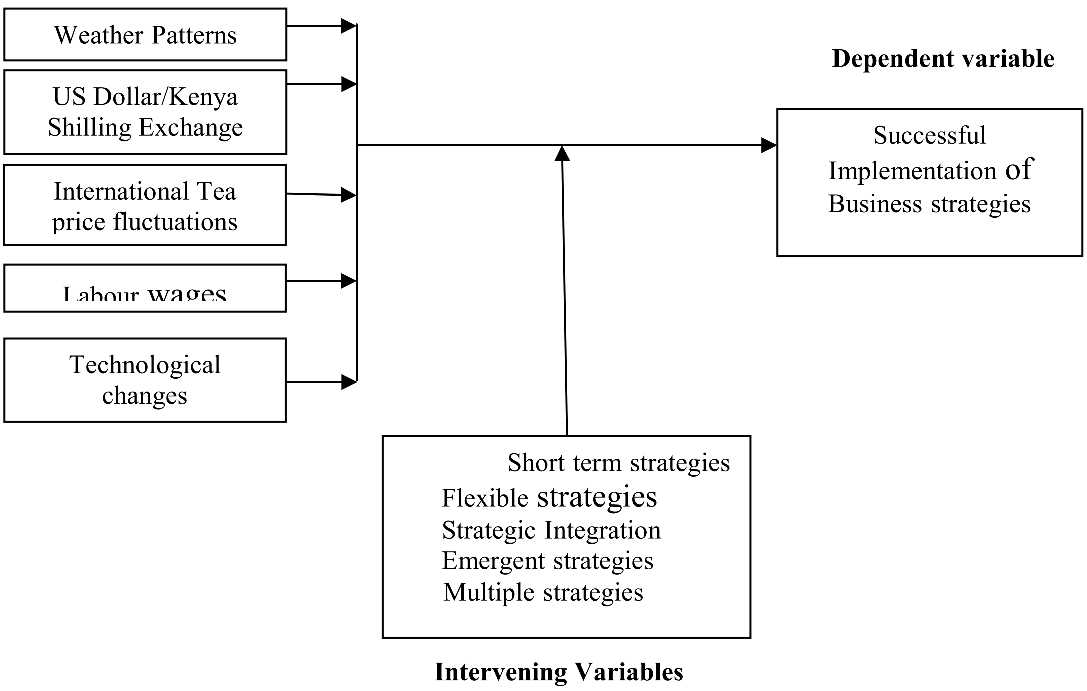

Figure 1: Conceptual Framework

6. Materials and Methodology

6.1 Target Population

The target population of the study comprised of seven transnational tea companies represented by the 30 Managers of the Strategic Business units at these companies. The whole population was studied in line with Huysamen (1991) who states that, as general rule, one should not use any sample with less than 15 units of analysis, but preferably one with more than 25 units of analysis This position was later reinforced by Johnson and Christensen (2008) who recommended that whole populations should be studied when the population numbers 100 or less. That way, without too much expense, there can be complete confidence that one knows about the total population.

6.2 Data Collection instruments and procedure

Questionnaires were administered to all the 30 respondents. In designing an instrument that would yield content valid data, the researcher specified the domain of indicators which were relevant to the variables being measured, to ensure that they contained all possible items that would be used in measuring the variables. The instruments were pilot tested and Cronbach's Alpha Coefficient of 0.65 confirmed the reliability of the instruments.

6.3 Data analysis method

Data analysis was done using descriptive statistics (percentages, frequencies and means) and Pearson's Product Moment Correlation Coefficient (r) followed by data presentation on tables.

7. Findings

7.1Challenges to Successful Implementation of Strategies

The study identified several factors that affect the successful implementation of chosen business strategies, thereby causing either sudden change in strategy and /or undermining business sustainability. An analysis of the Likert scale on the extent to which the respondents agreed with each challenge is presented in table 1 below. Ninety percent of the respondents either agree or strongly agreed that international tea price changes are a challenge to successful strategy implementation. This was followed by foreign currency exchange rate, in this case US Dollar/Kenya Shilling exchange rate (since tea is sold in US dollars) with 80 percent agreeing or strongly agreeing. Labour wages (77 percent), weather patterns (67 percent) and technological change (53 percent) followed in that order. The situation is worsened by the fact that the firms have no direct control over these challenges.

Table 1: Challenges to Successful Implementation of Strategies

Challenge	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Total
Weather Patterns	8(27%)	12(40%)	5(17%)	4(13%)	1(3%)	**30**
Foreign Currency Exchange rates	16(53%)	8(27%)	2(7%)	3(10%)	1(3%)	**30**
International tea prices	19(63%)	8(27%)	1(3%)	2(7%)	0(0%)	**30**
Labour Wages	9(30%)	14(47%)	4(13%)	2(7%)	1(3%)	**30**
Technological Change	6(20%)	10(33%)	8(27%)	4(13%)	2(7%)	**30**

7.2 Relationship between challenges to strategy implementation and Business sustainability

This study analysed the relationship between specific challenges to strategy implementation and business sustainability. In order to evaluate the existence of the relationship, Pearson's Product Moment Correlation Coefficient (r) was calculated for each challenge against business sustainability. The findings are presented in Table 2 below.

Table2: Correlation between challenges to strategy implementation and business sustainability

Challenges		**Business Sustainability**
Weather Patterns	Pearson Correlation	0.695
	Sig. (2-tailed)	0.126
Foreign Currency Exchange rates	Pearson Correlation	.956(**)
	Sig. (2-tailed)	0.003
International tea prices	Pearson Correlation	.991(**)
	Sig. (2-tailed)	0
Labour Wages	Pearson Correlation	0.695
	Sig. (2-tailed)	0.126
Technological Change	Pearson Correlation	0.426
	Sig. (2-tailed)	0.399
** Correlation is significant at the 0.01 level (2-tailed).		

The study findings show that international tea prices changes(r= 0.991) and foreign currency exchange rates(r=0.956) have the greatest influence on business sustainability. The two have strong positive correlations with business sustainability. Weather patterns and Labour Wages each had moderately strong positive correlation with business sustainability (r=0.695). Technological change, on the other hand, had a weak positive correlation of (r=0.426) with business sustainability. All the challenges have an influence on business sustainability but in varying degrees. The organizations therefore need to take mitigating measures, as far as they can, against each of them.

7.3 How the Firms seek to satisfy Customer Needs

In seeking to satisfy customer needs, the tea companies have limited options. 9 respondents (30 percent) each indicated that the most important options are improved quality of their product (so as to get better prices at the tea auction) and better distribution channels especially for the products that are privately sold, that is, not through the Mombasa auction. Eight (25 percent) cited product differentiation while only 4(15 percent) cited appropriate price. This is mainly attributed to the fact that tea prices at the auction are largely determined by the buyers and not the sellers (Table 3).

Table 3: Satisfaction of Customer needs

Option	**Frequency**	**Percent**
Product Differentiation	8	25
Appropriate Quality	9	30
Appropriate Price	4	15
Distribution Channels	9	30
Total	**30**	**100**

7.4 Envisaged Improvements to Working Methods and Systems

All the business units had certain intended changes to the methods and systems of work to be used to accomplish improvements to productivity. Nine respondents (30 percent) each cited training and HR development and Business Process Reengineering (BPR) as the most important ways to improve productivity. Eight (25 percent) cited technological change while 4 (15 percent) cited Business Process Outsourcing (BPO). This is an indicator that BPO as a method of reducing unproductive labour has not been fully embraced by these firms. The findings are presented in Table 4 below.

Table 4: How to Improve Working Methods and Systems

Way	**Frequency**	**Percent**
Training and HR Development	9	30
Business Process Reengineering	9	30
Business Process Outsourcing	4	15
Technological Change	8	25
Total	**30**	**100**

7.5 Ways of mitigating the challenges affecting successful strategy implementation.

From the findings presented in Table 4 below, 12 percent of the respondents strongly agreed that restricting strategies to the short term would mitigate the adverse effects of factors affecting strategy implementation while

76 percent agreed; 8 percent were undecided while 4 percent disagreed. Sixty percent of the respondents strongly agreed that flexible strategies, capable of being altered at short notice would reduce the adverse effects challenges affecting strategy implementation, 24 percent agreed, 10 percent were undecided while 6 percent disagreed. Three per cent of the respondents strongly agreed that ensuring the various strategies are integrated would mitigate the adverse effects of challenges affecting strategy implementation, 84 percent agreed, 10 percent were undecided while 3 per cent disagreed. Eight percent of the respondents strongly agreed that basing organizational strategy on emergent situations rather than having rigid strategies would reduce the adverse effects of challenges affecting strategy implementation, 84 percent agreed, and 4 percent were undecided while 4 percent disagreed. This finding is in agreement with Mintzberg and Waters' (1985) who conceive strategies as patterns in streams of actions and use and distinguish between intended and realized strategies. Intended strategies have to do with plans and intentions; realized strategies are those that, ex post, are seen to have happened. This is in line with what in this study, are referred to as emergent strategies. Finally, 2 percent of the respondents strongly agreed that having a multiplicity of strategies at the same time would lead to successful implementation, 4 percent agreed, 14 percent were undecided while 80 percent disagreed.

Table 5: Ways of mitigating the adverse factors affecting successful strategy implementation

Ways	Strongly Agree	Agree	Undecided	Disagreed
Short term strategies	4 (12%)	23(76%)	2(8%)	1(4%)
Flexible strategies	18(60%)	7(24%)	3(10%)	2(6%)
Strategic Integration	1(3%)	25(84%)	3(10%)	1(3%)
Emergent strategies	3(8%)	23(76%)	2(7%)	2(7%)
Multiple strategies	1(2%)	1(4%)	4(14%)	24(80%)

8. Conclusions and implications

Bennett (1999) argues that disorder and confusion are endemic to business situations; so that management should focus on the best means for responding to uncertainty and change. He sees management as unable to control long-term future activities because of the unpredictability of future environments. Among the transnational tea companies, the study found , dynamic forces, which are constantly pulling business in different directions and thereby affecting the implementation of chosen strategies, include, foreign exchange fluctuations, international tea price changes, weather patterns, unionisable worker wages and technological change. Due to these uncertainties, the study found that the planning horizon is best kept to the short to medium term, that is, three to five years. This finding is in agreement with (Tyson, 2006) who states that due to uncertainty in the economic, political and social environment, the planning horizon for most organizations has been shifting from five years down to three or even two years. Capital-intensive businesses will typically plan over a longer period than labour intensive businesses like tea growing and processing.

In addition to the above business strategies, the firms seek to satisfy customer needs majorly by appropriate quality of product and improvement of distribution channels (30 percent each) followed by product differentiation (25 percent) while appropriate pricing is the least important method because they mostly do not have a say in the price. The major avenues for seeking competitive advantage are therefore product quality, distribution channel (for tea not sold through the auction) and differentiation due to the fact that tea is by and large a homogeneous product.

Furthermore, all the firms indicated that they intend to continue to improve methods and systems of work in order to sustain productivity improvement. The methods of work will mostly be improved through training and HR development and Business Process Reengineering (30 percent each) and technological change (25 percent). Business Process Outsourcing is the least important method at 15 percent. The findings indicate a realization that HR development is at the core of gaining competitive advantage. These findings reinforce what Markowitsch, et al (2002) concluded, that is, that competition between companies and countries are no longer dominated by access to capital, equipment, systems or location. Increasingly, it is the capability of people to generate, share and deploy knowledge for value-adding purposes, which makes the difference. Among the intentions of BPR is coordinating functions in order to create a leaner, flatter and faster organization as well as eliminate unnecessary levels of work or non-value added activities (Malik, 2006). This is particularly important for the tea companies in the face of increasing costs of production. With the implementation of BPO, non-core staff are offloaded from the organization (Mellahi, Frynas and Finlay, 2005). With over 60 percent of their cost of production attributed to labour, these firms need to outsource more of their non-core activities so as to reduce their costs.

In order to improve the success of strategy implementation, the study established that strategies ought to be flexible so that they can quickly be reviewed in line with changing business conditions. The various strategies employed also need to be coherent with one another so that they can easily be implemented together without conflict. Strategies formulated for implementation over the immediate term of two to three years as well as making use of emergent rather than rigid strategies were found to be the other ways of mitigating the adverse effects visited on the firms by the volatile business environment. The study however found that using multiple business strategies does no ensure successful implementation.

References

Armstrong, M. (2009). *Armstrong's Handbook of Human Resource Management Practice*, (11th Edition), London: Kogan Page Limited.
Bennett, R. (1999). *Corporate Strategy*, London: Financial Times Management.
Haag, S., Cummmings, M. & McCubbrey, D. (2002) Management information systems for the information age. (3rd ed.) Boston: McGraw Hill.
Huysamen, G.K. (1991). *Sample Sizes in Locally Published Psychological research*, Pretoria: Academia.
Ivancevich, J.M. (2004). *Human Resource Management*, (9th Edition), New Delhi: Tata-Mcgraw-Hill.
Jackson, S. E. and Schuler, R. S. (2001*). Managing Human Resources through StrategicPartnership*, 8th Edition, Mason, Ohio, Thomson, South-western.
Johnson, B. and Christensen, L. (2008).*Educational Research, Quantitative, Qualitative and Mixed Approaches*, Third Edition, California, Sage Publications inc.
Kenya Institute For Public Policy Research and Analysis (KiPPRA). (2009), Kenya *Economic Report 2009, Building a Globally Competitive Economy.*
Kenya Vision 2030. (2007). *A Globally competitive and prosperous Kenya,*Government of Kenya, Nairobi.
Malik, F. (2006).*Effective Top Management: Beyond the failure of Corporate Governance and Shareholder Value*, Weinhein: Wiley-VCH.
Markowitsch, J., Kollinger, I., Warmerdam, J., Moerel, H., Konrad, J., Burel, C. and Guile, D (2002). Competence and human resource development in multinational companies in three European Union member states: A comparative analysis between Austria, the Netherlands and United Kingdom*, European Center for Development of Vocational Training.*
Mellahi, K., Frynas, J.G. and Finlay, P. (2005).*Global Strategic Management*, New York: Oxford University Press.
Mintzberg, H. (1994). *The Rise and Fall of Strategic Management*, New-Jersey: Prentice-Hall.
Mintzberg, H. and Waters, J. A. (*1985).* Of strategies, deliberate and emergent. *Strategic Management Journal, 6: 257–272.*
Mirvis, P.H. and Marks, M.L. (1992).*Rebuilding after the Merger: Organizational Dynamics,* New York: Prentice Hall.
Porter, M. (1998). Competitive strategy: Technologies for analyzing industries and competitors. New York: Free Press
Task Force Report on the Tea Industry (2007). Republic of Kenya, Ministry of Agriculture, Nairobi.
Thompson, A.A. and Strickland, A.J. (2003).*Strategic Management: Concepts and Cases*, 7th Edition, Boston, McGraw –Hill.
Tyson, S. (2006).*Essentials of Human Resource Management*, (5th Edition), Oxford : Elsevier.
Unctad (1994). Commodity Yearbook
White, C. (2007*). Strategic Management*, New York: Palgrave Macmillan.